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**建業地產股份有限公司 \***

**Central China Real Estate Limited**

*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 0832)

## **OVERSEAS REGULATORY ANNOUNCEMENT**

This overseas regulatory announcement is issued pursuant to Rule 13.10B of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Reference is made to the announcements of Central China Real Estate Limited (the “Company”) dated 8 June 2020 and 9 June 2020 in relation to the Notes Issue (the “Announcements”). Terms used herein have the same meaning as defined in the Announcements, unless otherwise defined.

Please refer to the attached offering memorandum (the “Offering Memorandum”) in relation to the Notes, which has been published on the website of Singapore Exchange Securities Trading Limited on 15 June 2020.

The posting of the Offering Memorandum on the website of the Stock Exchange is only for the purpose of facilitating equal dissemination of information to investors in Hong Kong and compliance with Rule 13.10B of the Listing Rules, and not for any other purposes.

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

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

By order of the Board  
**Central China Real Estate Limited**  
**Wu Po Sum**  
*Chairman*

Hong Kong, 16 June 2020

*As at the date of this announcement, the Board comprises nine Directors, of which Mr. Wu Po Sum, Mr. Liu Weixing, Mr. Wang Jun and Mr. Yuan Xujun are executive Directors, Mr. Lim Ming Yan and Ms. Wu Wallis (alias Li Hua) are non-executive Directors, Mr. Cheung Shek Lun, Mr. Xin Luo Lin and Dr. Sun Yuyang are independent non-executive Directors.*

\* For identification purposes only

## **IMPORTANT NOTICE**

### **(NOT FOR DISTRIBUTION IN THE UNITED STATES)**

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

**You acknowledge that the attached document and the information contained therein are strictly confidential and intended for you only.** You are not authorized to and you may not forward or deliver the attached document, electronically or otherwise, to any other person or reproduce such document in any manner whatsoever, nor may you disclose the information contained in the attached document to any third-party or use it for any other purpose. **Any forwarding, distribution, publishing or reproduction of the attached document in whole or in part or disclosure of any information contained therein or any use of such information for any other purpose is unauthorized.** Failure to comply with this directive may result in a violation of the securities laws of applicable jurisdictions.

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

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**CONFIRMATION OF YOUR REPRESENTATION:** IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED DOCUMENT, INVESTORS MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THE ATTACHED DOCUMENT ON THE BASIS THAT YOU HAVE CONFIRMED TO BNP PARIBAS, CITIGROUP GLOBAL MARKETS LIMITED, CHINA CITIC BANK INTERNATIONAL LIMITED, CREDIT SUISSE (HONG KONG) LIMITED, HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED, MERRILL LYNCH (ASIA PACIFIC) LIMITED, MORGAN STANLEY & CO. INTERNATIONAL PLC AND STANDARD CHARTERED BANK, (COLLECTIVELY THE "INITIAL PURCHASERS") THAT YOU (I) ARE OUTSIDE THE UNITED STATES AND, TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"), IN COMPLIANCE WITH REGULATION S; AND (II) CONSENT TO DELIVERY BY ELECTRONIC TRANSMISSION.

THIS DOCUMENT IS NOT A PROSPECTUS FOR THE PURPOSES OF THE EUROPEAN UNION'S REGULATION (EU) 2017/1129 (AND ANY AMENDMENTS THERETO) (THE "EU PROSPECTUS REGULATION"). THIS DOCUMENT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE SECURITIES MADE TO PERSONS IN THE EUROPEAN ECONOMIC AREA WILL BE MADE PURSUANT TO AN EXEMPTION UNDER THE EU PROSPECTUS REGULATION FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS IN CONNECTION WITH OFFERS OF THE SECURITIES

Prohibition of sales to EEA and UK retail investors – The securities described in the attached document are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or in the United Kingdom (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (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 securities described in the attached document or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the securities described therein or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

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 securities described in the attached document has led to the conclusion that: (i) the target market for the securities is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the securities described in the attached document to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending such securities (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 described in the attached document (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

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 UK'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 UK. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the UK who have professional experience in matters relating to investments and who fall within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order")), or who fall within Article 49(2)(a) to (d) of the Financial Promotion Order, or who are any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order (all such persons together being referred to as "relevant persons"). In the UK, 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 UK that is not a relevant person should not act or rely on the attached document or any of its contents.

**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).

If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

This document has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Initial Purchasers or any person who controls it or any of their respective directors, employees, representation or affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version.

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US\$400,000,000



建業地產

Central China Real Estate

**Central China Real Estate Limited***(incorporated in the Cayman Islands with limited liability)***7.65% Senior Notes due 2023****Issue Price: 99.543%**

Our 7.65% Senior Notes due 2023 (the “Notes”) will bear interest from June 15, 2020 at 7.65% per annum payable semi-annually in arrears on February 27 and August 27 of each year, commencing February 27, 2021, except for the first payment of interest, which will be made on February 27, 2021. The Notes will mature on August 27, 2023.

The Notes are senior obligations of the Company, guaranteed by certain of our existing subsidiaries (the “Subsidiary Guarantors”), other than those subsidiaries organized under the laws 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 on or after August 27, 2022, the Company may at its option redeem the Notes, in whole or in part, at a redemption price of 103.825% of the principal amount of the 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 August 27, 2022, we 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 107.65% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, we may at our option redeem the Notes, in whole but not in part, at any time prior to August 27, 2022, at a redemption price equal to 100% of the principal amount of the Notes plus 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 (1) senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes, (2) at least *pari passu* in right of payment against the Company with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law), (3) effectively subordinated to the other 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 (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined herein). 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 “Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral.”

For a more detailed description of the Notes, see the section entitled “Description of the Notes” beginning on page 194.

**Investing in the Notes involves risks. See the section entitled “Risk Factors” beginning on page 13.**

Approval in-principle has been received from 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 herein. 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) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

We have been assigned a long-term corporate credit rating of “B+” with a stable outlook by Standard & Poor’s Rating Services (“S&P”), a corporate family rating of “Ba3” with a stable outlook by Moody’s Investors Service (“Moody’s”) and a long-term foreign currency issuer default rating of “BB-” with a stable outlook by Fitch Ratings Inc. (“Fitch”). The Notes are expected to be rated “BB-” by Fitch. A rating is not a recommendation to buy, sell or hold securities, and we cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) (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 May 18, 2020 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within 10 PRC 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 United States Securities Act of 1933, as amended (the “Securities Act”). The Notes may not be offered, sold, pledged or otherwise transferred in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold by the Initial Purchasers (as defined herein) only outside the United States in compliance with Regulation S under the Securities Act. For a description of certain restrictions on resale or transfer, see the section entitled “Transfer Restrictions.”

The Notes will be evidenced by a global note (the “Global Note”) in registered form, which will be registered in the name of a nominee of, and deposited with a common depositary for, Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking S.A. (“Clearstream”). Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream and their respective accountholders. Except in the limited circumstances set out herein, individual certificates for Notes will not be issued in exchange for beneficial interests in the Global Certificate. It is expected that delivery of the Global Note will be made on June 15, 2020 or such later date as may be agreed by the Company and the Initial Purchasers (as defined below).

**Joint Bookrunners and Joint Lead Managers**

BNP PARIBAS	BofA Securities	Citigroup	China CITIC Bank International	Credit Suisse	Haitong International	Morgan Stanley	Standard Chartered Bank
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The date of this offering memorandum is June 8, 2020.

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## NOTICE TO INVESTORS

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

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

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 (the "UK"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (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.

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 Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

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



**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 STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY OVER-ALLOT NOTES OR EFFECT PURCHASES AND SALES OF 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 ENDED AT ANY TIME, BUT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE ALLOTMENT OF THE NOTES. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF SUCH INITIAL PURCHASER, AS STABILIZING MANAGER (OR ANY PERSON ACTING FOR IT) 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 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, 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.

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 by BNP Paribas, Citigroup Global Markets Limited, China CITIC Bank International Limited, Credit Suisse (Hong Kong) Limited, Haitong International Securities Company Limited, Merrill Lynch (Asia Pacific) Limited, Morgan Stanley & Co. International Plc and Standard Chartered Bank (collectively, the “Initial Purchasers”) or any of their affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future. The Initial Purchasers, to the fullest extent permitted by law, assume no responsibility for the accuracy or completeness of any such information or for any statement made or purported to be made by the Initial Purchasers or on our behalf in connection with the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors or the issue and offering of the Notes. The Initial Purchasers accordingly disclaim all and any liability whether arising in contract or tort or otherwise which they might otherwise have in respect of this offering memorandum or any such statement.

Each person receiving this offering memorandum acknowledges to us and the Initial Purchasers 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 or any person affiliated with the Initial Purchasers 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 (if any) (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.

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 sections entitled “Transfer Restrictions” and “Plan of Distribution” below.

This offering memorandum summarizes certain material documents and other information, and investors should refer to them for a more complete understanding of what is discussed 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. None of the Company, the Initial Purchasers or our or their respective directors or advisors are 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.



## **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 Central China Real Estate Limited itself, or to Central China Real Estate Limited and its consolidated subsidiaries, as the context requires.

Market data, industry forecast and the People’s Republic of China (“China” or 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 or their 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, 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”); references to “RMB” or “Renminbi” are to Renminbi, the official currency of the PRC; references to “S\$” and “Singapore dollars” are to Singapore dollars, the official currency of the Republic of Singapore (“Singapore”); and 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.”).

We prepare and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollars 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. dollars into U.S. dollars 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, together with all political subdivisions (including provincial, municipal and other regional or local governments) and instrumentalities thereof, or, where the context requires, any of them.

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

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. All site area and gross floor area (“GFA”) information presented in this offering memorandum represent the site area and GFA of the entire project, including those

attributable to the other shareholders or joint venture partners of our non-wholly owned project companies. We have excluded parking spaces in our calculation of GFA for our projects, unless otherwise noted. References to “sq.m.” are to the measurement unit of square meters.

References to “Hong Kong Stock Exchange” in this offering memorandum are to The Stock Exchange of Hong Kong Limited.

References to “Listing Rules” in this offering memorandum are to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended.

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 such 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.

References to “contracted sales” are to purchase price of formal purchase contracts we entered into with purchasers of our properties. We compile contracted sales information (including contracted average selling price and GFA) through our internal records, and such information has not been audited or reviewed by our auditors. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms, or subject to default by the relevant purchasers, they are not a guarantee of current or future contracted sales. Recipients should in no event treat such contracted sales information as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly recipients should not place undue reliance on this information.

The following terms used in this offering memorandum shall have the same meaning assigned to them:

<b>Term</b>	<b>Definitions</b>
“2009 Convertible Bonds with Warrants” . . . . .	the convertible bonds with a principal amount of HK\$765,000,000 due 2014 and 76,097,561 warrants issued by our Company on August 31, 2009, with the outstanding principal amount of the convertible bonds reduced to HK\$687,000,000 and the number of warrants reduced to 68,338,594 upon a partial redemption and surrender of warrants in November 2012, and the remaining convertible bonds and warrants were redeemed and surrendered in full in August 2014
“2010 Notes” . . . . .	the 12.25% senior notes due 2015 with an aggregate principal amount of US\$300,000,000, issued by our Company on October 20, 2010 and redeemed in full in June 2013
“2011 Rights Issue” . . . .	the rights issue of 428,000,000 shares of HK\$0.10 each in the proportion of 21.4 rights shares for every 100 ordinary shares at a subscription price of HK\$1.71 per rights share by our Company on June 28, 2011
“2012 ISDA Master Agreement” . . . . .	means the ISDA Master Agreement (2002) dated as of August 1, 2012 entered into between the Company and Nomura
“2012 Swap Transaction” . . . . .	means the swap transaction entered into between the Company and Nomura evidenced by a confirmation dated May 28, 2012, which supplement, form a part of, and is subject to the 2012 ISDA Master Agreement, which has been terminated on April 18, 2016

<b>Term</b>	<b>Definitions</b>
“2012 Notes” . . . . .	the 10.75% senior notes due 2016 with an aggregate principal amount of S\$175,000,000, issued by our Company on April 18, 2012 and redeemed in full in April 2016
“2013 Term Loan Facility” . . . . .	means the HK\$780,000,000 and US\$25,000,000 dual tranche term facility granted to the Company pursuant to a facility agreement dated October 18, 2013, entered into between the Company and a number of lenders, including The Bank of East Asia, Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, DBS Bank Ltd., Hong Kong Branch, Hang Seng Bank Limited and The Hongkong and Shanghai Banking Corporation Limited, which was fully repaid on June 29, 2015
“2014 Notes” . . . . .	the 6.5% senior notes due 2017 with an aggregate principal amount of S\$200,000,000, issued by our Company on May 26, 2014 and redeemed in full in May 2017
“2015 Notes” . . . . .	the 8.75% senior notes due 2021 with an aggregate principal amount of US\$300,000,000, issued by our Company on April 23, 2015
“2016 ISDA Master Agreement” . . . . .	means the ISDA Master Agreement (2002) dated as of November 14, 2016, together with a confirmation dated as of December 5, 2016, entered into between the Company and Morgan Stanley & Co. International plc
“2016 Notes” . . . . .	the Original 2016 Notes and the Additional 2016 Notes
“2016 Swap Transaction” . . . . .	means the swap transaction entered into between the Company and Morgan Stanley & Co. International plc, evidenced by a confirmation dated December 5, 2016, which supplement, form a part of, and is subject to the 2016 ISDA Master Agreement
“2017 Facility” . . . . .	means the US\$150,000,000 facility granted to the Company pursuant to a facility agreement dated March 28, 2017, entered into between, among others, the Company, the Subsidiary Guarantors, a number of lenders and Bank of China (Hong Kong) Limited as the facility agent, which was fully repaid on July 12, 2019
“Additional 2016 Notes” . . . . .	the 6.75% senior notes due 2021 with an aggregate principal amount of US\$200,000,000, issued by our Company on October 8, 2019 which were consolidated and formed a single class with the 2016 Notes
“Additional March 2018 Notes” . . . . .	the 6.5% senior notes due 2021 with an aggregate principal amount of US\$100,000,000, issued by our Company on April 30, 2019 which were consolidated and formed a single class with the Original March 2018 Notes
“April 2018 Notes” . . . . .	the 6.875% senior notes due 2020 which includes the original notes with an aggregate principal amount of US\$300,000,000 issued by our Company on April 23, 2018 and the additional notes with an aggregate principal amount of US\$86,000,000 issued by our Company on June 5, 2018 which were consolidated and formed a single class with the original notes

<b>Term</b>	<b>Definitions</b>
“April 2019 Notes” . . . . .	the 7.25% senior notes due 2023 with an aggregate principal amount of US\$300,000,000, issued by our Company on April 24, 2019
“August 2019 Notes” . . . . .	the 6.875% senior notes due 2022 with an aggregate principal amount of US\$300,000,000, issued by our Company on August 8, 2019
“Bridge Trust” . . . . .	Bridge Trust Co., Ltd.
“CapitaLand” . . . . .	CapitaLand Limited
“CapitaLand China” . . . . .	CapitaLand China Holdings Pte Ltd.
“CapitaLand Cayman” . . . . .	CapitaLand LF (Cayman) Holdings Co., Ltd.
“CBRC” . . . . .	China Banking Regulatory Commission which has been reorganized as China Banking and Insurance Regulatory Commission
“CCRE China” . . . . .	Central China Real Estate Group (China) Company Limited (建業住宅集團(中國)有限公司)
“certificate of completion” . . . . .	construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities or equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection
“construction land planning permit” . . . . .	the construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China
“construction permit” . . . . .	construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China
“construction works planning permit” . . . . .	the construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China
“Corporate Bonds” . . . . .	the 6.0% first tranche domestic corporate bonds due 2021 issued on April 13, 2016 by CCRE China in the aggregate principal amount of RMB3,000,000,000 and the 7.5% domestic corporate bonds due 2022 issued on July 23, 2019 by CCRE China in the aggregate principal amount of RMB1,500,000,000
“Existing Notes” . . . . .	the 2015 Notes, the 2016 Notes, the March 2018 Notes, the April 2018 Notes, the April 2019 Notes, August 2019 Notes, the November 2019 Notes, the January 2020 Notes and the February 2020 Notes
“Existing Pari Passu Secured Indebtedness” . . . . .	the Indebtedness of the Company or a Subsidiary Guarantor outstanding on the date of the Indenture (other than the Notes), that is secured by the Collateral and subject to the Intercreditor Agreement
“February 2020 Notes” . . . . .	the 6.875% senior notes due 2021 with an aggregate principal amount of US\$300,000,000, issued by our Company on February 12, 2020

<b>Term</b>	<b>Definitions</b>
“GFA” . . . . .	gross floor area
“Henan” . . . . .	Henan Province, PRC
“January 2013 Notes” . . .	the 8.0% senior notes due 2020 with an aggregate principal amount of US\$200,000,000, issued by our Company on January 28, 2013 and redeemed in full in May 2019
“January 2020 Notes” . . .	the 7.25% senior notes due 2024 with an aggregate principal amount of US\$200,000,000, issued by our Company on January 16, 2020
“July 2017 Notes” . . . . .	the 6.0% senior notes due 2018 with an aggregate principal amount of US\$200,000,000, issued by our Company on July 18, 2017 and redeemed in full in July 2018
“land grant contract” . . . .	the state-owned land use rights grant contract ( 國有土地使用權出讓合同 ) between a developer and the relevant PRC governmental land administrative authorities, typically the local state-owned land bureaus
“land use rights certificate” . . . . .	the state-owned land use rights certificate ( 國有土地使用權證 ) or real estate certificate ( 不動產權證 ) issued by a local real estate and land resources bureau with respect to the land use rights
“March 2018 Notes” . . . . .	the Original March 2018 Notes and the Additional March 2018 Notes
“May 2018 Notes” . . . . .	the 6.50% senior notes due 2020 with an aggregate principal amount of US\$150,000,000 issued by our Company on May 2, 2018 and redeemed in full upon maturity on May 2, 2020
“Nomura” . . . . .	Nomura International plc
“November 2019 Notes” . . .	the 7.9% senior notes due 2023 with an aggregate principal amount of US\$200,000,000 issued by the Company on November 7, 2019
“Original 2016 Notes” . . . .	the 6.75% senior notes due 2021 with an aggregate principal amount of US\$200,000,000 issued by our Company on November 8, 2016
“Original March 2018 Notes” . . . . .	the 6.50% senior notes due 2021 with an aggregate principal amount of US\$300,000,000 issued by our Company on March 5, 2018
“pre-sale permit” . . . . .	commodity property pre-sale permit ( 商品房預售許可證 ) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties
“property ownership certificate” . . . . .	the property ownership certificate ( 房屋所有權證 ) or real estate certificate ( 不動產權證 ) issued by a local real estate and land resources bureau with respect to the ownership rights of the buildings on the relevant land

## FORWARD-LOOKING STATEMENTS

This offering memorandum includes “forward-looking statements.” All statements other than statements of historical fact contained in this offering memorandum, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “may,” “will,” “should,” “could,” “would,” “expect,” “intend,” “plan,” “anticipate,” “going forward,” “ought to,” “seek,” “project,” “forecast,” “believe,” “estimate,” “predict,” “potential” or “continue” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our business and operating strategies;
- our capital expenditure 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;
- our financial condition and results of operations;
- availability and costs of bank loans and other forms of financing;
- our dividend policy;
- 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 region where we operate, which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of, and demand for, our property development projects;
- ability to obtain in a timely manner 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;
- relationship with our joint venture partners;
- occurrences of catastrophes such as fires, floods, windstorms, earthquakes, or other adverse weather conditions, diseases or natural disasters;
- changes in currency exchange rates; and
- other factors beyond our control.

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

## 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 and Hong Kong. The Cayman Islands, the British Virgin Islands, Hong Kong and other jurisdictions have different bodies of securities laws from the United States and protections for investors may differ.

All of our assets and all of the assets of the Subsidiary Guarantors are, and all or some of the assets of the JV Subsidiary Guarantors (if any) may be, located outside the United States. In addition, all of our directors and officers and the directors and officers of the Subsidiary Guarantors are, and all or some of the directors and officers of the JV Subsidiary Guarantors (if any) 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 located or may be located, as the case may be, 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 Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) or such directors and officers or to enforce against us, any of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) 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 the 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, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) 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, the Subsidiary Guarantors or the JV Subsidiary Guarantors (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.

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

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

Conyers Dill & Pearman, our British Virgin Islands legal advisor, has advised that it is doubtful whether the courts in the British Virgin Islands will enforce judgments obtained in the United States, against us or our directors or officers under the securities laws of the United States or entertain actions in the British Virgin Islands against us or our directors or officers under the securities laws of the United States.

We have been further advised by Conyers Dill & Pearman, that the courts of the British Virgin Islands would recognize as a valid judgment, a final and conclusive judgment *in personam* obtained in the United States courts against us under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) 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.

We have been advised by our Hong Kong legal advisor, Li & Partners, that 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 then seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign judgment is for a debt or 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;
- (c) is contrary to public policy or natural justice;
- (d) is for penal damages;
- (e) is based on foreign penal, revenue or other public law;
- (f) falls within section 3(1) of the Foreign Judgment (Restriction on Recognition and Enforcement) Ordinance; or
- (g) is inconsistent with a prior Hong Kong judgment or foreign judgment which is entitled to recognition in Hong Kong.

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

## **PRESENTATION OF FINANCIAL INFORMATION**

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which differ in certain material respects from generally accepted accounting principles (“GAAP”) in certain other countries, including the United States. There are no material differences, however, between HKFRS and International Financial Reporting Standards. We have not identified the differences between HKFRS and those generally accepted accounting principles in other countries, nor have we quantified the effect of applying those generally accepted accounting principles to our financial statements. In making an investment decision, investors must make their own judgment in assessing our financial statements. You should consult your own professional advisors for an understanding of the differences between HKFRS and generally accepted accounting principles in other countries and how such differences might affect our financial statements and your investment in the Notes.

## 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 the leading residential property developer in Henan based on a number of factors including scale, profitability, financial stability and growth potential. See “Business – Awards and Certificates.” With an operating history of 28 years in property development in Henan, we have established a well-recognized brand in Henan’s residential property market and completed an aggregate GFA of approximately 36.6 million sq.m. between 1992 and December 31, 2019. Leveraging our experience and brand reputation, we have expanded into 122 cities across Henan, including all 18 prefecture-level cities and 104 county-level cities, as of December 31, 2019.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan’s strong economic growth and significant increase in urbanization. Henan is one of China’s most populous provinces by number of registered residents according to the National Bureau of Statistics of China, with approximately 109.5 million registered residents as of December 31, 2019. From 2008 through 2019, Henan’s GDP grew from RMB1,801.9 billion to RMB5,425.9 billion, representing a CAGR of 10.5%. From 2008 to 2019, Henan’s urbanization rate also grew significantly by 17.2 percentage points, from 36.0% to 53.2%, which was yet at a level considerably below the national urbanization rate of 60.6% in 2019, leaving room for further growth in urbanization in Henan.

We believe Henan is a substantially end-user driven residential property market, which helps contribute to greater stability in pricing and sales volume, less exposure to cyclicalities and policy changes compared to many other provinces, particularly when the PRC government introduces policies aimed at curbing speculation in the residential property market. The majority of our residential properties are sold to end-users who are either first-time buyers or homeowners seeking an upgraded residence. Our residential properties are targeted at mid to high-income customers. To cater to the diverse needs of our target customers, our projects are typically integrated residential complexes offering a combination of products, ranging from townhouses to low-rise and high-rise apartment buildings, with retail and other commercial facilities, community facilities and scenic surroundings.

Since our inception and up until December 31, 2019, we had completed an aggregate GFA of approximately 36.6 million sq.m. (including GFA which had been sold). As of December 31, 2019, we had a total of 211 projects in Henan and three projects in Hainan in various stages of development, including an aggregate planned total GFA of approximately 30.2 million sq.m. of properties under development and an aggregate planned total GFA of approximately 20.7 million sq.m. of properties held for future development for which we had obtained land use rights certificates.

We intend to continue to execute our provincial and regional strategy on the Henan market by further solidifying our leading position in Henan’s residential property market and leveraging our local knowledge and market reputation to expand our business in Henan. We plan to continue to focus on developing medium to large-scale residential communities in major prefecture-level cities. We believe these will allow us to capture the economic growth in Henan and to geographically broaden our revenue base. In addition, in the second half of 2015, we launched a light-asset development strategy based on our study and evaluation of the real estate development industry. As of December 31, 2019, we have entered into 163 management entrustment arrangements to develop, operate and manage real estate projects of third parties, or light-asset model projects, with total planned GFA of approximately 23.94 million sq.m. We intend to continue engaging in such light-asset strategy to further capitalize on our brand value and diversify our income sources. See “Business – Management Entrustment Arrangements.”

For the years ended December 31, 2017, 2018 and 2019, our revenue was RMB13,879.2 million, RMB14,783.5 million and RMB30,766.7 million (US\$4,419.4 million), respectively, and our net profit attributable to equity holders of our Company was RMB811.4 million, RMB1,154.3 million and RMB2,015.1 million (US\$289.5 million), respectively. We have also achieved contracted sales of RMB71,801 million (US\$10,313.6 million) in 2019, representing an increase of 33.8% as compared to 2018. In 2019, our contracted sales GFA was 9.2 million sq.m. and our contracted average selling price was RMB7,811 per sq.m.

### **Recent Developments**

Subsequent to December 31, 2019 we have acquired the following land parcels:

<u>Date of acquisition</u>	<u>Location</u>	<u>Attributable interest</u>	<u>Planned total GFA (sq.m.)</u>	<u>Consideration (RMB Mn)</u>	<u>Average GFA land cost (RMB/sq.m.)</u>	<u>Type <sup>(1)</sup></u>
January 2020	Luoyang	100%	244,487	556	2,274	R, C, K
January 2020	Luoyang	61%	241,704	336	2,281	R, C, K
January 2020	Xinxiang	100%	91,380	70	766	R, C, K
January 2020	Zhoukou	99%	644,427	708	1,109	R, C, K
January 2020	Zhumadian	51%	222,489	114	1,008	R, K
January 2020	Hebi	100%	144,497	93	646	R, C, K
January 2020	Shangqiu	51%	415,000	127	599	R, C, K
January 2020	Kaifeng	64%	23,970	47	3,066	C
February 2020	Anyang	30%	82,651	59	2,357	R, K
March 2020	Sanmenxia	30%	213,631	28	373	R, C, K
Total			<u>2,324,236</u>	<u>2,138</u>		

*Note:*

(1) Property type includes Commercial “C”, Residential “R” and Carpark “K”.

### **Issuance of the January 2020 Notes**

On January 16, 2020, we issued 7.25% senior notes due 2025 in an aggregate principal amount of US200.0 million.

### **Entrance into an Equity Transfer Agreement**

On January 17, 2020, Shanghai Yujin Investment Consulting Co., Ltd. (上海豫進投資諮詢有限公司) (“Shanghai Yujin”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Guangzhou R&F Properties Co., Ltd. (廣州富力地產股份有限公司) (“Guangzhou R&F”) and Central China R&F Investment Co., Ltd. (河南建業富居投資有限公司) (“Central China R&F”) pursuant to which Shanghai Yujin has agreed to acquire 10% equity interest in Central China R&F from Guangzhou R&F and the creditor’s rights of RMB262,326,648.32 owned by Guangzhou R&F, for a total consideration of RMB1 billion. Upon completion, Shanghai Yujin will own 55% of the equity of Central China R&F, and Central China R&F will become an indirect non-wholly owned subsidiary of the Company from a jointly controlled entity of the Company.

### **Issuance of the February 2020 Notes**

On February 12, 2020, we issued 6.875% senior notes due 2021 in an aggregate principal amount of US300.0 million.

### **Provision of Corporate Guarantee**

On February 13, 2020, the Company and some of its subsidiaries entered into the acquisition agreement with Jiayao (International) Investment Co., Ltd. (與嘉耀(國際)投資有限公司) (“Jiayao”) and China Ping An Insurance Overseas (Holdings) Co., Ltd. (中國平安保險海外(控股)有限公司) (“Ping An”) pursuant to which Jiayao agreed to issue, and Ping An agreed to subscribe for and pay or cause to subscribe for and pay, 6.875% secured bonds of in an aggregate principal amount of US\$203 million, while the Company and some of its subsidiaries agree to provide a guarantee in favor of the trustee,



Deutsche Trust (Hong Kong) Limited, as a collateral for Jiayao's performance obligations under the bonds, trust deed and agency agreements. The Company will charge 1.5% of the total principal of the bonds as the annual guarantee fee.

On June 5, 2020, Henan CCRE Huayi Brothers Culture Tourism Industry Company Limited (河南建業華誼兄弟文化旅遊產業有限公司)(the "Project Company"), a company incorporated under the laws of the PRC with limited liability, and a jointly-controlled entity held as to 65% by CCRE China, entered into a loan agreement (the "Loan Agreement") with Zhengzhou Branch of China Guangfa Bank Co., Ltd. ("CGB"), a company incorporated in the PRC with limited liability. Pursuant to the Loan Agreement, CGB granted a loan to the Project Company in the amount of RMB700,000,000. On the same date, our indirectly wholly owned subsidiary, Central China Real Estate Group (China) Company Limited (建業住宅集團(中國)有限公司)("CCRE China"), entered into a guarantee agreement with CGB. Pursuant to such agreement, CCRE China agreed to provide a guarantee in favor of CGB as security for the repayment obligations of the Project Company in respect of the loan under the Loan Agreement. Meanwhile, the Project Company also entered into a guarantee agreement with CGB and pledged its projects under construction, whose book value was approximately RMB482 million as of May 31, 2020, as security to guarantee its repayment obligations under the Loan Agreement.

#### ***The recent Coronavirus epidemic 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 6.5 million cases have been confirmed worldwide. China and other countries had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. Henan Province was one of the heavily affected areas in China, and our operations had been adversely affected. 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, as the effect of the Pandemic is seemingly starting to ease, 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. 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. Our business, financial conditions and results of operations may be materially and adversely affected primarily due to the delay in construction and delivery of certain properties as a result of the impact of COVID-19. For details, please see "Risk Factors – Risks Relating to our Business – Any future occurrence of natural disasters or outbreaks of contagious diseases in China may have a material adverse effect on our business operations, financial condition and results of operations."

#### **General Information**

We were incorporated in the Cayman Islands on November 15, 2007, as an exempted company with limited liability. Our shares have been listed on the Hong Kong Stock Exchange since June 6, 2008 under stock code 832. Our principal place of business in the PRC is located at Block E, Jianye Office Building, Nongye East Road, Zhengzhou City, Henan Province, the PRC. Our place of business in Hong Kong is located at Room 7701B-7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our website is [www.jianye.com.cn](http://www.jianye.com.cn). Information contained on our website does not constitute part of this offering memorandum.

## SUMMARY OF THE OFFERING

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

Issuer . . . . .	Central China Real Estate Limited (the “Company”).
Notes Offered . . . . .	US\$400,000,000 aggregate principal amount of 7.65% Senior Notes due 2023 (the “Notes”).
Offering Price . . . . .	99.543% of the principal amount of the Notes.
Maturity . . . . .	August 27, 2023.
Interest . . . . .	The Notes will bear interest from and including June 15, 2020 at the rate of 7.65% per annum, payable semi-annually in arrears, except for the first payment of interest which will be paid on February 27, 2021.
Interest Payment Dates . . .	February 27 and August 27 each year, commencing February 27, 2021.
Ranking of the Notes . . .	<p>The Notes are:</p> <ul style="list-style-type: none"> <li>• general obligations of the Company;</li> <li>• senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;</li> <li>• at least <i>pari passu</i> in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);</li> <li>• guaranteed by the Subsidiary Guarantors on a senior basis, subject to certain limitations described under the caption “Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Collateral” and “Description of the Notes – The Subsidiary Guarantees” and JV Subsidiary Guarantees;</li> <li>• effectively subordinated to the other secured obligations (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefore (other than the Collateral); and</li> <li>• effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.</li> </ul> <p>After the extension of the security interests over the Collateral by the Company and the Subsidiary Guarantor Pledgors to secure the Notes and the Subsidiary Guarantees and subject to certain limitations described under “Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees and Collateral,” the Notes will:</p> <ul style="list-style-type: none"> <li>• be entitled to a first priority lien on the Collateral pledged by the Company and the Subsidiary Guarantor Pledgors (subject to any Permitted Liens and <i>pari passu</i> sharing);</li> </ul>

- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law); and
- rank effectively senior in right of payment to unsecured obligations of the Subsidiary Guarantor Pledgors with respect to the value of the Collateral pledged by each Subsidiary Guarantor Pledgor securing the Notes (subject to 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 – The Subsidiary Guarantees and JV Subsidiary Guarantees – 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.

All of the initial Subsidiary Guarantors are holding companies that do not have significant operations or real property assets. See “Risk Factors – Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees 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.”

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Listed Subsidiaries or Exempted Subsidiaries) to 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; provided that, after taking into account the consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized under laws outside the PRC (other than Listed Subsidiaries and Exempted Subsidiaries) that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors do not account for more than 25% of the Total Assets.

Ranking of Subsidiary  
Guarantees . . . . .

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

After the extension of the security interests over the Collateral (as described below) by the Company and the Subsidiary Guarantor Pledgors, the Subsidiary Guarantees of each Subsidiary Guarantor Pledgor:

- will be entitled to a first ranking security interest in the Collateral pledged by such Subsidiary Guarantor Pledgor (subject to any permitted liens and *pari passu* sharing); 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.

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

Ranking of JV Subsidiary  
Guarantees . . . . .

A JV Subsidiary Guarantee may be provided by a Restricted Subsidiary in lieu of a Subsidiary Guarantee following a sale or issuance of shares by the Company or any of its Restricted Subsidiaries of Capital Stock in such Restricted Subsidiary, where such sale is for no less than 20% and no more than 49.9% of the issued Capital Stock of such Restricted Subsidiary or following a purchase by the Company or any of its Restricted Subsidiaries of no less than 50.1% of the Capital Stock of an independent third party, which becomes a Restricted Subsidiary after the purchase. 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 be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefore (other than the Collateral);

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

Security to be Granted . . . The Company has extended or caused the initial Subsidiary Guarantor Pledgors to extend, as the case may be, the benefit of the security interests created over the capital stock of all of the initial Subsidiary Guarantors owned by the Company or the Subsidiary Guarantor Pledgors (the “Collateral”) to the holders in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee.

The Collateral will be shared on a *pari passu* basis by the holders of the Notes, the holders of other secured indebtedness including the Existing Notes. 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 Collateral securing the Notes and the Subsidiary Guarantees may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each Subsidiary Guarantor Pledgor may incur Permitted *Pari Passu* Secured Indebtedness which would be secured by the Collateral on a *pari passu* basis with the Notes and the Subsidiary Guarantees. See “Description of the Notes – Security.”

Intercreditor Agreement. . . The Trustee will, on the date the Notes are issued, accede to an intercreditor agreement dated October 20, 2010 entered into by, among others, the Company, the Subsidiary Guarantor Pledgors, the Global Security Agent, and each trustee for each series of Existing Notes. This agreement provides that the security interests created over the Collateral will be shared on a *pari passu* basis among (i) the holders of the Notes, (ii) the holders of each series of the Existing Notes and (iii) the holders of any Permitted *Pari Passu* Secured Indebtedness (as defined herein), if any, incurred after the date thereof.

Use of Proceeds . . . . . The Company intends to use the net proceeds of the offering of the Notes, after deducting commission and other expenses, to refinance the existing medium to long term offshore indebtedness which will become due within one year.

Optional Redemption . . . . At any time and from time to time on or after August 27, 2022, the Company may at its option redeem the Notes, in whole or in part, at a redemption price of 103.825% of the principal amount of the 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 August 27, 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 107.65% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to August 27, 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, as set forth in “Description of the Notes – Optional Redemption.”

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 a description of certain factors relating to clearance and settlement, see “Description of the Notes – Book-Entry; Delivery and Form.”
Delivery of the Notes . . .	The Company expects to make delivery of the Notes, against payment in same-day funds on or about June 15, 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.”
Trustee . . . . .	DB Trustees (Hong Kong) Limited
Paying and Transfer Agent	Deutsche Bank AG, Hong Kong Branch
Note Registrar . . . . .	Deutsche Bank Luxembourg S.A.
Global Security Agent . . .	Deutsche Bank Trust Company Americas
Common Depository . . . .	Deutsche Bank AG, London Branch
Listings . . . . .	Approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, 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.
Rating . . . . .	The Notes are expected to be rated “BB-” by Fitch. A rating is not a recommendation to buy, sell or hold securities, and we cannot assure you that such rating will be confirmed or it will not be adversely revised or withdrawn either.
Governing Law . . . . .	The Notes and the Indenture 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 INFORMATION

The following tables present our summary financial information. The summary consolidated financial information as of and for each of the years ended December 31, 2017, 2018 and 2019 (except for EBITDA and EBITDA margin data and amounts presented in U.S. dollars) has been derived from our published audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019 included in this offering memorandum. Our financial statements have been prepared and presented in accordance with HKFRS. There are certain new HKFRS and amendments to HKFRS adopted by the Company since January 1, 2019. In preparing the consolidated financial statements of the Company as of and for the year ended December 31, 2019, our Group has adopted HKFRS 16, *Leases*, and has elected to use the modified retrospective approach, which recognized the cumulative effect of the initial application as an adjustment to the opening balance of equity as at January 1, 2019. Therefore, the consolidated financial statements of Company as of and for the year ended December 31, 2019 may not be comparable to the audited consolidated financial statements as of and for the years ended December 31, 2017 and 2018. In preparing the consolidated financial statement of the Company as of and for the year ended December 31, 2018, the Group has adopted HKFRS 9, Financial Instruments and HKFRS 15, Revenue for Contract with Customers and has not restated prior years' consolidated financial statements. Therefore, the consolidated financial statements of the Company as of and for the year ended December 31, 2018 may not be comparable to the audited consolidated financial statements as of and for the year ended December 31, 2017.

The summary financial information 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 to those statements included elsewhere in this offering memorandum.

## Summary Consolidated Income Statement and Other Financial Data

	For the year ended December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)
Revenue	13,879,207	14,783,480	30,766,698	4,419,360
Cost of sales	(10,598,430)	(9,692,377)	(22,761,356)	(3,269,464)
Gross profit	3,280,777	5,091,103	8,005,342	1,149,895
Other revenue	155,437	234,854	262,766	37,744
Other net income	258,358	64,192	799,526	114,845
Selling and marketing expenses	(697,149)	(1,188,393)	(1,901,334)	(273,110)
General and administrative expenses	(1,087,227)	(1,552,404)	(1,721,783)	(247,319)
Impairment losses on trade and other receivables, and contract assets	—	(54,623)	(169,642)	(24,368)
Profit from operations	1,910,196	2,594,729	5,274,875	757,688
Share of profits less losses of associates	(4,422)	(17,905)	(33,918)	(4,872)
Share of profits less losses of joint ventures	198,943	15,638	177,868	25,549
Finance costs	(408,051)	(226,152)	(395,249)	(56,774)
Profit before change in fair value of investment properties and income tax	1,696,666	2,366,310	5,023,576	727,592
Net valuation gains on investment property	243,400	605,673	92,773	13,326
Profit before taxation	1,940,066	2,971,983	5,116,349	734,918
Income tax	(1,040,784)	(1,556,860)	(2,700,827)	(387,950)
Profit for the year	899,282	1,415,123	2,415,522	346,968
Attributable to:				
Equity shareholders of the Company	811,365	1,154,262	2,015,064	289,446
Non-controlling interests	87,917	260,861	400,458	57,522
Profit for the year	899,282	1,415,123	2,415,522	346,968
Earnings per share				
– Basic (RMB/US\$ cents)	33.19	44.30	73.75	10.59
– Diluted (RMB/US\$ cents)	32.95	43.51	72.34	10.39
Other financial data				
EBITDA <sup>(1)</sup>	2,856,450	4,493,683	9,233,044	1,326,244
EBITDA margin <sup>(2)</sup>	20.6%	30.4%	30.0%	30.0%

### Notes:

(1) EBITDA consists of profit before interest income, income tax expense, depreciation and amortization, gross finance costs, net (decrease)/increase in fair value of investment properties and profit attributable to non-controlling interests. Gross finance costs represented our finance costs with “net change in fair value of derivatives” excluded and “borrowings costs capitalised into properties under development” added back. 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. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled “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. Interest expense excludes amounts capitalized. See the section entitled “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 Statement of Financial Position Data

	As of December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	3,793,340	4,808,494	5,343,435	767,536
Investment property . . . . .	1,297,000	2,916,000	3,212,830	461,494
Intangible assets . . . . .	204,300	518,008	—	—
Biological assets . . . . .	—	203,946	245,349	35,242
Interests in associates . . . . .	536,549	449,913	310,518	44,603
Interests in joint ventures . . . . .	9,026,377	9,915,331	9,533,912	1,369,461
Other financial assets . . . . .	486,366	651,865	1,425,571	204,770
Deferred tax assets . . . . .	100,742	248,318	412,877	59,306
	<u>15,444,674</u>	<u>19,711,875</u>	<u>20,484,492</u>	<u>2,942,413</u>
<b>Current assets</b>				
Trading securities . . . . .	97,105	82,775	70,596	10,140
Biological assets . . . . .	—	32,778	42,643	6,125
Inventories and other contract costs . . . . .	24,341,214	50,315,979	69,992,554	10,053,801
Contract assets . . . . .	—	137,691	214,828	30,858
Trade and other receivables . . . . .	1,664,421	2,577,140	4,435,453	637,113
Deposits and prepayments . . . . .	6,554,002	9,161,824	15,146,290	2,175,628
Tax recoverable . . . . .	1,016,854	2,160,457	2,795,431	401,539
Restricted bank deposits . . . . .	2,125,062	3,579,597	8,077,443	1,160,252
Cash and cash equivalents . . . . .	11,283,853	14,202,259	22,707,659	3,261,751
	<u>47,082,511</u>	<u>82,250,500</u>	<u>123,482,897</u>	<u>17,737,209</u>
<b>Current liabilities</b>				
Bank loans . . . . .	450,118	1,756,130	3,734,424	536,416
Other loans . . . . .	90,000	593,150	2,437,022	350,056
Trade and other payables . . . . .	22,034,089	28,924,187	43,615,817	6,265,020
Receipts in advance . . . . .	15,087,593	—	—	—
Contract liabilities . . . . .	—	40,829,626	52,954,902	7,606,496
Corporate bonds . . . . .	—	2,996,760	1,489,608	213,969
Senior notes . . . . .	3,890,692	—	4,857,923	697,797
Lease liabilities . . . . .	—	—	54,268	7,795
Taxation payable . . . . .	1,116,940	833,264	1,153,501	165,690
	<u>42,669,432</u>	<u>75,933,117</u>	<u>110,297,465</u>	<u>15,843,240</u>
<b>Net current assets</b> . . . . .	<u>4,413,079</u>	<u>6,317,383</u>	<u>13,185,432</u>	<u>1,893,969</u>
Total assets less current liabilities . . . . .	<u>19,857,753</u>	<u>26,029,258</u>	<u>33,669,924</u>	<u>4,836,382</u>
<b>Non-current liabilities</b>				
Bank loans . . . . .	3,437,460	4,074,351	3,504,035	503,323
Other loans . . . . .	210,000	240,030	850,325	122,142
Trade and other payables . . . . .	58,302	—	—	—
Corporate bonds . . . . .	4,518,961	—	1,499,870	215,443
Senior notes . . . . .	2,986,914	10,190,829	13,117,418	1,884,199
Lease liabilities . . . . .	—	—	481,508	69,164
Deferred tax liabilities . . . . .	172,947	1,254,264	1,614,447	231,901
	<u>11,384,584</u>	<u>15,759,474</u>	<u>21,067,603</u>	<u>3,026,172</u>
<b>NET ASSETS</b> . . . . .	<u>8,473,169</u>	<u>10,269,784</u>	<u>12,602,321</u>	<u>1,810,210</u>
<b>CAPITAL AND RESERVES</b>				
Share capital . . . . .	216,916	239,958	240,662	34,569
Reserves . . . . .	7,477,757	8,597,132	9,477,363	1,361,338
<b>Total equity attributable to equity shareholders of the Company</b> . . . . .	<u>7,694,673</u>	<u>8,837,090</u>	<u>9,718,025</u>	<u>1,395,907</u>
Non-controlling interests . . . . .	778,496	1,432,694	2,884,296	414,303
<b>TOTAL EQUITY</b> . . . . .	<u>8,473,169</u>	<u>10,269,784</u>	<u>12,602,321</u>	<u>1,810,210</u>

## RISK FACTORS

*You should carefully consider the risks and uncertainties described below and other information contained in this offering memorandum before making an investment decision in relation to the Notes. The risks and uncertainties described below may not be the only ones that exist. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, prospects, financial condition or results of operations. If any of the possible events described below occur, our business, prospects, financial condition or results of operations could be materially and adversely affected and the market price of the Notes may decline. 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**

***We rely heavily on the performance of the property market in Henan.***

Most of our past, current and planned property development projects are located in China's Henan. As of December 31, 2019, we had land reserves in Henan, including properties under development and properties held for future development, with an aggregate planned GFA of approximately 50.9 million sq.m. Because we intend to continue to focus our efforts in Henan, we will continue to depend heavily on the growth and performance of Henan's property market. Market demand for residential and commercial properties in Henan may be affected by various factors, including the regional economic environment and any macroeconomic control measures or other regulatory initiatives implemented by the provincial or the central governments. The property market in Henan is mainly driven by demand from end-users (as opposed to investment demand) and major indicators of Henan's property market lag significantly behind national averages. We cannot assure you that demand for new properties in Henan will continue to grow or will not decrease. Decreased demand is likely to affect the selling price of our properties as well as the time it will take us to pre-sell or sell the properties we have developed. Lower selling price, without a corresponding decrease in costs, will adversely affect our gross profit and reduce cash flows generated from the sale of our properties, which may increase our reliance on external financing and negatively impact our ability to finance the growth of our business. A prolonged selling period will increase our selling and distribution costs as well as reduce the cash flows generated from the sale of our properties, which could have a material adverse effect on our business, prospects, financial condition and results of operations. Our business operation and financial performance will continue to be affected by and will fluctuate due to the factors stated above affecting Henan. More recently, in 2019, our revenue from property sales increased and the average selling price (excluding underground parking space) decreased compared with that in 2018. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further information.

***Our sales of residential properties may be adversely affected by the purchase restriction and price-curbing policies in the PRC.***

Pursuant to the Circular of the General Office of the State Council on Issues concerning Further Works of Regulation and Control of Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作的有關問題的通知) dated January 26, 2011, as a general rule, municipalities, provincial capitals and cities with high housing prices will implement purchase restrictions for a specified period. In principle, (a) a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment for a required period is limited to purchasing one house (including a new commodity residential house or a second hand one); and (b) a local residential family that holds two or more houses, a non-local residential family that holds one or more houses and a non-local residential family that cannot provide evidence of local tax or social insurance payment for a required period shall be suspended from purchasing any other commodity residential houses. On February 26, 2013, the General Office of the State Council issued the Notice on the Continuous Effective Regulation of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知) which emphasized that the purchase restriction policies shall continue to be strictly implemented. The cities affected by the purchase restriction policy include Zhengzhou, one of our major property markets. Certain restrictions were lifted thereafter but since September 2016, Zhengzhou has

issued new property market control policies, which included restoring the restrictions on purchases of residential properties. The Henan Provincial Department of Housing and Urban-Rural Development and Department of Land and Resources of Henan Province jointly issued a notice in June 2017 to curb the price increase in Henan. The notice stipulated that average selling price of new projects in Zhengzhou cannot be higher than the price level as of October 2016 of the nearby projects. For cities/counties with an inventory period of less than 12 months and a sales volume increase of 30% or price increase of 20%, the average selling price of the new projects cannot be higher than the price level as of April 2017 of the nearby projects. We cannot assure you that other cities of Henan will not implement similar restrictions in the future or that the purchase restrictions implemented in these cities (if any) will not have a material adverse effect on our business, prospects, financial condition and results of operations.

***Our business is subject to increasing competition.***

In recent years, an increasing number of property developers have begun property development in Henan and elsewhere in the PRC. Our major competitors include large national and regional property developers, some of which may have longer track records, greater financial, marketing and land bank resources, wider name recognition and superior economies of scale. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers. For example, although privately held land use rights are not prohibited from being traded in the secondary market, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights has increased competition for available land as well as increased land acquisition costs.

The increasing number of property developers and the intensity of competition among property developers for land, financing, raw materials, skilled management and labor resources may result in increased costs for land acquisition, an over-supply of properties for sale, a decrease in property prices and a slowdown in the rate at which new property developments are approved by government authorities. As of December 31, 2019, we had formed joint ventures with other local property developers and real estate funds established with a trust company and we may co-develop properties with other companies in order to enhance our competitiveness for certain large-scale projects. Such joint venture or co-development may not be successful and may have a lower return. Increased competition or other changes to market conditions may materially and adversely affect our business, prospects, financial condition and results of operations.

***We may not have adequate capital resources to fund our property developments.***

Property developments require substantial capital investment for land acquisitions and construction and may take months or years before positive cash flow can be generated. We principally fund our property developments by using a combination of sources, from internal funds, borrowings from banks and other parties and funds raised from capital markets. Our financing methods may vary from project to project and are subject to the limitations imposed by PRC regulations and monetary policies. Our ability to secure sufficient financing for property developments depends on a number of factors that are beyond our control, including market conditions in debt and equity capital markets, investors' perception of our securities, lenders' perception of our creditworthiness, the PRC economy and PRC regulations that affect the availability and finance costs for real estate companies.

Various PRC regulations restrict our ability to raise capital through internal operation and external financing for property developments, including without limitation, the following:

- pre-sale proceeds may only be used to fund the property development costs of the relevant projects to which they relate;



- we cannot pre-sell uncompleted units in a project prior to achieving certain development milestones;
- PRC banks are prohibited from extending loans to real estate companies for the purposes of funding the payment of land premium;
- we cannot borrow from a PRC bank for a particular project unless we fund at least 35% of the estimated total capital required for that project from our own capital;
- we cannot borrow from a PRC bank for a particular project unless we first obtain the land use rights certificate, construction land planning permit, construction works planning permit and construction permit for that project;
- PRC banks are restricted from granting loans for the development of luxury residential properties;
- property developers are strictly prohibited from using the proceeds from a loan obtained from a local bank to fund property developments outside the region where that bank is located;
- PRC banks are restricted from granting revolving credit facilities to property developers that hold idle land and a large amount of vacant commodity properties;
- PRC banks are prohibited from accepting properties that have been vacant for more than three years as collateral for loans;
- in November 2009, the PRC government raised the minimum down payment of land premium to 50% and required the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions;
- in March 2010, the Ministry of Land and Resources (“MLR”), which has been reorganized as the Ministry of Natural Resources stipulated that the minimum down payment of land premium of 50% must be paid within one month after the signing of a land grant contract and the rest of the land premium must be fully paid within one year after the signing of a land grant contract; and
- on September 29, 2010, the People’s Bank of China (“PBOC”) and CBRC promulgated 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), which provides that all property companies with records of having idle land, changing the land use purpose and nature, delaying the project commencement or completion time and hoarding properties or other acts of noncompliance with applicable laws or regulations shall be restricted from obtaining bank loans or credit facilities for new projects.

In addition, on June 27, 2018, NDRC emphasized in a post on its website that the proceeds from bond offerings offshore by PRC property enterprises shall be mainly used for repayments of the debts due and shall be restricted from being used for investments in property projects within or outside China or working capital and it is also expressed that NDRC plans to further regulate and standardize, among others, the relevant qualifications for the issuance of foreign debt and the usage of funds from such issuance by enterprises. On July 12, 2019, NDRC published a Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (關於對房地產企業發行外債申請備案登記有關要求的通知) on its website which imposes more restrictions on the use of proceeds of foreign debts incurred by real estate developers. According to the notice, the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium to long term offshore debts which will become due within one year, and the real estate developer is required to specify in the documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts to be refinanced, such as amount, maturity date and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment

letter to NDRC regarding the authenticity of its foreign debt issuance. If a real estate developer fails to comply with these restrictions, it may be blacklisted and prevented from obtaining foreign debt registrations in the future.

We cannot assure you that we will have adequate resources to fund property developments such as land acquisitions (including any unpaid land premiums for past acquisitions). We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital resources. The foregoing and other initiatives introduced by the PRC government may limit our flexibility and ability to use bank loans or other forms of financing to finance our property developments and therefore may require us to maintain a relatively high level of internally sourced cash. Failure to obtain adequate funding at a commercially reasonable cost may limit our ability to acquire new land reserves, commence new projects or continue the development of existing projects. Such failure may also increase our finance costs and have a material adverse effect on our business, prospects, financial condition and results of operations.

***We may be adversely affected by the global economic slowdown and turmoil in the global financial markets.***

The global economic slowdown and turmoil in the global financial markets have resulted in a general credit crunch, an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. This global economic slowdown has also had a negative impact on property markets and property prices in the PRC. The outlook for financial markets and general economy around the world is uncertain.

Recent global market and economic conditions, including the credit crisis in Europe, the downgrade of United States debt by Standard & Poor's Ratings Services ("S&P") and Japan debt by Moody's Investors Service ("Moody's") and heightened market volatility in major stock markets, have been unprecedented and challenging. In addition, in the wake of a referendum in the UK in June 2016, in which the majority of voters voted in favor of an exit from the European Union ("Brexit"), there was an increase in volatility in the global financial markets. On January 31, 2020, the UK officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The UK 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 and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue adversely impacting, home owners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their selling prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. If the global economic slowdown and financial crisis continue or become more severe than currently anticipated, our business, prospects, financial condition and results of operations could 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. The full impact of the Moody's downgrade remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. Moreover, China's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade-war with the United States. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US\$550 billion worth of Chinese products. In retaliation, the Chinese government responded with tariffs on cumulatively US\$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments

signed the U.S.-China Economic and Trade Agreement (the “Phase I Agreement”). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China’s economy and the industries in which our operate remains uncertain. 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.

***Any future occurrence of natural disasters or outbreaks of contagious diseases in China may have a material adverse effect on our business operations, financial condition and results of operations.***

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. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. As of the date of this offering memorandum, more than 80,000 cases of COVID-19 have been confirmed in China and more than 6.5 million cases have been confirmed worldwide. The ongoing COVID-19 epidemic had caused us to temporarily suspend our construction and sales activities. Given the high uncertainties associated with the COVID-19 epidemic at the moment, it is difficult to predict how long these conditions will exist and the extent to which we may be affected. Should the disruption to our operations extend beyond a specified period, we may experience further delays in completion and delivery of our projects, which may materially and adversely affect our results of operations and financial condition and may also cause reputation damage. In addition, any further disruption to our sales activities may negatively affect our liquidity and access to capital. The outbreak of COVID-19 epidemic also caused the delay in resumption of local business in the PRC after the Chinese New Year holiday and, as the outbreak extended, several countries have arranged to evacuate their nationals from Wuhan and introduced new restrictions on travel to and from China. The COVID-19 epidemic may further create negative economic impact and increase volatility in the PRC and global market and continue to cause increasing concerns over the forward-looking assessment of the performance of the PRC residential property market, which may materially and adversely affect the demand for properties and property prices in China. Most of our property projects are located in Henan province, which is adjacent to Hubei province, where the COVID-19 epidemic started and is the most severe. Henan is susceptible to the epidemic given its close proximity to Hubei. If the epidemic is not contained in Henan in a timely manner, there could be material disruptions to our operations and result in a material adverse effect on our business operations, financial condition and results of operations. Since April 2020, as the effect of the pandemic is seemingly starting to ease, 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. It is unclear whether the pandemic will subside in the near future in a satisfactory manner. Our business, financial conditions and results of operations may be materially and adversely affected primarily due to the delay in construction and delivery of certain properties as a result of the impact of COVID-19. A recurrence of SARS or an outbreak of a health epidemic or contagious disease, including, for example, the ongoing COVID-19 epidemic, could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business.

Moreover, China has experienced natural disasters like earthquakes, floods and droughts in the past few years. For example, in May 2008 and April 2010, China experienced earthquakes in Sichuan Province and Qinghai Province, respectively, resulting in the death of tens of thousands of people. Since the beginning of 2010, there have occurred severe droughts in southwestern China, resulting in significant economic losses in these areas. Any future occurrence of severe natural disasters in China may adversely affect its economy and in turn our business.

There is no guarantee that any future occurrence of natural disasters or outbreak of avian influenza, SARS, H1N1 flu, H7N9 flu or other epidemics, or the measures taken by the PRC government or other countries in response to a future outbreak of avian influenza, SARS, H1N1 flu, H7N9 flu or other epidemics, will not seriously interrupt our operations or those of our customers, which may have a material and adverse effect on our results of operations.

***Our business may be adversely affected by increases in interest rates and reserve requirement ratios.***

We rely on borrowings to finance a substantial part of our project developments. A substantial part of our borrowings consist of loans from commercial banks in China. In addition, many of our customers finance their purchases of our properties through mortgage loans. Our ability to obtain bank financing and our customers' ability to obtain mortgage loans, as well as the associated finance costs, are affected by benchmark lending rates and bank reserve requirement ratios set by the PBOC.

As of the date of this offering memorandum, the benchmark one-year lending rate published by the PBOC was 4.35%. The PBOC adjusts the benchmark lending rates from time to time according to the monetary policies of the PRC government. The PBOC may raise lending rates in the future, which could adversely affect our business, financial condition and results of operations. Increases in interest rates increase our finance costs and increase mortgage rates. Moreover, interest rate volatility can make it difficult for us to make plans and implement our strategies and can deter potential home buyers.

The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. In response to economic conditions, the PBOC adjusted the ratio several times since December 2008 and the ratio as of the date of this offering memorandum is ranging from 10.5%-12.5%. Increases of the bank reserve requirement ratio may negatively impact the amount of funds available for lending to businesses, including us, by commercial banks in China.

***Regulatory constraints limit our ability to obtain sites suitable for property development.***

Our ability to identify and obtain suitable sites for future development is critical to our strategy but is subject to regulatory constraints and other factors outside our control. We cannot assure you that we will be able to identify and acquire suitable sites within our budget, or at all.

The PRC government controls substantially all new land supply in the PRC and regulates land sales in the secondary market. Our ability to acquire land use rights and the acquisition costs of such land use rights may be adversely affected by the PRC government's policies towards land supply, development and pricing. The PRC central and local governments regulate the means by which property developers, including us, obtain land sites for property developments. In particular, the central government introduced regulations in May 2002 and September 2007 that require government departments and agencies to grant state-owned land use rights for residential and commercial property development by public tender, auction or listing-for-sale. We believe these regulations have generally contributed to an increase in land acquisition costs. The regulatory climate may constrain our ability to pursue development opportunities in the future. See also “– Risks Relating to the Property Industry in the PRC – We are subject to regulations implemented by the PRC government, which may adopt further measures intended to prevent overheating of the property sector in the PRC.”

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

In September 2007, the MLR issued a regulation requiring property developers to fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. This regulation became effective on November 1, 2007. As a result, property developers are not allowed to bid for a large piece of land, make partial payment, and then apply for a land use rights certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. In November 2009, the Ministry of Finance (the “MOF”), MLR, PBOC, PRC Ministry of Supervision and PRC National Audit Office jointly issued the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant (關於進一步加強土地出讓收支管理的通知), which raises the minimum down payment on land premiums to 50% of the total premium and requires the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the MLR issued the Circular on Strengthening Real Estate Land Supply and Supervision (關於加強房地產用地供應和監管有關問題的通知), under which the minimum price for a given land grant is required to be equal to at least 70% of the benchmark price of the locality where the parcel of land is granted and the bidding deposit for such land grant is required to be equal to at least 20% of the minimum land premium. Additionally, a land grant contract is required to be entered into within 10 working days after the land grant deal is closed and the down payment of 50% of the land premium (taking into account any deposits previously paid) is to be paid within one month of signing the land grant contract, with the remaining to be paid in full within one year of the date of the land grant contract in accordance with provisions of such land grant contract, subject to limited exceptions. In April 2017, the PRC government required that the examination system of land acquisition capital should be adopted by local authorities to ensure the property developers acquiring land with internal funds. The implementation of the regulation requires property developers to maintain a higher level of working capital. This may have a material adverse effect on our cash flow, financial condition and business plans.

***We face uncertainties when obtaining land sites through the acquisition of project companies.***

In addition to increasing our land bank through public tender, auction and listing-for-sale, we have obtained land sites for some of our projects through acquisition of project companies that held the land use rights. We expect to continue to obtain land sites through corporate acquisitions in the future. We cannot assure you that we have discovered, or will be able to discover prior to such acquisitions, all existing or potential liabilities of or risks associated with the target project companies. In addition, the government may change the permitted use of the land sites to which such project companies own the land use rights after our acquisitions, rendering the land sites unsuitable for property development purposes. If any of the undiscovered existing or potential liabilities of the acquired project companies are found to be material, or if we are unable to develop properties as intended, our business, prospects, financial condition and results of operations may be materially and adversely affected.

***We may fail to obtain, or experience material delays in obtaining, necessary government approvals for our property developments, or fail to maintain such approvals after they have been obtained.***

The property industry in the PRC is heavily regulated by the PRC government. Property developers in China must comply with various requirements mandated by national and provincial laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to develop and complete a property development, at various stages of the property development a property developer must obtain various permits, licenses, certificates and other approvals, including but not limited to land use rights certificates, construction land planning permits, construction works planning permits, construction permits, pre-sale permits and certificates of completion. Each approval may depend on the satisfaction of certain conditions. See “Regulation – Development of a Property Project.” Further, local authorities may also, under certain circumstances, withdraw permits, licenses, certificates and other approvals that have been issued. We commenced construction or presale for certain of our projects before obtaining the relevant government approvals and we have also been imposed penalties by relevant local governmental authorities for such non-compliance incidents. There are also instances that certain of our properties have been put into use and



operation without completion acceptance certificates. We cannot assure you that the local authorities will not impose penalties upon us or even order us to suspend the construction or presale or use with respect to these projects due to the lack of such approvals. For instance, in June and August 2015, the local urban planning and construction authorities in Zhengzhou imposed fines on us in a total amount of approximately RMB9.8 million as a result of commencing construction of one of our projects in Zhengzhou before obtaining relevant planning and construction permits and we paid the full amount of the fines and subsequently obtained the required planning and construction permits for the project. In December 2016, one of the local urban planning and construction authorities in Zhengzhou imposed fines on us in an amount of approximately RMB2 million for our failure to obtain the construction permit and other relevant approvals before commencing construction of one of our projects in Zhengzhou. We have fully paid the fine to the relevant authorities. In June and December 2017, one of our project companies in Zhoukou and one of our project companies in Kaifeng were respectively imposed fines of approximately RMB2.0 million for commencing project construction before obtaining construction permits and such fines have been fully paid. In 2018, we were imposed fines of approximately RMB6.0 million for commencing construction of one of our projects in Zhengzhou without obtaining relevant planning and construction permits and such fines have been fully paid. We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to such approvals, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the PRC property industry in general, or new processes with respect to the regulatory approvals, or that our projects under development have obtained all necessary approvals. We also cannot assure you that government authorities will not withdraw such approvals after they have been given. There may also be delays on the part of the relevant regulatory bodies in reviewing our applications and granting approvals. If any of these occurs, we will not be able to keep up with our development schedule, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

***Our customers may not be able to obtain mortgages on favorable terms, or at all, which could reduce our sales.***

Many of our purchasers rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC government and commercial banks may also increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unattractive or unavailable 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 Sound Development of the Real Estate Market, 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 (“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 January 2011, the State Council issued a circular to further raise the minimum down payment for second home purchases to 60%. In September 2014, PBOC and CBRC jointly issued a circular which provide that (1) the minimum mortgage loan interest rate for first-time purchasers of residential property was set at 70% of the benchmark lending interest rate; (2) where a family 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 (3) in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family 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. In March 2015, PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment from 60% to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. In February 2016, the PBOC and CBRC jointly issued a notice which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30%, which is lower than the previous requirement of not less than 40%. On August 25, 2019, PBOC issued the Announcement of the People's Bank of China No.16 [2019] under which, starting from October 8, 2019, new commercial individual housing loans should be priced by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. The interest rate of first-time commercial individual housing loans should not be lower than the LPR of corresponding maturity, and the interest rate of second-time commercial individual housing loans not be lower than the LPR of corresponding maturity plus 60 basis points. See “Regulation – Transfer and Sale of Property – Financing property development and acquisition.” In addition, 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. Since 2013, as a result of foregoing factors, PRC banks have generally tightened mortgage lending, which had affected the demand in the property market in general. In the event that mortgages become more difficult to obtain or that the costs of such financing increases, many of our prospective customers who rely on mortgages may not be able to purchase our properties. In line with industry practice, we provide guarantees to banks for mortgage loans they offer to purchasers of our properties. If there are changes in laws, regulations, policies or practices that would prohibit property developers from providing such guarantees and these banks do not accept alternative guarantees from third parties, if available, it may become more difficult for property purchasers to obtain mortgages from banks in connection with pre-sales. Such difficulties may inhibit pre-sales, which could materially and adversely affect our business, prospects, financial condition and results of operations.

***Changes in laws and regulations in relation to pre-sale of properties may adversely affect our business, prospects, financial condition and results of operations.***

Proceeds from the pre-sales of our properties are an important source of funds for our property developments and have a significant impact on our cash flow and liquidity position. In August 2005, the PBOC proposed in a report entitled “2004 Real Estate Financing Report (2004中國房地產融資報告)”



that the practice of pre-selling uncompleted properties be discontinued, on the grounds that pre-sales create significant market risks and generate transactional irregularities. While such proposal has not been adopted by any PRC government authorities and has no mandatory effect, we cannot assure you that the PRC government will not ban or impose material limitations on pre-sales of uncompleted properties in the future. In April 2010, the MOHURD issued the Notice on Further Strengthening the Supervision of Real Estate Market and Improving the Pre-Sale System of Commodity Housing (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). The notice urges local governments to enact regulations on the sale of completed commodity properties in light of local conditions and encourages property developers to sell completed commodity properties. Although no local government in Henan has promulgated any such regulation for sale of completed commodity properties, we cannot assure you that regulations of this nature will not be promulgated in the future. Further, the PRC government has imposed strict regulations on the advertising of property pre-sales and some of our project companies were penalized for violations of such pre-sale regulations. In addition, the Zhengzhou City Housing Authority passed a local rule in 2002 which requires that pre-sale proceeds for a given pre-sold project be deposited in an escrow account set up for such project. Other cities in Henan have subsequently passed similar requirements on pre-sale proceeds escrow account, including without limitation Anyang, Luoyang, Jiaozuo, Pingdingshan, Shangqiu, Xuchang, Luohe, Nanyang, Kaifeng and Hebi, where some of our property projects are located. We cannot assure you we can adapt to new laws, regulations or policies relating to pre-sale of properties that may come into effect from time to time. Any failure to do so may subject us to fines, delays or other impediments in developing our properties. Future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance our property developments, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

***We are exposed to contractual and legal risks relating to pre-sales.***

We make certain undertakings in our pre-sale contracts. Our pre-sale contracts and the PRC laws and regulations provide for remedies for breach of these undertakings. For example, if we pre-sell units in a property development and we fail to complete that development, we will be liable to the purchasers for their losses. If we fail to complete a pre-sold property on time, we may be liable to the relevant purchasers for late delivery under the relevant pre-sale contracts or pursuant to relevant PRC laws and regulations. If delays extend beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for damages. A purchaser may also terminate a contract with us if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in his or her contract. If a substantial number of purchasers claim against us for breach of contract or terminate their pre-sale contracts with us, our business, prospects, financial condition and results of operations may be materially and adversely affected.

On August 5, 2005, the PBOC issued a report entitled “2004 Real Estate Financing Report” in which it recommended that the practice of pre-selling uncompleted properties be discontinued, on the grounds that it creates significant market risks and generates transactional irregularities. At the plenary session of the National People’s Congress and that of the Chinese People’s Political Consultative Conference held in March 2006, a total of 33 delegates to the National People Congress put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of PBOC, published an article pointing out that the way to improve the system for commodity housing pre-sale in China is to abolish the financing function of pre-sale. On April 26, 2007, an economy research group under the NDRC proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. These recommendations have not been adopted by any PRC governmental authority and have no mandatory effect. On March 5, 2010, a government work report delivered by the former Chinese Premier Wen Jiabao at the Third Session of the 11th National People’s Congress pointed out that the PRC government will improve the pre-sale system of commodity housing. For example, the Shanghai local government has adjusted the completion progress level for pre-sale of commodity residential

housing projects that obtained the “Permit for Construction Work” after July 1, 2010. Those residential housing projects must have completed the main structural works and passed examination before they can be available for pre-sale, and thus raising the standard for pre-sale.

We cannot assure you that the PRC authorities will not ban the practice of pre-selling uncompleted properties or implement further restrictions on the pre-sale of properties, such as imposing additional conditions for a pre-sale permit or further restrictions on the use of pre-sale proceeds. For instance, the land grant contracts for certain of our projects in Puyang have stipulated that we cannot sell certain percentages of the projects within certain period. Proceeds from the pre-sale of our properties are an important source of financing for our property developments. Consequently, any restriction on our ability to pre-sell our properties, including any increase in the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time period required for recovery of our capital outlay and would result in our needing to seek alternative means to finance the various stages of our property developments. This, in turn, could have an adverse effect on our business, cash flow, results of operations and financial condition.

***We cannot assure you that services performed by independent contractors will meet our quality standards and timing requirements or will be provided within our budget.***

We engage independent contractors to provide various services, including but not limited to construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. We generally select independent contractors through an open tender process. Completion of our projects is therefore subject to the satisfactory performance of these independent contractors. We cannot assure you that we will be able to obtain services from independent contractors within our budget or at all, or that the services rendered by these independent contractors or subcontractors will be satisfactory or will meet our quality and safety standards and our project timelines. If the performance of any independent contractor is not satisfactory or is delayed, we may need to replace the contractor or take other actions to remedy the situation, which could inflate construction costs and delay completion. Any of these factors may have a material adverse effect on our business, prospects, financial condition and results of operations.

***We are subject to rising costs for labor and materials, which we may not be able to pass on to construction contractors or to purchasers.***

Construction and development costs account for the majority of our cost of sales and are one of the significant factors affecting our financial condition and results of operations. As a result of economic growth and the boom in the property industry in the PRC, wages for construction workers and the prices of construction materials and building equipment have substantially increased in recent years. Under the terms of most of our construction contracts, contractors may adjust the contract prices to cover increases in wages and costs of construction materials. In addition, in negotiations that follow upward materials cost fluctuations post-contract, we often agree to bear a greater share of the materials costs than is contractually required. We do so in order to maintain good relations with our contractors, which allows us to repeatedly source good quality and service. We are also exposed to the price volatility of labor and construction materials to the extent that we periodically enter into new or renew existing construction contracts at different terms during the life of a project, which may span several years, or if we choose to hire the construction workers directly or purchase construction materials directly from suppliers. Furthermore, we are unable to pass increased costs on to pre-sale purchasers when construction costs increase subsequent to the date of the pre-sale contract. If we are unable to pass on any increase in the cost of labor, construction materials or building equipment to either our construction contractors or to the purchasers of our properties, our business, prospects, financial condition and results of operations may be materially and adversely affected.

***We may be subject to legal and business risks if we fail to obtain, renew or maintain qualification certificates.***

Property developers must obtain a qualification certificate in order to carry out property development in the PRC. According to the Provisions on Administration of Qualification of Real Estate Developers (房地產開發企業資質管理規定)(the “Provisions on Administration of Qualifications”), newly established property developers must first apply for a provisional qualification certificate, which is valid for one year and can be renewed for a maximum of two additional years. A property developer is required to obtain a formal qualification certificate with an approved class before its provisional qualification certificate expires. Formal qualification certificates are subject to renewal on an annual basis. Government regulations require developers to fulfill all statutory requirements before obtaining or renewing their qualification certificates. See “Regulation – Qualifications of a Property Development Enterprise.”

As of December 31, 2019, about 305 of our project companies were conducting annual review or altering their qualification certificates or applying for qualification certificates. Each of our project companies is responsible for the annual submission of its renewal application and shall engage in property developments within its qualification certificate class. If any of our project companies is unable to obtain the relevant qualification certificates, it may not be able to engage in the relevant real estate development project. Otherwise it will generally be given a grace period to rectify any noncompliance and may be subject to a penalty of between RMB50,000 and RMB100,000. Failure to ratify the noncompliance within the grace period could result in the revocation of the qualification certificate and the business license of the relevant project company. We cannot assure you that we will be able to renew our provisional qualification certificates, or obtain or renew our formal qualification certificates in a timely manner, or at all. If any of our project companies fails to do so, our business, prospects, financial condition and results of operations may be materially and adversely affected.

***We may not be able to complete our development projects on time, within budget, or at all.***

Property development projects require substantial capital expenditures prior to and during the construction period. One, two or several years may elapse before a project generates positive cash flows through pre-sales or sales. The progress and costs for a development project may be materially and adversely affected by many factors, including:

- delays in obtaining necessary licenses, permits or approvals from government agencies and authorities;
- changes in market conditions;
- delays in or increased costs of relocation of existing residents or demolition of existing structures;
- unforeseen engineering, design, environmental, structural or geographic problems;
- shortages or increased costs of materials, equipment, contractors and skilled labor;
- labor disputes;
- adverse influence caused by other construction projects not undertaken by the Company;
- construction accidents;
- natural catastrophes;
- adverse weather conditions;
- discovery of historic and cultural relics in the construction site; and

- changes in government policies or in applicable laws or regulations.

Any of these factors may lead to construction delays or increased costs, may require changes to planned specifications or may ultimately require us to abandon a project. If a pre-sold property development is not completed on time, the purchaser may be entitled to damages for late delivery or, under certain circumstances, may terminate the purchase contract and claim damages. Any such consequences may have a material adverse impact on our reputation, business, prospects, financial condition and results of operations.

In addition, we managed to shorten our development cycle and enhance cash collection in recent years. However, we cannot assure you that we will continue to maintain a short development cycle or high cash collection rate, the failure of which may have a material impact on our liquidity and financial condition.

***Our efforts to expand into the hotel and commercial property sectors may not be successful.***

We are expanding our business into new market segments, such as hotel and commercial property development. We cannot assure you that we will be able to leverage our residential property experience when entering new sectors. Hotels and commercial properties typically require government approvals, design specifications and building materials that are different from residential properties. In addition, the customers that we target for residential properties are very different from those for commercial and hotel properties. We may also not have sufficient human resources or the necessary expertise to handle such challenges. We cannot assure you that we will be able to leverage our past experience in residential development to meet the challenges in these new businesses. We may not be able to reduce the costs associated with the management of hotels and commercial properties in a timely manner in response to changes in demand for those properties. We also may experience disputes with the hotel management companies that we have engaged or will engage to manage our hotel operations. We cannot assure you that the hotel management companies will render satisfactory services as anticipated. There may not be sufficient and consistent market demand for high-end hotels and commercial properties in our target markets, and, as a result, our results of operations in new business segments may not be profitable or generate recurring income or cashflow as we expect. In addition, we may be exposed to considerable reputational and financial risks if our hotels are mismanaged or do not meet the expectations of hotel customers. If we fail in our efforts in hotel and commercial property development, it may have a material adverse effect on our reputation generally, and our business and prospects, results of operations and financial condition may be materially and adversely affected.

***We may not be able to successfully manage our growth or maintain effective internal control and compliance functions.***

We have been continuously expanding our operations in recent years. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Furthermore, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new locations, or difficulties in expanding our existing business and operations and in training an increasing number of personnel to manage and operate the expanded business. Our expansion plans may also adversely affect our existing operations and thereby have a material adverse effect on our business, prospects, financial condition and results of operations.

We maintain our internal controls, including over financial reporting, and compliance functions to ensure that we are able to comply with our legal, contractual and disclosure obligations and to reduce our operational and compliance risks. However, our internal controls and procedures will not be able

prevent all risks due to the inherent limitations in all control systems. As we grow, we must further strengthen such internal control and compliance functions, failing which, we may suffer from additional operational, compliance and reporting failures which may have a material adverse effect on our business, financial condition and results of operations.

***The illiquid nature of, and the lack of alternative uses for, investment properties could limit our ability to respond to adverse changes in the performance of our properties.***

Our investment properties primarily consist of schools, kindergartens, retail and commercial units and parking spaces in our property projects. Investment properties in general are relatively illiquid compared to other types of investments, such as securities. As such, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by many factors that are beyond our control, including general economic conditions, the availability of mortgage financing and interest rates. We cannot predict whether we would be able to sell any of our investment properties at the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us.

In addition, investment properties may not be readily convertible for alternative uses without substantial capital expenditure if the original function of such investment property became unprofitable due to competition, age, decreased demand, increased supply or other factors. Similarly, substantial capital expenditure may be required to correct defects or to make improvements before an investment property can be sold. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties may materially and adversely affect our business, prospects, financial condition and results of operations.

***We may not be able to generate adequate returns on our properties held for long-term investment purposes.***

Property development is subject to varying degrees of risk. The investment returns available from investments in real estate depend, to a large extent, on the amount of capital appreciation generated, income earned from the rental of the relevant properties as well as the expenses incurred. Maximizing yields from properties held for investment also depends to a large extent on active ongoing management and maintenance of the properties. The ability to eventually dispose of investment properties will also depend on market conditions and levels of liquidity, which may be limited or subject to significant fluctuation in the case of certain types of commercial properties. The revenue derived from and the value of property investment may be adversely affected by a number of factors, including but not limited to changes in market rates for comparable rentals, the inability to collect rent due to bankruptcy or insolvency of tenants and the costs resulting from periodic maintenance, repair and re-letting.

***Changes in the fair values of our investment properties are unrealized.***



In accordance with HKAS 40, the Hong Kong Accounting Standard for investment properties issued by the Hong Kong Institute of Certified Public Accountants, investment properties may be recognized by using either the fair value model or the cost model. We have chosen to recognize investment properties at their fair values because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties.

For the years ended December 31, 2017, 2018 and 2019, we recorded upward fair value adjustments of approximately RMB243.4 million, RMB605.7 million and RMB92.8 million (US\$13.3 million), respectively, on our investment properties. In light of the above, prospective investors should be aware that upward fair value adjustments, which reflect, among other things, unrealized capital gains in the value of our investment properties at the end of relevant accounting reporting period and sometimes arise upon the reclassification of our properties as investment properties, are not profit generated from day-to-day rental income from our investment properties, are largely dependent on prevailing property market conditions, and do not generate cash inflow which can be contributed to payments of interest, principal or other amounts under the Notes unless such investment properties are disposed of and the



capital gains are realized. We may not be able to dispose of investment properties at or near their recorded fair values, or at all. Moreover, prospective investors should be aware that property values are subject to market fluctuations, and we cannot assure you that we will be able to record favorable fair value adjustments on investment properties in the future. Should there be any severe downward fair value adjustments on our investment properties in the future, our business, prospects and results of operations may be materially and adversely affected.

***Any failure to protect our brand value and intellectual property could have a negative impact on our business.***

We believe our brands and trademarks are critical to our success. As of December 31, 2019, we were the registrant of 237 registered trademarks in the PRC, Singapore and Hong Kong, including our “” and “” trademarks. We have entered into trademark and trade name licensing agreements with Henan Construction Football Club Company Limited (河南建業足球俱樂部股份有限公司), Jianye Education Industry Company Limited (河南建業教育產業有限公司) and Henan Jianye Property Management Company Limited (河南建業物業管理有限公司), all of which are independent third parties, in relation to their use of the “建業”(Jian Ye) name and certain of our trademarks. Under these agreements, we granted non-exclusive rights to use the “建業”(Jian Ye) name and certain of our trademarks in China on a royalty-free basis as part of our branding and marketing strategy. See “Business – Intellectual Property Rights.”

Any unauthorized use of our brands, trademarks, trade names and other intellectual property rights could harm our business. Historically, China has not protected intellectual property rights to the same extent as certain other countries do, and infringement of intellectual property rights continues to pose a serious risk to doing business in China. The application of laws governing intellectual property rights in China and abroad is uncertain and evolving. Moreover, monitoring and preventing unauthorized use of intellectual property is difficult. We cannot assure you that our trade names or trademarks will not be subject to infringement in the future or that our licensees will not use our trademarks or trade names inappropriately. Any unauthorized or inappropriate use of our trade names or trademarks could harm our market image and reputation. Any litigation or dispute in relation to our trade names or trademarks could result in substantial costs and the diversion of resources. If we are unable to adequately protect our brand, trademarks, trade names and other intellectual property rights, we may lose these rights and our business, prospects, financial condition and results of operations may be materially and adversely affected.

We rely, to a significant extent, on our brand image to attract potential customers to our properties. Any negative incident or negative publicity concerning us, our employees or our properties may materially and adversely affect our reputation, financial position and business, results of operations. Brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that run contrary to consumers’ trust. Consumer demand for our properties and our brand value could diminish significantly if we fail to preserve the quality of our properties or fail to deliver a consistently positive consumer experience, or if we are perceived to act in an unethical or socially irresponsible manner. Any negative publicity and the resulting decrease in our brand value may have a material adverse effect on our business, financial position and results of operations.

***We may not be able to refinance our indebtedness as it matures.***

We have incurred significant indebtedness to finance our property development activities and our indebtedness may increase significantly during a short period of time. As of December 31, 2019, our total consolidated indebtedness, representing our current and non-current bank and other loans, our senior notes and the Corporate Bonds, was RMB31,490.6 million (US\$4,523.3 million), of which RMB12,519.0 million (US\$1,798.2 million) was recorded as current liabilities. We cannot assure you that we will be able to refinance our indebtedness as it matures, in which case we will need to repay our debt with cash generated from operating activities or some other sources. Given the debt maturity of the company is short-tenor concentrated, we cannot assure you that our business will generate sufficient

cash flow from operations to repay our borrowings as they mature. Repaying borrowings with cash generated by operating activities will divert our financial resources away from land acquisitions and development activities. Our Company and certain of our subsidiaries have entered into loan agreements with various banks in the PRC or Hong Kong pursuant to which they have pledged shares, land use rights, buildings and other assets as security. We may lose part or all of this collateral if we cannot repay or refinance such borrowings as they mature, which could materially and adversely affect our business, prospects, financial condition and results of operations.

***We may become liable if our customers default on mortgages we have guaranteed.***

Like other PRC property developers, we guarantee customer mortgages for all of our pre-sold properties. These guarantees are not released until we either deliver vacant possession of the relevant property to the purchasers or the mortgage is fully repaid. We do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. If a purchaser defaults on a mortgage payment, we may have 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 amounts outstanding from us as the guarantor of the mortgage.

As of December 31, 2019, our outstanding guarantees in respect of mortgage loans amounted to approximately RMB42,382.4 million (US\$6,087.9 million). The default rate on mortgages we have guaranteed has been historically low, amounting to approximately less than 1% in 2017, 2018 and 2019. There can be no assurance that the default rate will not increase in the future. We also provided guarantees for bank loans and other loans of our joint ventures and associates, amounting to RMB10,047.0 million (US\$1,443.2 million) as of December 31, 2019. If substantial defaults occur and we are called upon to honor our guarantees, our business, prospects, financial condition and results of operations may be materially and adversely affected.

***Our results of operations fluctuate from period to period.***

Our results of operations have varied significantly in the past and may continue to fluctuate from period to period in the future. For the years ended December 31, 2017, 2018 and 2019, our revenue was RMB13,879.2 million, RMB14,783.5 million and RMB30,766.7 million (US\$4,419.4 million), respectively, our net profit attributable to equity holders of our Company was RMB811.4 million, RMB1,154.3 million and RMB2,015.1 million (US\$289.5 million), respectively, and our gross profit margin was 23.6%, 34.4% and 26.0%, respectively. Our revenue, net profit and gross profit margin are significantly affected by our product mix and the number of properties that we can complete and sell during any particular period, which may be limited due to the substantial capital required for land acquisition and construction, as well as the lengthy development periods required before positive cash flows may be generated. In addition, several properties that we have developed or that are under development are large scale and are developed in multiple phases over the course of one to several years. The selling prices of the residential units in larger scale property developments tend to change over time, which may impact our sales proceeds and, accordingly, our revenue, net profit and gross profit margin for any given period. Since sales revenues is only recognized when or as control over a property is transferred to the customer, our revenue and profit during any given period reflect the quantity of properties delivered during that period and are affected by any peaks or troughs in our property delivery schedule and may not be indicative of the actual demand for our properties or sales achieved during the period. Our revenue, net profit and gross profit margin during any given period generally reflect property investment decisions made by purchasers in the past, typically in the prior fiscal period. As a result, our operating results for any period are not necessarily indicative of results that may be expected for any future period.

***Our light -asset development strategy may not continue to be successful.***

In the second half of 2015, we launched a light-asset development strategy. See “Business – Management Entrustment Arrangements.” Our light-asset development strategy has made steady growth and we intend to continue engaging in such light-asset strategy to further capitalize on our brand value



and diversity our income sources. However, we cannot assure you that our light-asset development strategy will continue to be successful and will continue to grow or maintain the current growth rate. We cannot assure you that we can continue to secure the management contracts and maintain the current revenue and profit. We may have disputes with our business partners and we cannot ensure you that our business partners will not misuse our brand name, which will materially and adversely affect our business, prospects, financial condition and results of operations.

***Disputes with our joint venture partners may adversely affect our business.***

We carry out a portion of our business through joint ventures and similar arrangements with third parties. We also founded joint ventures with other property developers in Henan. A number of our joint ventures are “jointly controlled entities” under HKFRS. We do not have sole discretion with respect to the management or operations of our joint ventures. Business decisions, corporate actions and other matters with respect to the jointly controlled entities will require the approval of our partners or their representatives. In addition, in accordance with PRC law, certain matters relating to a joint venture require the consent of all parties to the joint venture. Our joint venture arrangements involve a number of risks, including:

- disputes with our partners in connection with the performance of their obligations under the relevant joint venture development agreement;
- disputes as to the scope of each party’s responsibilities under these arrangements;
- financial difficulties encountered by our partners affecting their ability to perform their obligations under the relevant joint venture property development agreement; or
- conflicts between the policies or objectives adopted by our partners and those adopted by us.

In the event that we encounter any of the foregoing issues with respect to our joint venture partners, our business, prospects, financial condition and results of operations may be materially and adversely affected.

***We may be required to forfeit land if we fail to comply with the terms of land grant contracts.***

Under PRC law, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the payment of land premium, the designated use of the land and the schedule for commencing and completing the development, the relevant government authorities may issue a warning, impose a penalty and/or liquidated damages, or require us to forfeit the land. Any violation of the land grant contract may also restrict or prevent us from participating in future land bidding.

Under The Measures on the Disposal of Idle Land (閒置土地處置辦法), if we fail to commence the development of a parcel of land for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee of up to 20% of the land premium. If we fail to commence development for more than two years from the relevant commencement date stipulated in the land grant contract, the land will be subject to forfeiture to the PRC government. Moreover, even if the commencement of the property development satisfies the stated requirements of the land use rights grant contract, if the developed GFA is less than one-third of the total planned GFA of the project or the total capital invested is less than one-fourth of the total planned investment of the project, and development of the land is suspended continuously for more than one year without government approval, the land will still be treated as idle land. In the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) promulgated by the State Council in January 2008, the aforesaid policy was reinforced. This notice states, among other things, that the MLR and other authorities are required to conduct research on and commence drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the 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 current rules regarding idle land. In September 2010, the MLR and MOHURD jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which provides that a property developer and its shareholders will be prohibited from participating in land bidding before any illegal behaviors in which it engages, such as land idle for more than one year on its own reasons, have been completely rectified. The local governments have required us to pay liquidated damages with respect to Project Chrysanthemum Garden in Kaifeng and deemed one parcel of land for Xiuwu Forest Peninsula Project in Jiaozuo as idle land, each due to our failure to commence development within the time period stipulated in the respective land grant contracts. For three of our projects of which we have failed commencing constructions within the time period as stipulated in the land grant contracts, the local land authorities have issued notices to require us to commence constructions within certain time limit or as soon as possible, but we have not yet commenced construction of these projects as of the date of this offering memorandum. For parcels of land of our project in Dengfeng, we have been informed orally by the local land authority that we should commence construction as soon as possible and if not, these parcels of land will be taken back, and as of the date of this offering memorandum, we have not yet received any written notice from the local land authority. For one parcel of land in Zhengzhou, the local land authority issued notice failure to commence in March 2020 to require us to commence construction as soon as possible by reason of our construction within the time period as stipulated in the land grant contract, but we have not yet commenced construction of the land as of the date of this offering memorandum. We also have not commenced development of certain other projects within the time period stipulated in the relevant land grant contracts or required by relevant PRC laws, for which we have not received any idle land notice or been required to pay liquidated damages or other penalties. There have been also instances that certain of our property projects have not completed development within the time period stipulated in the relevant land grant contracts. However, we cannot assure you that the government authorities will not issue idle land notice to us, require us to pay liquidated damages, impose other penalties on us or even forfeit the parcels of land in the future. If we are deemed as holding land idle for more than one year without cause or are required to forfeit land, we may lose the opportunity to develop the relevant land, our investments in the land, including land premiums paid and development costs incurred, and our ability to bid for other land in the future, any of which could materially and adversely affect our business, prospects, financial condition and results of operations.

***Any failure to deliver individual property ownership certificates in a timely manner may result in claims against us.***

Property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within one to two years after delivery of the property or within a timeframe set out in the relevant sale and purchase agreement. Property developers, including us, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the sale and purchase agreements to allow sufficient time for application and approval processes. Under current regulations, property developers are required to submit requisite governmental approvals in connection with their property developments, including a land use rights certificate, a certificate evidencing the construction has met the requirements of relevant planning permits, a certificate evidencing the construction has been completed and a property survey report, to the local bureau of land resources and housing administration after the receipt of the certificate of completion for the relevant properties and to apply for the general property ownership certificate in respect of these properties. Property developers are then required to submit, within regulated periods after delivery of the properties, the relevant property sale and purchase agreements, identification documents of the purchasers, proof of payment of deed tax, and the general property ownership certificate, to the bureau for review prior to the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. Property developers, including us, may become liable for monetary penalties to purchasers for late delivery of the individual property ownership certificates due to delays in the

administrative approval processes or for other reasons beyond our control. We cannot assure you that we will be able to timely deliver all property ownership certificates in the future. We have been subject to liabilities as a result of late deliveries of property ownership certificates in the past, and cannot assure you we will not incur such liabilities in the future. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Selected Income Statement Items – Other net income/ (loss).”

***The relevant PRC tax authorities may challenge the basis on which we calculate our land appreciation tax obligations.***

Under PRC tax laws and regulations, our project companies in the PRC are subject to land appreciation tax (“LAT”) on the appreciation value of their land and the improvements on the land. All income from the sale or transfer of state-owned land use rights, and 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 by relevant tax laws. Certain exemptions are available for the sale of ordinary residential houses if the appreciation value does not exceed 20% of the total deductible items, but this exemption does not extend to sales of commercial properties. Under the Notice on Strengthening the Administration of Land Appreciation Tax (關於加強土地增值稅管理工作的通知) promulgated by the Henan Local Tax Bureau in June 2004, the amount of LAT payable in Henan can be calculated using the authorized taxation method instead of the taxation method based on accounts. Property developers are permitted to select the method of tax calculation they adopt, subject to the approval of the local tax authorities. Under the authorized taxation method, LAT liabilities are based on a fixed rate, which ranged from 1.5% to 6% of the proceeds from pre-sales of the properties during the years ended December 31, 2017, 2018 and 2019, depending on the city in which the enterprise was located and the selling price per GFA.

Property developers are normally required to file tax returns with the relevant authorities within seven days from the date the property sale or transfer contract is signed, and the LAT is payable within the period specified by the local tax authorities. However, with the approval of the relevant tax authorities, real estate enterprises may file tax returns for LAT on a regular basis if they have a consistently high volume of transactions which makes it impracticable to file a tax return for each sale or transfer. We have been approved by the relevant tax authorities to file tax returns for LAT on a monthly basis and to settle our LAT liabilities for each month prior to the tenth day of the immediately following month.

During recent years, however, the Henan Local Tax Bureau issued several notices and circulars with the intention to increase the LAT prepayment rates and strengthen the collection of LAT. For instances, in December 2006, the State Administration of Taxation (“SAT”) issued a Notice on Issues Relevant to Administration of Settlement of Land Appreciation Tax of Real Estate Development Enterprises (關於房地產開發企業土地增值稅清算有關問題的通知), which requires real estate developers to settle the final LAT payable in respect of their development project that meet certain criteria, such as 85% of a development project having been pre-sold or sold. Local provincial tax authorities are entitled to formulate detailed implementation rules in accordance with this Notice in consideration of local conditions. In addition, pursuant to the Notice on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知) (“the 2010 LAT Notice”) issued by the SAT in May 2010, the minimum LAT prepayment rate in central regions such as Henan is increased to 1.5%. Further, pursuant to the 2010 LAT Notice and the Circular on Specifying Several Measures Regarding Land Appreciation Tax (關於明確土地增值稅若干政策的通知) issued by the Henan Local Tax Bureau in March 2010 and effective as of May 2010 and a circular issued by the Henan Local Tax Bureau effective as of January 2012, LAT should generally be calculated based on the audited taxation method with a prepayment rate ranging from 1.5% to 4.5%, and only under limited circumstances authorized taxation method with a rate ranging from 5% to 10% may be applied to LAT calculation.

During the years ended December 31, 2017, 2018 and 2019, we estimated and made provisions for LAT for which we believe we were liable in accordance with the relevant PRC tax laws and regulations, and we paid provisional LAT at the rate of 1.5% to 6% of the sales proceeds received in accordance with LAT regulations. For the years ended December 31, 2017, 2018 and 2019, we made LAT payments in

the amount of approximately RMB500.1 million, RMB964.8 million and RMB1,249.2 million (US\$179.4 million), respectively, and we made provisions for LAT in the amount of approximately RMB372.4 million, RMB191.0 million and RMB1,004.8 million (US\$144.3 million), respectively. Before disallowance of the authorized taxation method in May 2010, LAT liabilities for 17 of our subsidiaries were calculated using the authorized taxation method for the whole or part of this period, while our remaining subsidiaries adopted the audited taxation method. The method of calculating LAT liability may differ for a subsidiary from year to year depending on application made by such subsidiary and approval granted by government authorities.

We cannot assure you that the local tax authorities will agree to the basis on which we calculate the amounts of LAT payable by us. In addition, we cannot assure you that the tax rate applied under the audited taxation method will not increase, or that the PRC government or local tax authorities will not completely abolish the authorized taxation method. If the tax authorities determine that a higher amount of LAT should be paid in the future, or if the final settlement of our LAT obligations results in an amount greater than what we have already paid or made provision for, our business, prospects, financial condition and results of operations may be materially and adversely affected.

***If any cultural relics are discovered at a construction site, it could result in the delay or abandonment of a property development project.***

Henan was an ancient political, economic and cultural center of China and is home to a large quantity of valuable cultural relics and historic sites. According to the Henan Provincial Cultural Relics and Archaeology Institute, the number of historic and cultural relics discovered underground in Henan is among the highest in China.

All the parcels of land we acquired or have contracted to acquire are located in Henan. Pursuant to the Cultural Relics Protection Law of the PRC (《中華人民共和國文物保護法》) and the Implementing Rules of the Cultural Relics Protection Law in Henan (《河南省實施《中華人民共和國文物保護法》辦法》), if any cultural relics are discovered beneath our development sites during our construction process, such discovery must be immediately reported to the local department of cultural relics administration and construction must be immediately suspended or partly suspended for archaeological surveying. If an underground discovery is classified as “highly valuable” by archaeologists and a parcel of land is considered to be of public interest by reason of its historical or archaeological significance, the parcel of land has to be returned to the government and the entire project has to be relocated. Although the government is required to compensate a property developer for a parcel of land returned to it for archaeological purposes, there is no assurance that such compensation will be sufficient to cover the full amount of the land premium paid or any other expenses incurred by the developer in connection with the relevant site or to cover the purchase price for another parcel of land of comparable quality. If any historic relics are discovered under any of our construction sites in the future, the completion of our projects may be delayed or we may even be required to return the relevant parcels of land to the government, which may materially and adversely affect our business, prospects, financial condition and results of operations.

***Our success depends on the continuing services of our chairman, senior management team and other key personnel.***

Our future success depends heavily upon the continuing services of our executive directors and members of our senior management team, in particular, our chairman Mr. Wu Po Sum. If one or more of our senior executives or other personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. In addition, as competition in the PRC for senior management and key personnel with experience in property development is intense, and the pool of qualified candidates is very limited, we may not be able to retain the services of

our senior executives or key personnel, or attract and retain high-quality senior executives or key personnel in the future. If we fail to attract and retain qualified personnel, our business and prospects may be adversely affected.

Moreover, along with our growth and expansion, we will need to continue to employ, train and retain employees. If we cannot attract and retain suitable human resources, our business, prospects, financial condition and results of operations will be materially and adversely affected.

***We may suffer losses arising from uninsured risks.***

In line with industry practice, we do not maintain insurance for destruction of or damage to our property developments (whether they are under development or have been completed and are pending delivery). Similarly we do not carry insurance covering liabilities rising from tortious acts or other personal injuries on our project sites. Losses incurred or payments we may be required to make in connection with any uninsured losses, damages and liabilities in the course of our operations and property development may have a material adverse effect on our business, prospects, financial condition and results of operations.

***The total GFA of our projects under development or future property developments may exceed the original GFA authorized in the land grant contract.***

When the PRC government grants the land use rights for a piece of land, it will specify in the land grant contract the designated use of the land and the total GFA that the developer may develop on this land. The actual GFA constructed, however, might exceed the total GFA authorized in the land grant contract due to various factors such as subsequent planning and design adjustments. The amount of GFA in excess of the authorized amount is subject to approval when the relevant authorities inspect the properties after their completion and the developer may be required to pay additional land premium in respect of such excess GFA. In addition, if we fail to obtain the completion certificate due to such excess GFA, we will not be allowed to deliver the relevant properties to the purchasers or recognize the revenue from the relevant pre-sold properties and may also be subject to liabilities under the pre-sale contracts. If this occurs, our business, prospects, financial condition and results of operations may be materially and adversely affected.

***The ancillary facilities in residential projects developed by us may not be available to residents in the projects.***

Many of the residential projects developed by us have ancillary facilities such as schools that enhance the value of properties in such projects by providing convenience and a better living environment to residents. We do not, however, operate or manage any of these facilities. We cannot assure you that these facilities will continue to operate or provide services to residents in the properties developed by us. In the event that some or all of these facilities cease to operate in the vicinity of our residential communities, our properties may become less attractive to potential purchasers, which will adversely affect our business to the extent that we have properties unsold or held for investment purposes in such project. In addition, our reputation may also be adversely affected as a result of the unavailability of such ancillary facilities, which may in turn materially and adversely our business, prospects, financial condition and results of operations.

***We may be involved in legal and other proceedings arising out of our operations from time to time and may incur material losses and liabilities or suffer damage to our reputation as a result.***

We may be involved in disputes with various parties, including joint venture parties, management companies, purchasers, suppliers, contractors, construction workers and trustees, and these disputes may lead to legal and/or other proceedings and may result in substantial costs, delays in our development schedule, and the diversion of resources and management's attention, regardless of the outcome. As of December 31, 2019, third party claims against us primarily consisted of disputes with suppliers. We



cannot assure you that we will not be involved in a larger number of proceedings or that such proceedings will not involve larger amounts in controversy in the future. The outcome of these proceedings may materially and adversely affect our operation and our reputation.

In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decisions that result in pecuniary liabilities and cause delays to our property developments. Any such action by a PRC government authority would have a material adverse effect on our business, prospects, financial condition and results of operations.

Finally, any failure or alleged failure by us or any of our directors, officers or other agents to fully adhere to the PRC or other applicable anti-corruption laws, or any investigation in relation to such failure or alleged failure by any regulatory body, could also materially and adversely affect our reputation and our business, financial condition and results of operations.

***We are subject to potential environmental liabilities that could result in substantial costs.***

We are subject to a variety of laws and regulations concerning the protection of the environment. The particular PRC environmental laws and regulations which apply to any given project development site vary according to the location, the environmental condition, the present and former uses of the site, as well as adjacent properties.

The relevant property development project may be delayed due to our efforts to comply with environmental laws and regulations. In some environmentally-sensitive regions or areas, the compliance costs could be prohibitively expensive.

In addition, each property development project is required by the relevant PRC laws and regulations to undergo environmental assessments and to submit an environmental impact assessment report to the relevant government authorities for approval before commencement of construction. Failure to obtain such approval prior to construction may result in suspension of construction and a penalty amounting up to 1%-5% of the total investment amount for each project.

We have obtained environmental approvals from the relevant local authorities with respect to the constructions of certain of our projects and we were in the process of applying for environmental approvals for certain of our projects under development. For our other projects where we have not obtained such approvals, we understood that we were not required to submit environmental impact assessment reports after consultation with the local environmental authorities prior to the commencement of construction of these projects. There have been instances that we were imposed administrative penalties for commencing construction of certain property projects before obtaining environmental approvals. The environmental investigations conducted relating to each of our property development projects to date have not revealed any material environmental liability. However, it is possible that these investigations did not reveal all environmental liabilities and there may be environmental liabilities of which we are unaware that may have a material adverse effect on our business and financial condition. After the construction project has been completed, the project company should conduct environmental protection inspection of the completed project, formulate environmental protection inspection report, disclose the report to the public, and submit the relevant data and information through the online platform of environmental protection inspection on completion of construction projects. In addition, if more stringent regulations are adopted in the future, we cannot assure you that we will be able to fully comply with such regulations and the costs of compliance with these new regulations may be substantial. If any of these occur, our business, prospects, financial condition and results of operations may be materially and adversely affected.

***The construction business and the property development business are subject to claims under statutory quality warranties.***

Under Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例), all property development companies in the PRC must provide certain quality warranties for the properties they develop or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from our third-party contractors with respect to our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, prospects, financial condition and results of operations.

***We may not be able to obtain land use rights certificates with respect to certain parcels of land in which we currently have various interests.***

As of December 31, 2019, we had interests under land grant contracts or land use rights transfer agreements in respect of development sites with an aggregate planned GFA of approximately 10.2 million sq.m. for which we have not obtained the land use rights certificates. These parcels of land were held for our development in the future pending obtaining of relevant land use rights certificates. If we fail to obtain the land use rights certificates with respect to these parcels of land in a timely manner, or at all, or if we are required to pay a higher land premium, our business, prospects, financial condition and results of operations may be materially and adversely affected.

***We may be deemed to be a PRC resident enterprise under Corporate Income Tax Law and thus be subject to PRC taxation on our worldwide income and be obligated to withhold PRC income tax on payment of interest, and possibly premium, on the Notes.***

Under the PRC Corporate Income Tax Law (中華人民共和國企業所得稅法)(the “CIT Law”) enacted by the National People’s Congress in March 2007, enterprises established under the laws of foreign countries or regions whose “de facto management bodies” are located within the PRC are considered “resident enterprises” for PRC tax purposes and will generally be subject to the CIT at the rate of 25% on their global income. The implementation rules of the CIT Law 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. The SAT promulgated the Circular on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident Enterprises in Accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) in April 2009 which specifies certain criteria for the determination of the “de facto management bodies” for foreign enterprises that are controlled by PRC enterprises or PRC enterprise groups. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for enterprises established offshore by private individuals or foreign enterprises like us. Substantially all of our management is currently located in the PRC. If we are treated as a PRC resident enterprise for income tax purposes, we will be subject to income tax at the rate of 25% on our global income (excluding dividends received by us from our direct equity investment in other PRC resident enterprises if such dividends are treated by the relevant tax authorities as “tax-exempt income”). Furthermore, we would be obligated to withhold PRC income tax of 10% on payments of interest, and possibly premium, on the Notes to investors that are non-PRC resident enterprises, if the interest or premium is regarded as being derived from sources within the PRC. Such tax may be withheld at 20% in the case of payments to individuals. If we fail to make proper withholdings, we may be subject to fines and other penalties. If we are required to withhold PRC tax as described above, 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 adversely affect our profitability and cash flow. If we are treated as a PRC resident enterprise, any gain realized by 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 (20% in the case of individuals). PRC tax liability may be reduced by an applicable tax treaty.

***The full-fledged levy of value added tax (“VAT”) on revenues from a comprehensive list of service sectors may subject our revenues to an average higher tax rate.***

Pursuant to the Notice on Adjustment of Transfer Business Tax to Appreciation 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, or Circular 36, by the MOF 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 VAT for over 20 years. Since the issuance of Circular 36, the MOF and SAT have subsequently issued a series of tax circulars in March and April 2016 to implement the collection of VAT on revenues from construction, real estate, financial services and lifestyle services. The VAT 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 VAT rate for sale of self-developed real estate projects has increased from 5% (the business tax rate that we were subject to) to 11%. Unlike the business tax, the VAT is only imposed on added value, which means the input tax incurred from our construction and real estate will be able to be offset in the 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 VAT regime on our tax burden, our revenues and results of operations, which remains uncertain.

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

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

***Certain facts and statistics are derived from publications not independently verified by us, the Initial Purchasers or our or their respective advisors.***

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

***Our controlling shareholders may take actions that are not in, or may conflict with, our best interests or the best interests of our creditors, including the holders of the Notes.***

As of the date of this offering memorandum, our controlling shareholder, Mr. Wu, through Joy Bright Investments Limited, beneficially owns approximately 74.84% of our issued share capital as well as share options to subscribe for approximately an additional 0.07% of our issued share capital. Mr. Wu is able to significantly influence most matters requiring our shareholders' approval, including the election of directors and the approval of significant corporate transactions, including mergers and acquisitions. The interests of Mr. Wu may not be consistent with our interests or those of our creditors, including the holders of the Notes, and Mr. Wu may cause us to enter into transactions or take, or omit to take, other actions or make decisions that conflict with the best interests of our creditors, including holders of the Notes.

***We may not be able to successfully expand our business to other provinces in China.***

Our property development experience has been limited to Henan. While we intend to continue to execute a provincial and regional strategy, we may also selectively expand to other provinces when suitable opportunities arise. For example, we have in recent years expanded our operation to Hainan. The property markets of other provinces may differ from that of Henan in terms of, among other factors, economic development, zoning, topography, culture, regulatory practices, the business practices and availability of suppliers and contractors, pricing, land acquisition procedures, the availability of bank financing for property developments, the availability of mortgages and customer tastes, behavior and preferences. Accordingly, our experience in Henan may not be transferable to other provinces, and we may be at a competitive disadvantage compared to property developers with a more established presence in such markets. An unsuccessful expansion into new markets may materially and adversely affect our business, prospects, financial condition and results of operations.

***We have not fully paid social insurance premiums for all employees, which may lead to the imposition of fines and penalties and adversely affect our business.***

In accordance with relevant PRC national labor laws and regulations, we are required to contribute to a number of employee social welfare schemes for the benefit of our employees. Such schemes include social insurance and housing provident fund contributions. We have not fully paid all social insurance premiums for all employees in the PRC. The turnover rate of our employees is high and there are significant practical difficulties in completing the necessary social security registration within the short period of their employment. We may be required by the relevant PRC authorities to make such outstanding payments in the future. If this occurs, and if we fail to make such payments within the time period specified by the authorities, a daily fine of 0.05% on any delinquent payments may be imposed on us. There can be no assurance that we will not be ordered to rectify any of these incidents of noncompliance in the future.

***Any default under any of our financing arrangements may result in enforcement actions and adversely affect us, our reputation and the trading price of our securities.***

In 2012, we obtained a waiver from the holders of our 2010 Notes of certain defaults under our 2010 Notes that resulted from transactions that were not permitted under the 2010 Indenture, including investments that were not in compliance with the limitation on restricted payments and affiliate transactions with respect to which we did not provide the required fairness opinions. We redeemed the 2010 Notes in full in June 2013.

While we have taken steps to improve our compliance function, such as establishing a covenant compliance team, we cannot assure you that defaults under our financing arrangements may not occur again in the future. Any occurrence of defaults in the future may require us to seek consent of the relevant parties or repay the relevant financing or financings. Any such unscheduled repayment or the cost and management resources required to obtain such consent could adversely affect our business, prospects, financial condition and results of operations. Any failure to repay such financing or to obtain such consent could result in enforcement action, adversely affecting our financial condition. In addition,

the market may view any defaults unfavorably as they may suggest that we do not have adequate corporate governance. Ineffective corporate governance or a perception of ineffective corporate governance may result in a loss of investor confidence in us generally, which in turn could harm our business and negatively impact the trading price of our securities.

### **Risks Relating to the Property Industry in the PRC**

*We are subject to regulations implemented by the PRC government, which may adopt further measures intended to prevent overheating of the property sector in the PRC.*

Our business is subject to extensive governmental regulation. We are required to comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable influence on the development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, foreign exchange, property financing, mortgage financing, taxation and foreign investment and property purchase restrictions. In recent years, in response to concerns over the scale of the increase in property investment and the potential overheating of the property sector in the PRC, the PRC government introduced policies to restrict development in the property sector, including, among other things:

Regarding land usage:

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low-to-medium-cost and small-to-medium-sized units and low-cost rental properties;
- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a GFA of less than 90 sq.m. per unit and that projects which have received project approvals prior to this date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;
- suspending or restricting land grants and development approvals for luxury homes and larger-sized units; and
- charging idle land fees for land which has not been developed for one year starting from the commencement date stipulated in the land use rights grant contract and canceling land use rights for land which has not been developed for two years or more.

Regarding loan financing:

- increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying property if the underlying property has a GFA of 90 sq.m. or more, effective from June 1, 2006; increasing the minimum amount of down payment to 40% of the purchase price of the second or subsequent residential property and the interest rate of mortgage loans to 1.1 times the then benchmark rate promulgated by the PBOC for residential property purchasers who already have outstanding residential mortgage loans, effective from September 27, 2007;
- increasing the minimum amount of down payment to 50% of the purchase price for the multiple residential properties bought with a loan, effective from April 17, 2010. Chinese banks are also required to significantly increase, at their discretion, the down payment and interest rate requirement for those who purchase multiple residential properties. Effective from September 29, 2010, Chinese banks are also required to stop providing mortgage loans for the third or subsequent

residential property temporarily and refuse to provide mortgage loans to non-local mortgage loan applicants who cannot provide proof of one year or above of local tax payment record or social security payment record;

- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties and prohibiting the commercial banks from granting new project loans to property developers that hold idle land or that have participated in speculative land dealing; prohibiting commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans; and prohibiting commercial banks from making additional loans based on the increased value of the underlying property prior to the full repayment of an existing loan; and
- tightening availability of bank loans to property developers and purchasers of developed properties and increasing the reserve requirements for commercial banks.

Regarding foreign investment:

- requiring that at least 50% of the total project investment must be in the form of registered capital for newly established foreign-invested property development companies with total investments of US\$10 million or more, effective July 11, 2006; and
- prohibiting foreign-invested property development companies that obtained approval certificates from and registered with the PRC Ministry of Commerce (“MOFCOM”) on or after June 1, 2007 from incurring any overseas loans, promulgated on July 10, 2007.

Regarding tax measures:

- imposing a business tax levy on the entire sales proceeds from resale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented in 2005; such business tax was reduced during the period from January 1, 2009 to December 31, 2009; if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas if the holding period is shorter than two years, business tax based on the basis of price difference between the transfer income and original price for transfer of ordinary residences shall be paid;
- increasing the annual tax rate on urban land use rights from RMB0.5 – 10 to RMB1.5 – 30 per sq.m. for metropolitan areas depending on the location and type of use, and requiring foreign investment enterprises using urban land, for the first time, to pay a tax on urban land use from January 1, 2007; and
- imposing or increasing taxes on short-term gains from second-hand property sales.

Regarding payment of land premiums:

- requiring property developers to pay the land premium for the entire parcel of land under the land grant contract in full before they earn land use rights certificates and commence development of the land, effective November 1, 2007; and
- requiring that the minimum down payment for land premium to be 50% and requiring the land premium to be fully paid within one year after the signing of a land grant contract, effective November 18, 2009, subject to limited exceptions.

In January 2011, the PRC government adopted certain new policies to cool down the real estate property market, including increasing the minimum down payment to at least 60% of the total purchase price for second home purchases with a minimum lending interest rate of at least 110% of the benchmark rate, in certain targeted cities restricting purchasers from acquiring second (or further) residential properties and

restricting non-residents that cannot provide any proof of local tax or social security payments for more than a specified time period from purchasing any residential properties, launching new real estate tax schemes in certain cities such as Chongqing and Shanghai on a trial basis, and levying business tax on the full amount of transfer price if an individual owner transfers a residential property within five years of purchase. In addition, certain cities including but not limited to Zhengzhou had promulgated measures further limiting the number of residential properties a single household is allowed to purchase. In May 2011, the PRC government adopted new policies requiring the sale of commodity houses to mark prices on a per unit basis and the public disclosure of all relevant fees to be charged and other details relating to the sale price of such units. In August 2011, MOHURD listed five criteria for the implementation of home purchase restrictions: (i) cities where property prices have risen more rapidly based on the property price index report of 70 cities published in June 2011 by the China Statistics Bureau; (ii) second-or third-tier cities where property prices have seen a sharp rise in June 2011 with prices at the end of 2010 used as the benchmark; (iii) cities where property transaction volumes in the first half of 2011 increased faster than in the first half of 2010; (iv) cities neighboring those where home purchase restrictions have been implemented and those with a higher proportion of non-local resident home buyers; and (v) cities whose residents complain about the overly high or fast-rising property prices or inefficiency of the current control measures. Furthermore, in order to further cool down the property market, in the second half of 2011 the PRC government extended home purchase restrictions to second- and third-tier cities in addition to the 40-plus first- and second-tier cities which have already adopted home purchase restriction measures. Second- and third-tier cities with high housing prices which meet two of the above-mentioned five criteria issued by the MOHURD may be required to impose home purchase restriction measures. On February 26, 2013, the General Office of the State Council issued the Notice on the Continuous Effective Regulation of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知) with a view to upholding the regulation of the real estate market in 2013 and promoting a stable and healthy development of the real estate market. Since the second half of 2014, the central and local governments have implemented measures to support the demand of buyers of residential properties and to promote the sustainable development of the real estate market. For instance, most of the local governments including but not limited to Zhengzhou have issued their respective measures to lift the restrictions on the purchase of residential properties. In September 2014, PBOC and CBRC jointly issued a circular which provide that (1) the minimum mortgage loan interest rate for first-time purchasers of residential property was set at 70% of the benchmark lending interest rate; (2) where a family 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 (3) in cities that have lifted restrictions on the purchase of residential property by residents or those that have not imposed such restrictions, when a family 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. In March 2015, PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. Furthermore, according to a notice jointly issued by SAT and MOF, effective from March 31, 2015, a business tax will be levied on the entire sales proceeds from resale of properties if the holding period is shorter than two years, and if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas for the transfer of non-ordinary residences business tax shall be paid on the basis of price difference between the transfer income and the purchase cost. In February 2016, the PBOC and CBRC jointly issued a notice which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property



price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30%, which is lower than the previous requirement of not less than 40%. In February 2016, SAT and MOF jointly issued a circular to further adjust downward the deed tax and business tax payable for real estate transactions. Since September 2016, certain local governments issued notices to resume implementing housing purchase restriction measures for the purpose of the sustainable development of the local real estate market. In October 2016, Zhengzhou has issued new property market control policies, which included restoring the restrictions on purchases of residential properties. See “Regulation – Measures on stabilizing housing prices.” These measures to stabilize the real estate markets have led to reduction in investment and profit in much of the real estate industry and have adversely affected our business and operations. We cannot assure you that the PRC government will not adopt more stringent industry policies, regulations and measures in the future. For example, the PRC government has announced that it may impose a broader real estate tax in the future. We are not sure whether and when such tax will be imposed and neither can we assess the adverse impact of the new tax on our business operations and financial results. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

The PRC government imposes restrictions on foreign investment in the property sector to curtail the overheating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign persons. For example, in May 2007, MOFCOM and the State Administration of Foreign Exchange (“SAFE”) jointly issued the Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real

Estate Sector in the PRC (關於進一步加強、規範外商直接投資房地產業審批和監管的通知), which, among other things, provides that:

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

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

***The PRC government has imposed restrictions on the ability of PRC property developers to receive offshore funds.***

In May 2007, MOFCOM and SAFE jointly issued the Circular on Further Strengthening and Regulating the Approval and Supervision of Real Estate Industry with Direct Foreign Investment (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). In April 2013, SAFE issued the Notice Regarding Promulgation of Administrative Measures on Foreign Debt Registration (國家外匯管理局關於發佈《外債登記管理辦法》的通知), which became effective on May 13, 2013 and contains an appendix named the Operating Guidelines for Foreign Debt Registration Administration (外債登記管理操作指引). These notices indicate that SAFE will no longer process foreign debt registrations or foreign debt applications for the settlement of foreign exchange submitted by real estate enterprises with foreign investment that obtained authorization certificates from and registered with MOFCOM on or after June 1, 2007.

As a foreign-invested PRC property developer, we are subject to these notices. We intend to repatriate to China offshore funds that we may raise in this offering by increasing the registered capital of our existing subsidiaries or by establishing new subsidiaries. However, we cannot assure you that we will be able to obtain in a timely manner, if at all, all necessary foreign-exchange approval certificates for the deployment of offshore funds, or that we will be able to obtain in a timely manner, if at all, any registration of new foreign-invested subsidiaries or additional registered capital increases in the future. Further, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to repatriate to China the funds raised in this offering. If we fail to repatriate to China any or all of the net proceeds raised in this offering, our liquidity and our ability to fund and expand our business could be materially and adversely affected.

In addition, any capital contributions made to our operating subsidiaries in China are also subject to the foreign investment regulations and foreign exchange regulations in the PRC. For example, in accordance with a circular with respect to the Administration of Conversion of Foreign Exchange Capital Contribution of Foreign Invested Enterprises into Renminbi (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) promulgated by SAFE in August 2008, unless otherwise permitted by PRC laws or regulations, Renminbi capital converted from foreign exchange capital contribution can only be applied to the activities within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment or acquisition. Effective on June 1, 2015, the aforesaid circular were repealed by the Circular on the Reform of Administrative Approach for the Settlement of Foreign Exchange Capital Funds of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), or Circular No. 19, issued by SAFE in March 2015, which stipulates that the voluntary settlement of foreign exchange capital funds for foreign invested enterprises will be implemented. 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), or Circular 16, to further reform foreign exchange capital settlement nationwide. As new regulations, Circular No. 19 and Circular 16 will be subject to interpretation and application by the relevant PRC government authorities. For further updates on relevant laws and regulations, please refer to “Regulation – Foreign-invested Property Enterprises” in this offering memorandum. Pursuant to this offering memorandum, we may encounter difficulties in increasing the capital contribution to our project companies and subsequently converting such capital contribution into Renminbi for equity investment or acquisition in China. We cannot assure you that we will be able to obtain these approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make capital contributions to our project companies as their general working capital or to fund their operations may be negatively affected, which could materially and adversely affect our business, prospects, financial condition and results of operations.



***We are heavily dependent on the performance of the property market in China, which is at a relatively early stage of development.***

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

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

***Increase in resettlement costs and the inability to reach resettlement agreements associated with certain property developments may materially and adversely affect our business, prospects, financial condition and results of operations.***

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

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

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

## **Risks Relating to the PRC**

***Changes in PRC economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, prospects, financial condition and results of operations.***

Substantially all of our business and operations are conducted in China. Accordingly, our business, prospects, financial condition and results of operations are, to a significant degree, subject to economic, political and social developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Certain measures taken by the PRC government to guide the allocation of resources may benefit the overall economy of China but may, however, also have a negative effect on us. For example, our business, prospects, financial condition and results of operations may be adversely affected by government control over capital investments, changes in tax regulations that are applicable to us, change in interest rates and statutory reserve rates for banks or government control in bank lending activities.

***Uncertainties with respect to the PRC legal system could have a material adverse effect on us.***

Our business and operations are primarily conducted in China and governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has significantly enhanced PRC legislation and regulation to provide protection to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently-enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. As many of these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations may involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. Furthermore, the legal protections available to us under these laws and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

***Fluctuation in the exchange rates between the Renminbi and foreign currencies, particularly U.S. dollars, may have a material adverse effect on us and on your investment.***

The Notes are denominated in U.S. dollars, while substantially all of our revenue is generated by our PRC operating subsidiaries and is denominated in Renminbi. The exchange rates between the Renminbi and foreign currencies are affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can rise or fall by as much as 0.5% each day. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 33.0% from July 21, 2005 to December 31, 2014. 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. In addition, there remains significant international pressure on the PRC government to adopt a more flexible currency policy.

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

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. Following the offering of the Notes, we may enter into additional foreign exchange or interest rate hedging agreements with respect to 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 governing the Notes, and these agreements may be secured by pledges of our cash and other assets as permitted under the indenture governing the Notes. If we were unable to provide such collateral, it could constitute a default under such agreements.

***Governmental control over currency conversion may limit our ability to utilize our cash effectively and potentially affect our ability to pay interest to holders of the Notes.***

Substantially all of our revenue is denominated in Renminbi. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Under our current corporate structure, our Company's income is primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay interest to holders of the Notes. In addition, since a significant amount of our future cash flow from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies.

***It may be difficult to effect service of process upon us or our Directors or senior officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.***

A significant portion of our assets and our subsidiaries are located in the PRC. In addition, most of our Directors and officers reside in the PRC, and the assets of our Directors and officers may also be located in the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of our Directors and officers, including with respect to matters arising under applicable securities laws.

A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of any other requirements. Our PRC legal adviser has advised us that the PRC does not have treaties providing for the reciprocal acknowledgement and enforcement of judgments of courts with the United States and most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in any of these jurisdictions may be difficult.

### **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. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiary Guarantors. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of Non-Guarantor Subsidiaries (including all our PRC subsidiaries) and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor 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 our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-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 PRC subsidiaries had bank and other loans in the amount of approximately RMB10,525.8 million (US\$1,511.9 million), capital commitments in the amount of approximately RMB75,172.5 million (US\$10,797.9 million) and contingent liabilities arising from guarantees in the amount of approximately RMB42,382.4 million (US\$6,087.9 million). The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes (other than the Collateral).

Under the terms of the Notes, a limited-recourse guarantee, or JV Subsidiary Guarantee, may be provided in lieu of a Subsidiary Guarantee following our sale or issuance to a third party of a 20% to 49.9% equity interest in a subsidiary or following our purchase of a 50.1% equity interest in a third party (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

***We have incurred significant indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial condition and could further intensify the risks associated with our leverage.***

We have significant indebtedness outstanding. As of December 31, 2019, our consolidated current bank loans, other loans, corporate bonds and senior notes and our consolidated non-current bank loans, other loans, corporate bonds and senior notes amounted to approximately RMB12,519.0 million (US\$1,798.2 million) and RMB18,971.6 million (US\$2,725.1 million), respectively. In addition, as of December 31, 2019, our capital commitments (including capital commitments of joint ventures attributable to the Group) were approximately RMB75,172.5 million (US\$10,797.9 million). See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Capital Commitments.”

In addition, we and our subsidiaries may from time to time incur substantial additional indebtedness. Although the Indenture limits us and our subsidiaries from incurring additional debt, these limitations are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we face as a result of such indebtedness and leverage could intensify. The amount of our indebtedness could have important consequences to the holders of the Notes. 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 condition;
- require use to dedicate a substantial portion of our cash flow from operations to servicing and repaying indebtedness, reducing the availability of cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for or reacting to changes in the 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, 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 EBITDA includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenant, could be substantially larger when compared to other similarly situated PRC-based issuers of high-yield bonds whose covenant does not typically include unrealized gains in the calculation of their respective consolidated EBITDA. Because our definition of Consolidated Interest Expense is net of our interest income and only includes interest payable by the Company or any Restricted Subsidiary if such interest accrues on Indebtedness of any other Person that is Guaranteed by the Company or any Restricted Subsidiary, our Consolidated Fixed Charges would be substantially lower, and therefore our ability to incur additional debt under such covenant could be substantially larger, when compared to other similarly situated PRC high yield issuers whose covenants do not typically offset interest income in the calculation of their respective Consolidated Interest Expense. Similarly, we have carve outs under the definition of Consolidated Interest Expense relating to certain lease liabilities and interest expense from pre-sale receipts, which



would lower our Consolidated Fixed Charges and increase our ability to incur additional debt. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. 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 existing indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms.

***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. 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 and the indentures governing our outstanding senior notes, 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 our outstanding senior notes, we may pay dividends on our common stock or redeem our common stock in an aggregate amount up to 30% 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.

***Under the terms of the Notes, we are not subject to the restrictions related to “Permitted Business.”***

Under the terms of the Notes, we are not subject to the restrictions related to “Permitted Business.” Without such restrictions, we will, among other things, (i) be able to invest in and make payments to entities and businesses not in the real estate industry through Permitted Investment, and (ii) have additional flexibility to incur indebtedness, as “purchase money indebtedness” will no longer be subject to the condition that the indebtedness is incurred to acquire assets used in the Permitted Business. Such changes may result in a higher indebtedness level, and additional cash outflow.

***The terms of the Notes permit us to buy out minority interests in non-wholly owned Restricted Subsidiaries, and such purchases will not constitute Restricted Payments.***

The terms of the Notes permit us to redeem, repurchase or otherwise acquire minority interests in our Restricted Subsidiaries in any arm’s length transaction, and such purchases will not constitute Restricted Payments. Even though such transactions would potentially increase our ownership interests in the relevant Restricted Subsidiary, we may have to pay substantial amounts of consideration in these transactions, whether in cash or other assets, which may adversely impact our business, results of operations and financial condition.



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

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

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

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

***The terms of the Notes permit us to designate entities as Unrestricted Subsidiaries in connection with any spin-off listing, and investments we retain in such Unrestricted Subsidiaries will not constitute Restricted Payments upon such designation.***

As we establish alternative revenue sources and diversify our business. We may spin off such new businesses in the future as we desire. Subject to certain restrictions, in connection with a spin-off listing of such businesses, the terms of the Notes permit us to designate such relevant subsidiaries, or the Restructuring Group, as Unrestricted Subsidiaries, and any interests we retain in such entities will not constitute Restricted Payments upon such designation. See "Description of the Notes – Definitions – Permitted Investment." We currently do not have any plan for such spin off listing and do not expect to make such designations. The effects of any such designation, if applicable, include, but are not limited to, that:

- any entity so designated as an Unrestricted Subsidiary will no longer be subject to the covenants under the Indentures;
- the Subsidiary Guarantees of any entity so designated as an Unrestricted Subsidiary may be released, and the shares of such entity previously pledged to the Collateral Agent for the benefit of the holders of the Notes and other Existing Pari Passu Secured Indebtedness may be released; and
- interest expenses on Indebtedness of any entity so designated as an Unrestricted Subsidiary will not be included in the calculation of our Consolidated Interest Expense, other than such interest expenses on Indebtedness that is Guaranteed by the Company or a Restricted Subsidiary.

In addition, the terms of the Notes provide us with additional flexibility to distribute the shares of such Restructuring Group in connection of such Restructuring, without having such distribution constituting a Restricted Payment. See “Description of the Notes – Certain Covenants – Limitation on Restricted Payments.”

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

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

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

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries, to satisfy our obligations, including our obligations under the Notes. The ability of our subsidiaries (including certain of our material subsidiaries, such as Central China Real Estate Group (China) Co., Ltd. 建業住宅集團(中國)有限公司) to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be. PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Further, certain loan agreements in relation to project loans obtained by our PRC subsidiaries from PRC lender banks contain provisions that restrict or prohibit the payment or declaration of dividends or distributions. These restrictions could have a negative impact on the calculation of our Consolidated EBITDA and could also reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under debts, including the Notes.

Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, starting from January 1, 2008, dividends for the year 2008 and onward paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident

and directly holds a 25% or more interest in the PRC enterprise, such restrictions tax rate may be lowered to 5%. However, according to a circular issued by the SAT in October 2009, tax treaty benefits will be denied to “conduit” or shell companies without business substance. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

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

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

We must offer to purchase our outstanding senior notes upon the occurrence of a Change of Control Triggering Event and purchase the Notes upon the occurrence of a change of control, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See “Description of Other Material Indebtedness” and “Description of the Notes.”

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of our outstanding senior notes or the Notes. Our failure to make the offer to purchase or to purchase our outstanding senior notes or the Notes would constitute an Event of Default under our outstanding senior notes and the Notes, respectively. 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 satisfy our obligations under our outstanding senior notes or the Notes and repay the debt.

In addition, the definition of “Change of Control” for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancing, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of “Change of Control” for purposes of the Indenture also includes a phrase relating to the sale of “all or substantially all” of our assets. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, our obligation to make an offer to purchase our outstanding senior notes and the Notes and the ability of a holder of our outstanding senior notes or the Notes to require us to purchase its notes pursuant to the offer as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

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

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

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

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

The Notes are a new issue of securities for which there is currently no trading market. Although approval in-principle has been received from the SGX-ST for the listing and quotation of the Notes on the SGX-ST, we cannot assure you that we will obtain or be able to maintain a listing on the SGX-ST, or that, if listed, a liquid trading market will develop. 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.

***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 its Listing Rules, which provide, among other things, that a “connected transaction” exceeding the applicable de minimis value thresholds will require prior approval of the independent shareholders of such listed company. However, the “Limitation on Transactions with Shareholders and Affiliates” covenant in the Notes does not capture transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officer’s certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee 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 ratings assigned to the Notes may be lowered or withdrawn in the future.***

The Notes are expected to be rated “BB-” by Fitch. The rating addresses 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. 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 rating will be confirmed, that a rating will remain for any given period of time or that a rating will not be lowered, put on negative outlook 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, negative outlook or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

***The 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 revenue, earnings and cash flows, proposals for new investments, strategic alliances and/or acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally

could cause the price of the Notes to change. Any such developments may result in large and sudden changes in the trading volume and price of the Notes. We cannot assure you that these developments will not occur in the future.

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering memorandum has been prepared in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, which might be material to the financial information contained in this offering memorandum.

***We will follow the applicable corporate disclosure standards for debt securities listed on the SGX-ST, which 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 such as the United States or 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 transfer of the Notes is restricted which may adversely affect their liquidity and the price at which they may be sold.***

The Notes and the guarantee of the Notes have not been registered under, and we are not obligated to register the Notes or the guarantee of the Notes under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See the section entitled “Transfer Restrictions.” We have not agreed to or otherwise undertaken to register the Notes and the guarantee of the Notes (including by way of an exchange offer), and we have no intention to do so.

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

The Notes will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the global notes 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 Notes. The common depositary for Euroclear and Clearstream will be the sole registered holder of the global notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the global notes 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 notes representing the Notes and credited by such participants to indirect participants. After payment to 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, and if you are not a participant in the Euroclear and Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture.



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 holders of the notes. 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 the 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 the Euroclear and Clearstream. The procedures to be implemented through the Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the notes.

### **Risks Relating to the Subsidiary Guarantees, the JV Subsidiary Guarantees 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 a JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that may be organized under the laws of PRC, Listed Subsidiaries (as defined in the section entitled “Description of the Notes”) or are not permitted by applicable law or regulation to guarantee the Notes (the “Exempted Subsidiaries”), will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future. In addition, certain of our non-PRC subsidiaries are permitted to not guarantee the Notes and have their capital stock pledged to secure the Notes, if the consolidated assets of all these non-PRC subsidiaries (other than the Exempted Subsidiaries and Listed Subsidiaries) do not exceed 25% of our total assets, or if the applicable law or regulation does not allow such guarantee or pledge. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the Non-Guarantor Subsidiaries, including our PRC subsidiaries. See “Description of the Notes – The Subsidiary Guarantees and JV Subsidiary Guarantees.” Moreover, the charge over the shares of the offshore subsidiaries of the Company (the “Collateral”) will not include the capital stock of our existing or future Non-Guarantor Subsidiaries, including our PRC subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Notes do not have significant operations. We cannot assure you that the initial Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes if we are unable to do so. See “– 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.”

The holders of our outstanding senior notes and the holders of any future permitted *pari passu* secured indebtedness have a right to share any security interests, guarantees, indemnities and other arrangements that the Company creates or permit to subsist in respect of any debt securities issued thereafter. Therefore, unless such right is waived, any future Subsidiary Guarantees that guarantee the Notes may have to be shared with our outstanding senior notes any future permitted *pari passu* secured indebtedness, which may further decrease the funds available to satisfy our financial obligations under the Notes.

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of a minority interest, or a purchase from a third party of a majority interest, in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such 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.



Under the terms of the Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues more than 20% of the Capital Stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors (including the New Non-Guarantor Restricted Subsidiaries) do not account for more than 25% of the our total assets.

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

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

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

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

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

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

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

***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, the Cayman Islands and the British Virgin Islands at any time within six months of the perfection of the pledge or, under some circumstances, within a longer period. Pledges of capital stock 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 section entitled “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” above.

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 is unlikely to be sufficient to satisfy our obligations under the Notes and other pari passu secured indebtedness.***

The Collateral will consist only of the capital stock of the initial Subsidiary Guarantors and may in the future include our proportional interest in the JV Subsidiary Guarantors (if any). 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 Trustee, on behalf of the holders of the Notes, 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 status. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Trustee or holders of the Notes will be able to enforce the security interest.

The value of the Collateral in the event of 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 its nature, the Collateral, which consists solely of the capital stock of any existing or future Subsidiary Guarantor or JV Subsidiary Guarantor is likely to be illiquid and is unlikely to have a 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.

In addition, the Collateral will be shared on a *pari passu* basis by the holders of the Notes and the lenders of certain other indebtedness such as our outstanding senior notes and may be shared on a *pari passu* basis with holders of other indebtedness ranking *pari passu* with the Notes that we may issue in the future. 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 such 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 obligations of the Company and each of the Subsidiary Guarantor Pledgors under the Notes, our outstanding senior notes and the subsidiary guarantees of the Subsidiary Guarantor Pledgors for the Notes, our outstanding senior notes and other *pari passu* indebtedness secured by the Collateral, 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 other Permitted *Pari Passu* Secured Indebtedness and the disposition of assets comprising the Collateral, subject to the terms of the Indenture.

***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 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.

***The Intercreditor Agreement may impact our ability and the ability of the Subsidiary Guarantors to pay amounts due under the Notes and the Subsidiary Guarantees and may limit the rights of holders of the Notes to the Collateral.***

If so instructed by the holders of the Notes, our outstanding senior notes or the holders of other permitted *pari passu* secured indebtedness (or their trustees or representatives) given under and in accordance with the Intercreditor Agreement, the Global Security Agent is required to take action to enforce the Collateral. Any such enforcement action will adversely affect our entitlement to receive dividend or other distributions from the Collateral, which will, in turn, have an adverse impact on our ability to fulfill our payment obligations under the Notes. Similarly, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected.

The Intercreditor Agreement limits the ability of holders of the Notes to enforce the Collateral, as only the Global Security Agent is permitted to take enforcement actions. The Global Security Agent, pursuant to the Intercreditor Agreement, the Security Documents and underlying indentures, has duties with respect to the Collateral pledged, assigned or granted. Under certain circumstances, such duties may conflict with the interests of the holders of the Notes and other secured parties.

In addition, the Global Security Agent, acting in its capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement and the Security Documents as are set forth in the Intercreditor Agreement. Under certain circumstances, the Global Security Agent may have obligations under the Security Documents or the Intercreditor Agreement and the underlying indentures that are in conflict with the interests of the holders of the Notes and the holders of our outstanding senior notes. The Global Security 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 or our outstanding senior notes, unless such holders have offered to the Global Security Agent indemnity and/or security satisfactory to the Global Security Agent against any loss, liability, cost or expenses.

Further, under the Intercreditor Agreement, although the Trustee is entitled to give instructions to the Global Security Agent to enforce the Collateral, in the event that there is any conflicting instruction from another creditor representative which is entitled to so instruct the Global Security Agent, the Global Security Agent will only enforce the Collateral upon receiving written instructions from creditors subject to the Intercreditor Agreement that represent more than 50% of the aggregate principal amount of the related secured liabilities outstanding at such time. Such written instructions from such majority creditors may be in conflict with the written instructions from the Trustee and may conflict with the interests of the holders of the Notes.

If an Event of Default occurs under the Notes, our outstanding senior notes or other permitted *pari passu* secured indebtedness, the holders of such indebtedness must decide whether to take any enforcement action with respect to the Collateral. Thereafter they may, through their respective trustee or representative, instruct the Global Security Agent to take such action pursuant to the terms of the Intercreditor Agreement and the Security Documents. Such action may be adverse to holders of the Notes. In that event, the holders of the Notes would retain only the remedy to sue for payment on the Notes and the Subsidiary Guarantees.

## **USE OF PROCEEDS**

We intend to use the net proceeds, after deducting commission and other expenses, to refinance the existing medium to long term offshore indebtedness which will become due within one year.

## EXCHANGE RATE INFORMATION

### PRC

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. The PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. Although Chinese governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital account items, such as foreign direct investment, loans or securities, requires the approval of the 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. The PRC government has since made and in the future may make further adjustments to the exchange rate system. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the interbank foreign exchange market after the closing of the market on each working day, and makes it the central parity for the trading against the Renminbi on the following working day.

On May 18, 2007, 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 2.0% on March 17, 2014. 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, the RMB against the U.S. dollar continued to depreciate at an increasing rate. 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.



The following table sets forth the exchange rate of the Renminbi against the U.S. dollar as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends as indicated.

Period	Noon buying rate			
	Period end	Average <sup>(1)</sup>	High	Low
		(RMB per US\$1.00)		
2014 .....	6.2046	6.1704	6.2591	6.0402
2015 .....	6.4778	6.2869	6.4896	6.1870
2016 .....	6.9430	6.6549	6.9580	6.9430
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
November .....	7.0308	7.0199	7.0389	6.9766
December .....	6.9618	7.0137	7.0609	6.9618
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 (through May 29, 2020) .....	7.1348	7.1016	7.1681	7.0622

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 H.K. dollar is freely convertible into the U.S. dollar. Since 1983, the H.K. 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 H.K. 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. The Hong Kong government has indicated its intention to maintain the link at that rate. Under the Basic Law, the H.K. 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 H.K. dollar will remain freely convertible into other currencies, including the U.S. dollar. However, we cannot assure you that the Hong Kong government will maintain the link at HK\$7.80 to US\$1.00, or at any exchange rate.

The following table sets forth the exchange rate of the H.K. dollar against the U.S. dollar as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends as indicated.

Period	Noon buying rate			
	Period end	Average <sup>(1)</sup>	High	Low
		(HK per US\$1.00)		
2014 .....	7.7531	7.7554	7.7669	7.7495
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
November .....	7.8267	7.8279	7.8365	7.8208
December .....	7.7894	7.8045	7.8289	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 (through May 29, 2020) .....	7.7513	7.7519	7.7561	7.7500

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.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our consolidated borrowings and capitalization as of December 31, 2019:

- on an actual basis;
- as adjusted as of December 31, 2019 to give effect to the proceeds from the issue of the Notes of US\$400 million in this offering without taking into account the issue price and accrued interest and before deduction of underwriting discounts and commissions and estimated offering expenses.

The following table should be read in conjunction with our published audited consolidated financial statements and related notes as of and for the year ended December 31, 2019 included in this offering memorandum.

The following table does not give effect to any actual or planned use of proceeds from the issue of the Notes.

	As of December 31, 2019			
	Actual <sup>(5)</sup>		As adjusted <sup>(5)</sup>	
	(RMB'000)	(US\$'000) (unaudited)	(RMB'000)	(US\$'000) (unaudited)
<b>Short-term borrowings<sup>(1)</sup></b>				
Bank loans due within one year or on demand . . . . .	3,734,424	536,416	3,734,424	536,416
Other loans due within one year . . . . .	2,437,022	350,056	2,437,022	350,056
Corporate bonds due within one year . . . . .	1,489,608	213,969	1,489,608	213,969
Senior notes due within one year . . . . .	4,857,923	697,797	4,857,923	697,797
Total short-term borrowings . . . . .	12,518,977	1,798,239	12,518,977	1,798,239
<b>Long-term borrowings<sup>(2)(3)</sup></b>				
Bank loans . . . . .	3,504,035	503,323	3,504,035	503,323
Other loans . . . . .	850,325	122,142	850,325	122,142
Corporate bonds . . . . .	1,499,870	215,443	1,499,870	215,443
Senior notes . . . . .	13,117,418	1,884,199	13,117,418	1,884,199
Notes to be issued . . . . .	–	–	2,784,720	400,000
Total long-term borrowings . . . . .	18,971,648	2,725,107	21,756,368	3,125,107
Total equity . . . . .	12,602,321	1,810,210	12,602,321	1,810,210
<b>Total capitalization<sup>(4)</sup></b>	<u>31,573,969</u>	<u>4,535,317</u>	<u>34,358,689</u>	<u>4,935,317</u>

Notes:

- (1) Short-term borrowings include the current portion of long-term borrowings.
- (2) Long-term borrowings exclude the current portion of long-term borrowings.
- (3) As of December 31, 2019, our consolidated capital commitments (including capital commitments of joint ventures attributable to the Group) were RMB75,172.5 million (US\$10,797.9 million) and our contingent liabilities amounted to approximately RMB42,382.4 million (US\$6,087.9 million). See “Management’s Discussion and Analysis of Financial Conditions and Results of operations, Capital Commitments” and “– Contingent Liabilities.”
- (4) Total capitalization equals total long-term borrowings plus total equity.
- (5) Amount in Renminbi has been translated into U.S. dollar, and vice versa, for convenience only at the exchange rate of RMB6.9618 to US\$1.00 based on 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.

Subsequent to December 31, 2019, we have, in the ordinary course of business, entered into additional loan agreements to finance our property developments or for general corporate purposes and repaid some of our borrowings. For example, we issued the January 2020 Notes and the February 2020 Notes after December 31, 2019. See “Business – Recent Developments,” “Description of Other Material Indebtedness – January 2020 Notes” and “Description of Other Material Indebtedness – February 2020 Notes”. The capitalization table above has not been adjusted to reflect the issuance of the January 2020 Notes and the February 2020 Notes and the use of proceeds thereto. Except as otherwise disclosed in this offering memorandum, there has been no material change in our capitalization and indebtedness since December 31, 2019.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following tables present our selected financial information. The selected consolidated financial information as of and for each of the years ended December 31, 2017, 2018 and 2019 (except for EBITDA and EBITDA margin data and amounts presented in U.S. dollars) has been derived from our published audited consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019 included in this offering memorandum. Our financial statements have been prepared and presented in accordance with HKFRS. There are certain new HKFRS and amendments to HKFRS adopted by the Company since January 1, 2019. In preparing the consolidated financial statements of the Company as of and for the year ended December 31, 2019, our Group has adopted HKFRS 16, *Leases*, and has elected to use the modified retrospective approach, which recognized the cumulative effect of the initial application as an adjustment to the opening balance of equity at January 1, 2019. Therefore, the consolidated financial statements of the Company as of and for the year ended December 31, 2019 may not be comparable to the audited consolidated financial statements as of and for the years ended December 31, 2017 and 2018. In preparing the consolidated financial statement of the Company as of and for the year ended December 31, 2018, the Group has adopted HKFRS 9, Financial Instruments and HKFRS 15, Revenue for Contract with Customers and has not restated prior years' consolidated financial statements. Therefore, the consolidated financial statements of the Company for the year ended December 31, 2018 may not be comparable to the audited consolidated financial statements as of and for the years ended December 31, 2017.

The selected financial information 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 to those statements included elsewhere in this offering memorandum.

## Selected Consolidated Income Statement and Other Financial Data

	For the year ended December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)
Revenue . . . . .	13,879,207	14,783,480	30,766,698	4,419,360
Cost of sales . . . . .	(10,598,430)	(9,692,377)	(22,761,356)	(3,269,464)
Gross profit . . . . .	3,280,777	5,091,103	8,005,342	1,149,895
Other revenue . . . . .	155,437	234,854	262,766	37,744
Other net income . . . . .	258,358	64,192	799,526	114,845
Selling and marketing expenses . . . . .	(697,149)	(1,188,393)	(1,901,334)	(273,110)
General and administrative expenses . . . . .	(1,087,227)	(1,552,404)	(1,721,783)	(247,319)
Impairment losses on trade and other receivables, and contract assets . . . . .	—	(54,623)	(169,642)	(24,368)
Profit from operations . . . . .	1,910,196	2,594,729	5,274,875	757,688
Share of profits less losses of associates . . . . .	(4,422)	(17,905)	(33,918)	(4,872)
Share of profits less losses of joint ventures . . . . .	198,943	15,638	177,868	25,549
Finance costs . . . . .	(408,051)	(226,152)	(395,249)	(56,774)
Profit before change in fair value of investment properties and income tax . . . . .	1,696,666	2,366,310	5,023,576	721,592
Net valuation gains on investment property . . . . .	243,400	605,673	92,773	13,326
Profit before taxation . . . . .	1,940,066	2,971,983	5,116,349	734,918
Income tax . . . . .	(1,040,784)	(1,556,860)	(2,700,827)	(387,950)
Profit for the year . . . . .	899,282	1,415,123	2,415,522	346,968
Attributable to:				
Equity shareholders of the Company . . . . .	811,365	1,154,262	2,015,064	289,446
Non-controlling interests . . . . .	87,917	260,861	400,458	57,522
Profit for the year . . . . .	899,282	1,415,123	2,415,522	346,968
Earnings per share				
– Basic (RMB/US\$ cents) . . . . .	33.19	44.30	73.75	10.59
– Diluted (RMB/US\$ cents) . . . . .	32.95	43.51	72.34	10.39
Other financial data				
EBITDA <sup>(1)</sup> . . . . .	2,856,450	4,493,683	9,233,044	1,326,244
EBITDA margin <sup>(2)</sup> . . . . .	20.6%	30.4%	30.0%	30.0%

### Notes:

(1) EBITDA for any period consists of profit before interest income, income tax expense, depreciation and amortization, gross finance costs, net (decrease)/increase in fair value of investment properties and profit attributable to non-controlling interests. Gross finance costs represented our finance costs with “net change in fair value of derivatives” excluded and “borrowings costs capitalised into properties under development” added back. 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. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. See the section entitled “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. Interest expense excludes amounts capitalized. See the section entitled “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.

## Selected Consolidated Statement of Financial Position Data

	As of December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)
<b>Non-current assets</b>				
Property, plant and equipment . . . . .	3,793,340	4,808,494	5,343,435	767,536
Investment property . . . . .	1,297,000	2,916,000	3,212,830	461,494
Intangible assets . . . . .	204,300	518,008	—	—
Biological assets . . . . .	—	203,946	245,349	35,242
Interests in associates . . . . .	536,549	449,913	310,518	44,603
Interests in joint ventures . . . . .	9,026,377	9,915,331	9,533,912	1,369,461
Other financial assets . . . . .	486,366	651,865	1,425,571	204,770
Deferred tax assets . . . . .	100,742	248,318	412,877	59,306
	<u>15,444,674</u>	<u>19,711,875</u>	<u>20,484,492</u>	<u>2,942,413</u>
<b>Current assets</b>				
Trading securities . . . . .	97,105	82,775	70,596	10,140
Biological assets . . . . .	—	32,778	42,643	6,125
Inventories and other contract costs . . . . .	24,341,214	50,315,979	69,992,554	10,053,801
Contract assets . . . . .	—	137,691	214,828	30,858
Trade and other receivables . . . . .	1,664,421	2,577,140	4,435,453	637,113
Deposits and prepayments . . . . .	6,554,002	9,161,824	15,146,290	2,175,628
Tax recoverable . . . . .	1,016,854	2,160,457	2,795,431	401,539
Restricted bank deposits . . . . .	2,125,062	3,579,597	8,077,443	1,160,252
Cash and cash equivalents . . . . .	11,283,853	14,202,259	22,707,659	3,261,751
	<u>47,082,511</u>	<u>82,250,500</u>	<u>123,482,897</u>	<u>17,737,208</u>
<b>Current liabilities</b>				
Bank loans . . . . .	450,118	1,756,130	3,734,424	536,416
Other loans . . . . .	90,000	593,150	2,437,022	350,056
Trade and other payables . . . . .	22,034,089	28,924,187	43,615,817	6,265,020
Receipts in advance . . . . .	15,087,593	—	—	—
Contract liabilities . . . . .	—	40,829,626	52,954,902	7,606,496
Corporate bonds . . . . .	—	2,996,760	1,489,608	213,969
Senior notes . . . . .	3,890,692	—	4,857,923	697,797
Lease liabilities . . . . .	—	—	54,268	7,795
Taxation payable . . . . .	1,116,940	833,264	1,153,501	165,690
	<u>42,669,432</u>	<u>75,933,117</u>	<u>110,297,465</u>	<u>15,843,240</u>
<b>Net current assets</b> . . . . .	<u>4,413,079</u>	<u>6,317,383</u>	<u>13,185,432</u>	<u>1,893,969</u>
Total assets less current liabilities . . . . .	<u>19,857,753</u>	<u>26,029,258</u>	<u>33,669,924</u>	<u>4,836,382</u>
<b>Non-current liabilities</b>				
Bank loans . . . . .	3,437,460	4,074,351	3,504,035	503,323
Other loans . . . . .	210,000	240,030	850,325	122,142
Trade and other payables . . . . .	58,302	—	—	—
Corporate bonds . . . . .	4,518,961	—	1,499,870	215,443
Senior notes . . . . .	2,986,914	10,190,829	13,117,418	1,884,199
Lease liabilities . . . . .	—	—	481,508	69,164
Deferred tax liabilities . . . . .	172,947	1,254,264	1,614,447	231,901
	<u>11,384,584</u>	<u>15,759,474</u>	<u>21,067,603</u>	<u>3,026,172</u>
NET ASSETS . . . . .	<u>8,473,169</u>	<u>10,269,784</u>	<u>12,602,321</u>	<u>1,810,210</u>
<b>CAPITAL AND RESERVES</b>				
Share capital . . . . .	216,916	239,958	240,662	34,569
Reserves . . . . .	7,477,757	8,597,132	9,477,363	1,361,338
<b>Total equity attributable to equity shareholders of the Company</b> . . . . .	<u>7,694,673</u>	<u>8,837,090</u>	<u>9,718,025</u>	<u>1,395,907</u>
Non-controlling interests . . . . .	778,496	1,432,694	2,884,296	414,303
TOTAL EQUITY . . . . .	<u>8,473,169</u>	<u>10,269,784</u>	<u>12,602,321</u>	<u>1,810,210</u>



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

*You should read the following discussion in conjunction with the section entitled “Selected Consolidated Financial Information” and our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. The following discussion contains forward-looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed in such forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this offering memorandum.*

*Our consolidated financial statements were prepared in accordance with HKFRS. In this section of the offering memorandum, references to “2017,” “2018” and “2019” refer to our financial years ended December 31, 2017, 2018 and 2019, respectively.*

### Overview

We are the leading residential property developer in Henan based on a number of factors including scale, profitability, financial stability and growth potential. See “– Awards and Certificates.” With an operating history of 28 years in property development in Henan, we have established a well-recognized brand in Henan’s residential property market and completed an aggregate GFA of approximately 36.6 million sq.m. between 1992 and December 31, 2019. Leveraging our experience and brand reputation, we have expanded into 122 cities across Henan, including all 18 prefecture-level cities and 104 county-level cities, as of December 31, 2019.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan’s strong economic growth and significant increase in urbanization. Henan is one of China’s most populous provinces by number of registered residents according to the National Bureau of Statistics of China, with approximately 109.5 million registered residents as of December 31, 2019. From 2008 through 2019, Henan’s GDP grew from RMB1,801.9 billion to RMB5,425.9 billion, representing a CAGR of 10.5%. From 2008 to 2019, Henan’s urbanization rate also grew significantly by 17.2 percentage points, from 36.0% to 53.2%, which was yet at a level considerably below the national urbanization rate of 60.6% in 2019, leaving room for further growth in urbanization in Henan.

We believe Henan is a substantially end-user driven residential property market, which helps contribute to greater stability in pricing and sales volume, less exposure to cyclicalities and policy changes compared to many other provinces, particularly when the PRC government introduces policies aimed at curbing speculation in the residential property market. The majority of our residential properties are sold to end-users who are either first-time buyers or homeowners seeking an upgraded residence. Our residential properties are targeted at mid to high-income customers. To cater to the diverse needs of our target customers, our projects are typically integrated residential complexes offering a combination of products, ranging from townhouses to low-rise and high-rise apartment buildings, with retail and other commercial facilities, community facilities and scenic surroundings.

Since our inception and up until December 31, 2019, we had completed an aggregate GFA of approximately 36.6 million sq.m. (including GFA which had been sold). As of December 31, 2019, we had a total of 211 projects in Henan and three projects in Hainan in various stages of development, including an aggregate planned GFA of approximately 30.2 million sq.m. of properties under development and an aggregate planned GFA of approximately 20.7 million sq.m. of properties held for future development for which we had obtained land use rights certificates.

Property developments require substantial capital investment for land acquisitions and construction and may take months or years before positive cash flow can be generated. We principally fund our property developments by using a combination of sources, including internal funds, borrowings from banks and other parties and funds raised from capital markets, such as our IPO in 2008, the 2009 Convertible Bonds with Warrants, the 2010 Notes, the 2011 Rights Issue, the 2012 Notes, the January 2013 Notes,

the June 2013 Notes, the 2014 Notes, the 2015 Notes, the 2016 Notes, the July 2017 Notes, the March 2018 Notes, the April 2018 Notes, the May 2018 Notes, the April 2019 Notes, the August 2019 Notes, the November 2019 Notes, the January 2020 Notes, the February 2020 Notes and the Corporate Bonds. Our financing methods may vary from project to project and are subject to the limitations imposed by PRC regulations and monetary policies. The following summarizes our main financing methods for our projects:

- **Internal funds from business operations.** Our internal funds primarily comprise proceeds from the sale and pre-sale of properties and rental income. We receive pre-sale proceeds when we enter into contracts to sell properties prior to their completion, and those proceeds must be used for the construction of the particular projects which have been pre-sold. Under relevant PRC regulations, we may engage in such pre-selling activities subject to satisfaction of certain requirements. We typically receive an initial payment of at least 20% of the purchase price at the time of the execution of the pre-sale contracts and the balance within 45 days thereafter, by which time the customer is typically required to have obtained a bank mortgage.
- **Funds raised from capital markets.** We completed our IPO in 2008, raising gross proceeds of approximately HK\$1,375.0 million. Subsequent to our IPO, we issued the 2009 Convertible Bonds with Warrants in August 2009, with a principal amount of HK\$765 million. In August 2010, we issued the 2010 Notes with a principal amount of US\$300 million. In June 2011, we completed the 2011 Rights Issue of 428 million shares of HK\$0.1 each, raising net proceeds of approximately HK\$718.2 million. In April 2012, January 2013, June 2013, May 2014, April 2015, November 2016, July 2017, March 2018, April 2018, May 2018, January 2019, April 2019, August 2019, October 2019, November 2019, January 2020 and February 2020, we issued the 2012 Notes, the January 2013 Notes, the June 2013 Notes, the 2014 Notes, the 2015 Notes, the 2016 Notes, the July 2017 Notes, the March 2018 Notes, the April 2018 Notes, the May 2018 Notes, the January 2019 Notes, the April 2019 Notes, the August 2019 Notes, the November 2019 Notes, the January 2020 Notes and the February 2020 Notes with principal amounts of S\$175 million, US\$200 million, US\$400 million, S\$200 million, US\$300 million, US\$200 million, US\$200 million, US\$400 million, US\$386 million, S\$150 million, US\$200 million, US\$300 million, US\$300 million, US\$200 million, US\$200 million and US\$300 million, respectively. In April 2016 and July 2019, we issued the Corporate Bonds in an aggregate principal of RMB3.0 billion and RMB1.5 billion, respectively. We used the proceeds from these financing activities to fund new and existing projects, to repay existing indebtedness and for general corporate purposes.
- **Borrowings from banks and other parties.** As of December 31, 2019, our outstanding bank borrowings amounted to approximately RMB7,238.5 million (US\$1,039.7 million), of which RMB4,865.8 million (US\$698.9 million) was secured. We usually obtain project-specific borrowings that are secured by our properties under development and our land use rights, and usually repay the borrowings using a portion of our pre-sale proceeds of the specific property.

In the future, we expect to continue funding our projects by using a combination of sources, including the proceeds of this offering, internally generated cash, bank borrowings and funds raised from capital markets from time to time.

### **Key Factors Affecting Our Results of Operations**

Our business, results of operations and financial condition have been, and we expect will continue to be, affected by a number of factors and risks, many of which are beyond our control. Please refer to the section entitled “Risk Factors” in this offering memorandum. The key factors affecting our results of operations include the following:

### ***Economic Conditions and Regulatory Environment in the PRC***

Our results of operations are subject to political, economic, fiscal, legal and social developments in the PRC in general, as well as economic, fiscal, legal and social developments specifically affecting the real estate sector in Henan, including:

- continued economic and population growth rate of urbanization in the PRC in general and Henan in particular, as such factors drive the demand for purchase or rental of real estate properties;
- the regulatory and fiscal environment of the PRC affecting the property development industry, including tax policies, land grant and land use rights policies, pre-sale policies, policies on bank financing and interest rates and the availability of mortgage financing and other macroeconomic policies; and
- the performance of Henan's property market, including the supply and demand for real estate properties and pricing trends in the mid-to-high end property segment in the cities in which we operate.

The growth of China's economy has experienced a slowdown as a result of the global economic crisis. The slowdown in economic activities in China has affected and will continue to affect consumer and business spending generally, which may result in decreased demand for real estate properties. While the PRC government and governments around the world have taken remedial actions to address the economic slowdown and financial crisis, there can be no assurance that these actions will be effective. Recent global market and economic conditions, including the credit crisis in Europe, the downgrade of United States debt by S&P, China debt and Japan debt by Moody's and heightened market volatility in major stock markets, have been unprecedented and challenging. If these market conditions continue or become more severe than currently anticipated, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our business, prospects, financial condition and results of operations have also been, and will continue to be, affected by the regulatory environment in China, PRC governmental policies and measures taken by the PRC government on property development and related industries. In the past few years, in response to concerns over the scale of the increase in property investment and the overheating of the property sector in the PRC, the PRC government has introduced policies to restrict development in the property sector. Measures taken by the PRC government to control money supply, credit availability and fixed assets investment also have a direct impact on our business, prospects, financial condition and results of operations. Demand for properties has been affected and will continue to be affected by the macro-economic control measures implemented by the PRC government from time to time.

In the past few years, the PRC government has announced a series of measures designed to stabilize the rapid growth of the PRC economy and the growth of specific sectors, including the property market, to a more sustainable level. Since late 2009, the PRC government has adjusted some policies in order to enhance the regulation of the property market, restrain property purchases for investment or speculation purposes and keep property prices from rising too quickly in certain regions and cities. In 2010 and 2011, the PRC government adopted certain new policies to cool down the real estate market. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. In 2012, the PRC government continued to implement selected policies aimed at further cooling the real estate property market, though at the same time, the PRC government implemented selected measures to support the growth of the Chinese economy, such as lowering banks' reserve requirement ratio and reducing benchmark lending rates. On February 20, 2013, the PRC government released five new policies to regulate the real estate market, including new initiatives to control speculative property investments, increase housing and land supply and step up construction of affordable housing. On February 26, 2013, the State Council issued six property tightening measures, which included an income tax levy on homeowners of as high as 20% on profit made from selling their homes. The State Council also stated that local branches of the central bank in certain cities could

increase their down payment rate and mortgage loan interest rate for homebuyers purchasing a second unit. Furthermore, the new measures stipulated that non-local families without a certain number of years of tax payment certificates would be banned from buying homes in the cities in which they currently reside. Regulations were also promulgated at various levels to promote affordable housing. Since the second half of 2014, the central and local governments have implemented measures to support the demand of residential properties and to promote the sustainable development of the real estate market. For instance, many local governments including but not limited to Zhengzhou have issued their respective measures to lift the restrictions on the purchase of residential properties. In September 2014, PBOC and CBRC jointly issued a circular which provides that (1) the minimum mortgage loan interest rate for first time purchasers of residential property is set at 70% of the benchmark lending interest rate; (2) where a family 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 properties; and (3) in cities that have lifted restrictions on the purchase of residential properties by residents or those that have not imposed such restrictions, when a family 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 certain conditions. In March 2015, PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. Furthermore, according to a notice jointly issued by SAT and MOF, effective from March 31, 2015, a business tax is levied on the entire sales proceeds from resale of properties if the holding period is shorter than two years, and if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas for the transfer of non-ordinary residences business tax shall be paid on the basis of price difference between the transfer income and the purchase cost. 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), or Circular 16, to further reform foreign exchange capital settlement nationwide.

The PRC government may further introduce initiatives which may affect our access to capital and the means in which we may finance our property development. See the sections entitled “Regulation” as well as “Risk Factors – Risks Relating to the Property Industry in the PRC – We are subject to regulations implemented by the PRC government, which may adopt further measures intended to prevent overheating of the property sector in the PRC.”

Changes in the economic conditions and the regulatory environment in the PRC in general and in Henan in particular may affect the selling prices of our properties as well as the time it will take us to pre-sell or sell the properties we have developed. In light of such changes, we have adopted a more cautious and flexible strategy in land acquisition and pricing. Lower selling prices, without a corresponding decrease in costs, will adversely affect our gross profit and reduce cash flows generated from the sale of our properties, which may increase our reliance on external financing and negatively impact our ability to finance the growth of our business. A prolonged selling period will increase our selling and distribution costs as well as reduce the cash flows generated from the sale of our properties for a particular period. On the other hand, a higher selling price and a shorter selling period may increase our gross profit, reduce our selling and distribution costs and increase our cash flows for a particular period to enable us to fund the continuing growth of our business.

### ***Costs of Labor, Construction Materials and Building Equipment***

Our results of operations are affected by the costs of labor, construction materials such as steel and cement, and building equipment. As a result of the economic growth and the boom in the property development industry in the PRC, wages for construction workers and the prices of construction materials and building equipment have experienced a substantial increase in recent years. We typically enter into construction contracts with state-owned contractors whose credentials tend to be stronger than private contractors. Pursuant to these contracts, contractors are responsible for procuring most of the construction materials for our property development projects as well as wages for workers. Normally, price fluctuation is permitted within a range of 5% above and below the agreed contract amount to reflect increases in wages and costs of construction materials. In addition, in negotiations that follow upward materials cost fluctuations post-contract, we often agree to bear a greater share of the materials costs than is contractually required. We do so in order to maintain good relations with our contractors, which allows us to repeatedly obtain good quality and service. During the years ended December 31, 2017, 2018 and 2019, no such contract prices were re-negotiated. However, we are exposed to volatility in labor and construction material prices to the extent that we periodically enter into or renew our construction contracts at different terms during the life of a project, which may span over several years, or if we hire construction workers directly or procure the construction materials directly from suppliers, any of which may result in increased cost of sales and decreased profit margin. Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the time of such pre-sale. In addition, as we typically procure building equipment, such as elevators, interior decoration materials and air conditioning systems directly from suppliers, we are directly exposed to the price volatility of building equipment.

### ***Availability and Cost of Land***

In order to have a steady stream of properties available for sale and to achieve continuous growth in the long term, we need to replenish and increase land reserves suitable for the development of our projects at commercially acceptable prices. Land acquisition costs are one of the primary components of our cost of sales for property development. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC governmental land supply policies and implementation measures may further intensify the competition for land in China among property developers. For example, although privately held land use rights are not prevented from being traded in the secondary market, the statutory means of public tender, auction and listing-for-sale practice in respect of the grant of state-owned land use rights has increased the competition for available land as well as resulted in increased land acquisition costs. Furthermore, the PRC government has required a minimum down payment of 50% of the land premium, which is required to be paid within one month of signing the land grant contract. The balance is required to be fully paid within one year of signing the land grant contract, subject to limited exceptions. Such policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations.

### ***Access to and Cost of Financing***

A portion of our funding is raised in capital markets. We completed our IPO in 2008, raising gross proceeds of approximately HK\$1,375.0 million. Subsequent to our IPO, we issued the 2009 Convertible Bonds with Warrants in August 2009 with a principal amount of HK\$765 million. In August 2010, we issued the 2010 Notes with a principal amount of US\$300 million. In June 2011, we completed the 2011 Rights Issue raising net proceeds of HK\$718.2 million. In April 2012, January 2013, June 2013, May 2014, April 2015, November 2016, July 2017, March 2018, April 2018, May 2018, January 2019, April 2019, August 2019, November 2019, January 2020 and February 2020, we issued the 2012 Notes, the January 2013 Notes, the June 2013 Notes, the 2014 Notes, the 2015 Notes, the 2016 Notes, the July 2017 Notes, the March 2018 Notes, the April 2018 Notes, the May 2018 Notes, the January 2019 Notes, the April 2019 Notes, the August 2019 Notes, the November 2019 Notes, the January 2020 Notes and the February 2020 Notes with principal amounts of S\$175 million, US\$200 million, US\$400 million, S\$200 million, US\$300 million, US\$400 million, US\$200 million, US\$400 million, US\$386 million,



S\$150 million, US\$200 million, US\$300 million, US\$300 million, US\$200 million, US\$200 million, US\$200 million and US\$300 million, respectively. In March 2017, we entered into the 2017 Facility. We used the proceeds of these offerings to fund new and existing projects, repay existing indebtedness and for general corporate uses.

The table below sets forth the structure of our bank borrowings:

	As of December 31, 2019	
	(RMB'000)	(US\$'000) (unaudited)
Secured .....	4,865,783	698,926
Unsecured .....	2,372,676	340,814
Total .....	7,238,459	1,039,740

Borrowing from banks and other parties is an important source of funding for our property developments. As of December 31, 2019, our outstanding bank and other loans, Corporate Bonds and senior notes amounted to RMB31,490.6 million (US\$4,523.3 million). Interest on bank and other loans, Corporate Bonds and senior notes was RMB2,235.9 million (US\$321.2 million) for the year ended December 31, 2019.

Certain portion of our borrowings are onshore loans from commercial banks in the PRC, the interest rates of which are linked to the benchmark lending rates published by the PBOC. As such, any increase in such benchmark lending rates will increase the interest costs for financing our developments. Our access to capital and cost of financing is affected by restrictions imposed from time to time by the PRC government on bank lending for property development. A large portion of our finance costs are capitalized, rather than being expensed, at the time they are incurred, to the extent such costs are directly attributable to the acquisition and construction of a project or a projected phase. Our capitalized borrowing costs for the year ended December 31, 2019 was RMB4,091.6 million (US\$587.7 million). An increase in our finance costs would negatively affect our profitability and results of operations. Any unavailability of financing would affect our ability to engage in project development activities, which may materially and adversely affect our results of operations.

### ***Timing of Property Development***

The number of property developments that a developer can undertake during any particular period is limited, primarily due to substantial capital requirements for land acquisitions and construction costs as well as limited land supply. In addition, there is normally a period of six months to one year between the pre-sale of, and revenue recognition from, property developments, and it may take many months or possibly years before pre-sales of certain property developments occur. Moreover, while the pre-sale of a property generates a positive cash flow for us in the period in which it is made, we must place a portion of such proceeds in restricted bank accounts and may only use such cash for specified purposes, and sales revenue is only recognized when or as control over a property is transferred to the customer. In addition, as market demand is not stable, sales revenue in a particular period can also depend on our ability to gauge the expected demand in the market at the expected launch time for completion of a particular project. Furthermore, our property development projects may be delayed due to our efforts to comply with environmental law and regulations. As a result, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future.

### ***Pricing***

The prices of our properties are determined by the market forces of supply and demand rather than through state guidance or by state-prescribed pricing. We price our properties by reference to market prices for similar types of properties at comparable locations and the market response to our property launches. The average selling price of our projects therefore depends on the location and mix of properties sold and completed during each fiscal period. In addition, we generally develop and sell our



residential projects in phases. For each development, we generally price subsequent phases higher than the initial launch, partly reflecting the landscaping, amenities and infrastructure that are completed in subsequent phases.

### ***Changes in Product Mix***

The prices and gross profit margins of our products vary by the location and the type of properties we develop and sell. Our gross profit margin is affected by the proportion of sales revenue attributable to our high gross margin products compared to sales revenue attributable to lower gross margin products. In general, properties developed in Zhengzhou incur higher costs than in other cities in Henan Province, primarily due to higher land acquisition costs, but these projects also generate higher revenue and gross profit margin as they reflect the provincial capital's higher living standards. For this reason, as we expand our operations into cities outside of Zhengzhou, our overall profit margins may narrow.

Townhouses usually generate higher profit margin than low-rise and high-rise apartments, as they typically have lower development costs and higher selling prices per square meter. In addition, properties in larger-scale projects will typically command a higher selling price as the overall development approaches completion due to the attractiveness of a more established development, thereby increasing our gross margin during the relevant period. We also develop commercial properties, which generally have higher profit margin than residential properties. Our product mix varies from period to period due to a number of reasons, including government-regulated plot ratios, project locations, land size and cost, market conditions and our development planning. We adjust our product mix from time to time, and time our project launches according to our development plans.

### ***Change in Fair Value of our Investment Properties***

Our investment properties primarily consist of schools, kindergartens, retail and commercial units and parking spaces in our property projects. In accordance with HKAS 40, investment properties may be recognized by using either the fair value model or the cost model. We have chosen to recognize investment properties at their fair value because we are of the view that periodic fair value adjustments in accordance with prevailing market conditions provide a more up-to-date picture of the value of our investment properties.

For the years ended December 31, 2017, 2018 and 2019, we recorded upward fair value adjustments of approximately, RMB243.4 million, RMB605.7 million and RMB92.8 million (US\$13.3 million), respectively, on our investment properties.

### ***Pre-sales***

Proceeds from pre-sales of properties under development constitute the most important source of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain conditions and requires us to use the specific pre-sale proceeds to develop the project that has been pre-sold. The amount and timing of cash received from pre-sales are affected by a number of factors, including timing and other restrictions on pre-sales imposed by the relevant PRC laws and regulations, market demand and the number of our properties that are available for pre-sale. A restriction on our ability to engage in the pre-sales of our properties could result in a reduced cash inflow, which would increase our reliance on external financing and increase our finance costs. This could have an adverse effect on our ability to finance our continuing property developments and our results of operations.

### ***Critical Accounting Policies***

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, which are important for an understanding of our financial condition and results of operation, are set forth in detail in notes 1 and 2 to our published audited consolidated financial statements as of and for the years ended December 31, 2017, 2018 and 2019, included in this offering memorandum. Some of our accounting policies involve subjective

assumptions and estimates, as well as complex judgments relating to accounting items, such as revenue recognition, cost or expense allocation and provision. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our consolidated financial statements.

### ***Revenue Recognition***

Revenue consists primarily of the proceeds from property development, comprising property sales, property leasing and construction, after the elimination of inter-company transactions and excluding business tax and other sales-related taxes.

### ***Revenue recognition for 2018 and 2019***

Revenue from the sale of property is recognized when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. When the customer simultaneously receives and consumes the benefits provided by the Company's performance, as the Company performs; or when the Company's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or when the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date, in which control of the promised good or service is regarded as being transferred over time. Otherwise, the Company recognizes revenue for the sale of property at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

Revenue arising from property leasing is recognized in our income statement in equal installments over the periods covered by the respective lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in our income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

### ***Revenue recognition for 2017***

Revenue from the sale of a property is recognized when the significant risks and rewards of ownership of the property are transferred to the purchaser, which occurs upon the latter of the signing of the sale and purchase agreement and the completion of the properties, provided the collectability of the related receivable is reasonably assured. Deposits and installments received on properties sold prior to the date of revenue recognition are included under current liabilities in our consolidated balance sheet as receipts in advance.

Revenue arising from property leasing is recognized in our income statement in equal installments over the periods covered by the respective lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in our income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

### ***Development Costs***

During construction, development costs of properties to be sold are recorded under properties for sale in our balance sheet as properties under development for sale and are transferred to our income statement upon recognition of the revenue from the sale of the properties. Before the final settlement of the development costs and other costs relating to the sale of the properties, these costs are accrued by us in amounts based on management estimates.

When developing properties, we typically divide a development project into phases. Costs directly related to the development of a particular phase are recorded as costs of that phase. Costs that are common to phases are allocated to individual phases in proportion to the saleable area.

Where the final settlement of costs and the related cost allocation is different from the initial estimates, any increase or decrease in the development costs and other costs would affect the profit or loss in future years.

### ***Properties for Sale***

Properties for sale consist of (i) properties held for future development and under development for sale and (ii) completed properties held for sale. Properties for sale remaining unsold at the end of each financial period are stated at the lower of cost and net realizable value. Cost of inventories comprises aggregate cost of development, the costs of obtaining land use rights, and capitalized borrowing costs. Net realizable value of properties for sale is determined by reference to, and by management's estimates of, the expected selling prices based on the proceeds from other properties sold in the ordinary course of business, less the estimated costs to be incurred in selling the properties based on prevailing marketing conditions and, in the case of properties under development, the anticipated costs to completion.

### ***Provision for Properties for Sale***

Our properties for sale are stated at the lower of cost and net realizable value. Based on our recent experience and the nature of the subject properties, we make estimates of the selling prices, the costs of completion for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realizable value will decrease and this may result in provision for properties for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

### ***Impairment Provision for Buildings and Construction in Progress***

We make impairment provision for the buildings and construction in progress, which mainly represent our hotel properties, taking into account our estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

### ***Investment Properties***

Our investment properties comprise land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or capital appreciation. We record our investment properties as non-current assets on our balance sheet at their fair value.

All of our investment properties were revalued as of December 31, 2017, 2018 and 2019 by an independent firm of surveyors, Savills Valuation and Professional Services Limited, on an open market value basis. The completed investment properties are valued by reference to net income with allowance for reversionary income potential. For investment properties under development, their valuations are conducted by reference to the residual value approach taking into account comparable market transactions and any future construction costs required for the completion of the development.

### ***Income Tax***

We are subject to income tax, including LAT on property development projects in the PRC and CIT in the PRC and other jurisdictions. We use significant judgment in determining the provisions for income tax, as the calculations of such provisions depend on estimates of the ultimate tax determinations and regulatory developments and are therefore subject to uncertainty.

#### ***LAT***

Under PRC tax laws and regulations, our properties developed for sale are subject to LAT, which is collectible by the local tax authorities and is levied at progressive rates ranging from 30% to 60% on the appreciation of land value as defined by relevant tax laws. Some of our properties were subject to LAT levied at a rate ranging from 1.5% to 4.5% prior to May 2010, as set by the relevant tax authority using the authorized taxation method. We estimate and make provisions for the amount of LAT payable under the applicable laws and regulations and recognize this as an income tax expense in our income statement together with the recognition of revenue from the sale of our properties. Because at the time we recognize revenue we may not have completed the entire phase of the relevant project or the project as a whole, our estimate of LAT provisions at the time of such delivery requires us to use significant judgment with respect to, among other things, the total proceeds to be derived from the sale of the entire phase of the project or the entire project, the total appreciation of land value and the total amount of various deductible items. Our net profit in the relevant periods will be affected if the ultimate tax determination differs from the amounts that were initially recorded. See “Regulation – Major Taxes Applicable to Property Developers” and “Risk Factors – Risks Relating to our Business – The relevant PRC tax authorities may challenge the basis on which we calculate our land appreciation tax obligations.”

#### ***Deferred Tax***

Deferred tax assets and liabilities arise from deductible and taxable temporary differences, respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Deferred tax assets in respect of tax losses carried forward are recognized and measured based on the expected manner of realization or settlement of the carrying amounts of the assets, using tax rates enacted or substantially enacted at the end of the accounting reporting period. Future taxable profits that may support the recognition of deferred assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same tax authority and the same taxable entity and are expected to be reversed either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. In determining the carrying amounts of deferred assets, we estimate future taxable profits, which involves a number of

assumptions relating to the operating environment and requires a significant level of judgment. Any change in these assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized, and hence our net profit, in future years.

### **Senior Notes**

The 2012 Notes, the January 2013 Notes, the June 2013 Notes, the 2014 Notes, the 2015 Notes, the 2016 Notes, the July 2017 Notes, the March 2018 Notes, the April 2018 Notes, the May 2018 Notes, the January 2019 Notes, the April 2019 Notes, the August 2019 Notes, the November 2019 Notes, the January 2020 Notes and the February 2020 Notes were issued with an early redemption clause at our option. At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments. These derivative financial instruments are remeasured at fair value at the end of each accounting reporting period and the gain or loss to fair value on remeasurement is recognized immediately in profit or loss under “Finance Costs.” Any excess of proceeds over the amount initially recognized as the derivative component is recognized as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognized initially as part of the liability. The portion relating to the derivative component is recognized immediately in profit or loss.

### **Selected Income Statement Items**

#### **Revenue**

Revenue represents income that arises in the course of our ordinary activities, net of business tax, after eliminating intra-group transactions. We derive substantially all of our revenue from property sales, with a small portion derived from property leasing, hotel operations and project management service. We have included income derived from the sales of parking spaces in our projects in our revenue, but have excluded the parking spaces from the total GFA sold and recognized. As a result, the average selling price of our properties would have been slightly lower had the GFA of the parking spaces been included in the total GFA sold and recognized. The table below sets forth revenue attributable to each of our business segments for the periods indicated:

	For the year ended December 31,						
	2017		2018		2019		
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	(US\$'000)	%
		(unaudited)		(unaudited)		(unaudited)	(unaudited)
Property sales . . . . .	13,210,985	95.2	13,629,185	92.2	29,161,164	4,188,739	94.9
Property leasing . . . . .	94,930	0.7	146,922	1.0	163,064	23,423	0.5
Hotel operations . . . . .	265,530	1.9	284,628	1.9	322,598	46,338	1.0
Project management service fee income . . . . .	307,762	2.2	675,266	4.6	1,022,918	146,933	3.3
Others . . . . .	—	—	47,479	0.3	96,954	13,927	0.3
Total . . . . .	13,879,207	100.0	14,783,480	100.0	30,766,698	4,419,360	100.0

#### **Property Sales**

We derive substantially all of our revenue from residential and commercial property sales, and our results of operations for a given period depend upon the type and GFA of our properties available for sale, the market demand for those properties and the selling prices of such properties during that period. Conditions of the property markets in which we operate change from period to period and are affected by economic, political and regulatory developments in the PRC in general and Henan in particular. See “– Key Factors Affecting Our Results of Operations.”

Consistent with industry practice, we typically enter into purchase contracts with customers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. See “Business – Property Development Process – Pre-sale.” In general, there is a time difference, typically ranging from six months to one year, between the time we commence pre-selling properties under development and the completion of the construction of such properties. We do

not recognize any revenue from the pre-sales of our properties until such properties are completed, even though we receive payments at various stages prior to completion. Before the completion of a pre-sold property, payments received from purchasers are recorded as receipts in advance, which is a current liability on our consolidated balance sheet. Following completion of a pre-sold property, we recognize the revenue while eliminating the liability from our balance sheet and recognizing an increase in shareholders' equity. As our revenue from sales of properties are recognized upon the completion of properties, the timing of such completion may not only affect the amount of the revenue from our property sales but also cause changes in trade and other payables and accruals to fluctuate from period to period. For more information, see "Risk Factors – Risks Relating to Our Business – Our results of operations fluctuate from period to period."

For the years ended December 31, 2017, 2018 and 2019, revenue from property sales was RMB13,211.0 million, RMB13,629.2 million and RMB29,161.2 million (US\$4,188.7 million), respectively. The GFA sold for the corresponding period was 2,329,226 sq.m., 1,871,076 sq.m. and 4,505,917 sq.m., respectively.

#### *Property Leasing*

Our revenue from property leasing represents recurring income from our investment properties and completed properties, which has historically been generated from the rental of kindergarten and school facilities, retail and commercial units and parking spaces and was generally recognized in our income statement in equal installments over the periods covered by the respective lease terms. For the years ended December 31, 2017, 2018 and 2019, revenue from property leasing was RMB94.9 million, RMB146.9 million and RMB163.1 million (US\$23.4 million), respectively.

#### *Hotel Operations*

A small portion of our revenue was generated from hotel operations. As of December 31, 2019, we had seven hotels in operation and two hotels under construction. See "Business – Hotel Development." Our revenue generated from hotel operations is recognized on a basis that reflects the timing, nature and value when relevant services were provided. We started recognizing revenue from hotel operations in 2012, with a revenue from hotel operations of RMB265.5 million, RMB284.6 million and RMB322.6 million (US\$46.3 million) for the years ended December 31, 2017, 2018 and 2019, respectively.

#### *Project Management Service Fee*

We derived an increasing portion of our revenue from project management service. Project management service fee income was generated from management fee for light-asset projects. For the years ended December 31, 2017, 2018 and 2019, revenue from project management service fee was RMB307.8 million, RMB675.3 million and RMB1,022.9 million (US\$146.9 million), respectively.

#### *Cost of Sales*

Cost of sales primarily represents the costs we incur directly for our property development activities. The principal component of cost of sales for our property development business is the cost of properties sold, which includes construction and development costs, land acquisition costs and capitalized borrowing costs during the period of construction. The table below sets forth information relating to the cost of properties sold for the periods indicated:

	For the year ended December 31,					
	2017		2018		2019	
	(RMB'000)	% (unaudited)	(RMB'000)	% (unaudited)	(RMB'000) (US\$'000) (unaudited)	% (unaudited)
Construction & development costs .	7,313,766	69.0	6,833,517	70.5	17,075,628	75.0
Land acquisition costs . . . . .	2,420,434	22.8	2,253,532	23.3	5,040,582	22.1
Capitalized borrowing costs . . . . .	651,386	6.2	486,515	5.0	334,722	1.5
Others . . . . .	212,844	2.0	118,813	1.2	310,424	1.4
Total . . . . .	<u>10,598,430</u>	<u>100.0</u>	<u>9,692,377</u>	<u>100.0</u>	<u>22,761,356</u>	<u>100.0</u>



Construction and development costs include all of the costs for the design and construction of a project, including payments to third-party contractors and designers and costs of construction materials. Construction material costs, which are generally included in the payments to the construction contractors, particularly the cost of steel and cement, have been a major cause of fluctuations in our construction costs. Pursuant to contracts with such contractors, the contractors are responsible for procuring most of the construction materials for our property development projects as well as wages for the workers. Normally, price fluctuation is permitted within a range of 5% above and below the agreed contract amount to reflect increases in wages and costs of construction materials. In addition, in negotiations that follow upward materials cost fluctuations post-contract, we often agree to bear a greater share of the materials costs than is contractually required. Price movements of other supplies which we typically procure ourselves, including elevators, interior decoration materials and air conditioning systems, may also increase our construction costs. Costs associated with design and construction of the foundation are another major component of our construction costs and vary according to the area and height of the buildings as well as the geological conditions of the site. Therefore, construction costs of a property development may be higher if the conditions of a site require more complex designs and processes or more expensive materials in order to provide the necessary foundation support. In addition, with the PRC government's policies aiming to enhance the protection for employees and increased employers' liability in many circumstances, our labor costs may increase in the future, which in turn will increase our construction costs.

Land acquisition costs include costs relating to the acquisition of rights to occupy, use and develop land, and primarily represent 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 the location of the property, the timing of the acquisition, the project's plot ratios, the method of acquisition and changes in PRC regulations. We may also be required to pay demolition and resettlement costs.

We capitalize a portion of our borrowing costs to the extent that such costs are directly attributable to the construction of a particular project. We are required under HKFRS to capitalize such borrowing costs until substantially all the activities necessary to prepare such project for its intended use or sale are complete, at which point borrowing costs are no longer capitalized for that project. In general, we capitalize borrowing costs incurred from the commencement of the planning and design of a project, which predates the receipt of a permit for commencement of construction work, until the physical completion of construction. For any given project, borrowing costs incurred after completing the construction of a project are not capitalized but are instead accounted for in our income statements as finance costs in the period in which they are incurred. Where the duration of a loan is longer than the time to completion of the project, we are unable to capitalize the total interest costs related to the project for the period after completion. Fluctuations in the amount and timing of capitalization from period to period will affect our finance costs.

#### ***Other Revenue***

Other revenue consists primarily of interest income and dividend income from certain unlisted equity securities.

#### ***Other Net Income***

Other net income consists primarily of net realized and unrealized gain/(loss) on trading securities, on disposals of property, plant and equipment, on disposal of subsidiaries and gain on deemed disposal of a joint venture and net exchange gain or loss.

### ***Selling and Marketing Expenses***

Selling and marketing expenses include advertising and promotional expenses relating to the sale and leasing of our properties, including the sponsorship of the national major league Henan Construction Football Club Company Limited and advertisements in newspapers, on outdoor advertising boards and on radio broadcasts, selling and marketing staff expenses, commissions for contracted sales, and other related expenses. Our selling and marketing expenses in a given period are affected by the number of newly introduced developments in that period. We expect our selling and marketing expenses to continue to increase, as we have multiple property and hotel projects that will be released to the market in the near future. Certain projects may incur greater marketing expense to reach potential purchasers of a higher income level in Henan, where costs are generally higher.

### ***General and Administrative Expenses***

General and administrative expenses include administrative staff costs, travelling and entertainment expenses, other professional fees, and general office expenses. They also include depreciation and amortization of fixed assets such as company vehicles and office equipment. We have experienced an increase in our general and administrative expenses as a result of the continued growth of our property development business and hotel business during the years ended December 31, 2017, 2018 and 2019, which was primarily due to an increase in the number of our employees, the increase in the average salaries for our employees as well as depreciation of our fixed assets due to our commencement of hotel operations.

### ***Finance Costs***

Finance costs include primarily interest on bank and other loans, senior notes, corporate bonds and advances from customers, net changes in fair value of derivatives and net of borrowing costs capitalized into properties under development.

We capitalize a portion of our borrowing costs to the extent that such costs are directly attributable to the construction of a project. We are required under HKFRS to capitalize such borrowing costs until substantially all the activities necessary to prepare such project for its intended use or sale are complete, at which point borrowing costs are no longer capitalized for that project. Finance costs fluctuate from period to period due primarily to fluctuations in our level of outstanding indebtedness and the interest rates on such indebtedness. Since the development period for a property development does not necessarily coincide with the repayment period of the relevant loan, not all of the borrowing costs related to a property development can be capitalized. As a result, the period to period fluctuation of our finance costs is also attributable to the amount and timing of capitalization. See “– Selected Income Statement Items – Cost of Sales.”

### ***Share of Profits Less Losses of Associates***

Share of profits less losses of associates primarily represents our share of losses on our investment in associates for operating revenue or expenses incurred by these entities.

### ***Share of Profits Less Losses of Joint Ventures***

Share of profits less losses of joint ventures represents share of profits less losses from investment in joint ventures for operating revenue or expenses incurred by these entities.

### ***Net Valuation Gain on Investment Properties***

Net Valuation Gain on investment properties represents changes in such value arising from adjustments to existing investment properties in accordance with prevailing market conditions. See “– Critical Accounting Policies – Investment Properties.”

## ***Income Tax***

Income tax primarily consist of provisions for CIT, LAT and withholding tax payable on dividend declared by PRC enterprises to non-PRC resident enterprises. In accordance with the CIT Law, which became effective on January 1, 2008, the corporate income tax rate generally applicable in the PRC has been reduced to 25% of estimated assessable profits from 33%. Under the audited taxation method, the CIT liabilities of our PRC subsidiaries are calculated with reference to their actual profit, and LAT liabilities are calculated at a rate ranging from 30% to 60% of the appreciation value of our PRC subsidiaries' land. None of the PRC subsidiaries were subject to authorized taxation method on CIT since 2011. Withholding taxes are mainly levied on Hong Kong companies in respect of dividend distributions arising from profit of PRC subsidiaries earned after January 1, 2008.

### ***CIT***

Our PRC CIT has been calculated at the applicable tax rate on our assessable profits for each of the three years ended December 31, 2017, 2018 and 2019. The CIT rate applicable in the PRC is 25%.

Since 2011, all of our subsidiaries used the audited taxation method to calculate their CIT liabilities. In 2017, 2018 and 2019, we paid CIT of RMB785.6 million, RMB1,151.8 million and RMB1,431.3 million (US\$205.6 million), respectively, and we made provisions for CIT in the amount of RMB555.0 million, RMB476.5 million and RMB1,378.9 million (US\$198.1 million), respectively. See “Risks Factors – Risks Relating to our Business – The relevant PRC tax authorities may challenge the basis on which we calculate our corporate income tax obligations.”

### ***LAT***

Under PRC tax laws and regulations, our project companies in the PRC are subject to LAT on the appreciation value of their land and the improvements on the land. Under the audited taxation method, all income from the sale or transfer of state-owned land use rights, and 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 by relevant tax laws. Certain exemptions are available for the sale of ordinary residential houses if the appreciation value does not exceed 20% of the total deductible items, but this exemption does not extend to sales of commercial properties. Under the authorized taxation method, LAT liabilities are based on a fixed rate, which ranged from 1.5% to 4.5% of the proceeds from pre-sales of the properties, depending on the city in which the enterprise was located. Pursuant to the Notice on Strengthening the Administration of Land Appreciation Tax promulgated by the Henan Local Tax Bureau in June 2004, the amount of LAT payable in Henan could be calculated by using the authorized taxation method in addition to the audited taxation method. However, pursuant to the Circular on Specifying Several Measures Regarding Land Appreciation Tax issued by the Henan Local Tax Bureau in March 2010, as of May 2010, the authorized taxation method is no longer available to property developers in Henan. Instead, property developers in Henan must calculate LAT based on the audited taxation method only, with limited exceptions.

During recent years, the SAT and the Henan Local Tax Bureau issued several notices and circulars with the intention of increasing LAT prepayment rates and strengthening the collection of LAT. For instance, in December 2006, the SAT issued a Notice on Issues Relevant to Administration of Settlement of Land Appreciation Tax of Real Estate Development Enterprises, which requires real estate developers to settle the final LAT payable in respect of their development projects that meet certain criteria, such as 85% of a development project having been pre-sold or sold. Local provincial tax authorities are entitled to formulate detailed implementation rules in accordance with this Notice in consideration of local conditions. In addition, pursuant to the 2010 LAT Notice issued by the SAT in May 2010, the minimum LAT prepayment rate in central regions such as Henan has been increased to 1.5%. Further, pursuant to the 2010 LAT Notice and the Circular on Specifying Several Measures Regarding Land Appreciation Tax issued by the Henan Local Tax Bureau in March 2010 and effective as of May 2010 and a circular issued by the Henan Local Tax Bureau effective as of January 2012, LAT should generally be calculated based on the audited taxation method with a prepayment rate ranging from 1.5% to 4.5%, and only

under limited circumstances may the authorized taxation method with a rate ranging from 5% to 10% be applied to LAT calculation. Such change of policy may materially and adversely affect our LAT liability and cash flow.

For the years ended December 31, 2017, 2018 and 2019, we estimated and made provisions for the full amount of LAT for which we were liable in accordance with the relevant PRC laws and regulations, and we paid accordingly each year based on the audited taxation method or the authorized taxation method, as applicable. For the years ended December 31, 2017, 2018 and 2019, we made LAT payments in the amount of RMB500.1 million, RMB964.8 million and RMB1,249.2 million (US\$179.4 million) respectively, and we made provisions for LAT in the amount of approximately RMB372.4 million, RMB191.0 million and RMB1,004.8 million (US\$144.3 million) respectively. Before disallowance of the authorized taxation method in May 2010, LAT liabilities for 17 of our subsidiaries were calculated using the authorized taxation method for the whole or part of this period, while our remaining subsidiaries adopted the audited taxation method. See “Risk Factors – Risks Relating to Our Business – The relevant PRC tax authorities may challenge the basis on which we calculate our land appreciation tax obligations.”

### *Withholding Tax*

Withholding taxes levied on our subsidiaries in Hong Kong in respect of dividend distributions arising from profit of PRC subsidiaries earned after January 1, 2008 and interest on inter-company balance received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 10%.

### **Results of Operations**

The following table sets forth our results of operations for the periods indicated which are extracted from the consolidated income statements included in this offering memorandum. Our historical results presented below are not necessarily indicative of future results.

	For the year ended December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)
<b>Revenue</b> . . . . .	13,879,207	14,783,480	30,766,698	4,419,360
Cost of sales . . . . .	(10,598,430)	(9,692,377)	(22,761,356)	(3,269,464)
Gross profit . . . . .	3,280,777	5,091,103	8,005,342	1,149,895
Other revenue . . . . .	155,437	234,854	262,766	37,744
Other net income . . . . .	258,358	64,192	799,526	114,845
Selling and marketing expenses . . . . .	(697,149)	(1,188,393)	(1,901,334)	(273,110)
General and administrative expenses . . . . .	(1,087,227)	(1,552,404)	(1,721,783)	(247,319)
Impairment losses on trade and other receivables, including contract assets . . . . .	—	(54,623)	(169,642)	(24,368)
Profit from operations . . . . .	1,910,196	2,594,729	5,274,875	757,688
Share of profits less losses of associates . . . . .	(4,422)	(17,905)	(33,918)	(4,872)
Share of profits less losses of joint ventures . . . . .	198,943	15,638	177,868	25,549
Finance costs . . . . .	(408,051)	(226,152)	(395,249)	(56,774)
Profit before change in fair value of investment properties and income tax . . . . .	1,696,666	2,366,310	5,023,576	721,592
Net valuation gains on investment property . . . . .	243,400	605,673	92,773	13,326
Profit before taxation . . . . .	1,940,066	2,971,983	5,116,349	734,918
Income tax . . . . .	(1,040,784)	(1,556,860)	(2,700,827)	(387,950)
Profit for the year . . . . .	<u>899,282</u>	<u>1,415,123</u>	<u>2,415,522</u>	<u>346,968</u>
Attributable to:				
Equity shareholders of the Company . . . . .	811,365	1,154,262	2,015,064	289,446
Non-controlling interests . . . . .	<u>87,917</u>	<u>260,861</u>	<u>400,458</u>	<u>57,522</u>
Profit for the year . . . . .	<u>899,282</u>	<u>1,415,123</u>	<u>2,415,522</u>	<u>346,968</u>

## Comparison of 2019 to 2018

**Revenue:** Our revenue increased by 108.1% to approximately RMB30,766.7 million (US\$4,419.4 million) in 2019 from approximately RMB14,783.5 million in 2018, primarily due to the increase in the number of property projects delivered and projects under development recognized according to the percentage of completion that were eligible for revenue recognition.

- Income from sales of properties: Revenue from property sales increased by 114.0% to approximately RMB29,161.2 million (US\$4,188.7 million) in 2019 from approximately RMB13,629.2 million in 2018 due to an increase in the GFA recognized by 140.8% to approximately 4,505,917 sq.m. in 2019 from approximately 1,871,076 sq.m. in 2018, which was offset by a decrease in the average selling price (excluding underground parking space) by 11.1% to RMB6,472 per sq.m. in 2019 from RMB7,284 per sq.m. in 2018.
- Rental income: Revenue from property leasing increased by 11.0% to approximately RMB163.1 million (US\$23.4 million) in 2019 from approximately RMB146.9 million in 2018, which was mainly due to the completion of renovation of Luoyang Triumph Plaza in mid-2018, with an increase of its average occupancy rate from approximately 89% in 2018 to approximately 95% in 2019.
- Revenue from hotel operations: Revenue from hotel operations increased by 13.3% to approximately RMB322.6 million (US\$46.3 million) in 2019 from approximately RMB284.6 million in 2018, as the market for famous tourist cities in Henan Province, such as Nanyang and Luohe, received more visitors in 2019 as compared to 2018, with the occupancy rate and room rates increasing as compared with that of 2018.
- Revenue from provision of project management service: Revenue from provision of project management service, which is generated from management fee for light-asset projects, increased by 51.5% to approximately RMB1,022.9 million (US\$146.9 million) in 2019 from approximately RMB675.3 million in 2018, primarily due a rapid increase in such projects in 2019.

**Cost of sales:** Our cost of sales increased by 134.8% to approximately RMB22,761.4 million (US\$3,269.5 million) in 2019 from approximately RMB9,692.4 million in 2018. The increase in cost of sales was mainly due to the increase in GFA of recognized properties as mentioned above.

**Gross profit:** As a result of the foregoing, the Company's gross profit increased by 57.2% to approximately RMB8,005.3 million (US\$1,149.9 million) in 2019 from approximately RMB5,091.1 million in 2018, while our gross profit margin decreased by 8.4 percentage points from 34.4% in 2018 to 26.0% in 2019. Gross profit margin decreased primarily for the following reasons: 1) the proportion of recognized sales of car park spaces with high gross margins decreased from approximately 13.8% in 2018 to approximately 6.5% in 2019; and 2) Zhengzhou and Luoyang, with high gross margins, saw a decrease in the proportion of recognized property sales from approximately 32% in 2018 to approximately 20% in 2019.

**Other revenue:** Other revenue increased by 11.9% to approximately RMB262.8 million (US\$37.7 million) in 2019 from approximately RMB234.9 million in 2018. This was primarily due to the increase in bank interest income.

**Other net income:** Other net income increased significantly by 1,145.3% to approximately RMB799.5 million (US\$114.8 million) in 2019 from approximately RMB64.2 million in 2018. This was primarily due to 1) an increase of approximately RMB334.3 million (US\$48.0 million) in the gain from deemed disposal of joint ventures and 2) an increase of approximately RMB458.5 million (US\$65.9 million) in gain from the disposal of a joint venture recorded in 2019.



***Selling and marketing expenses:*** Our selling and marketing expenses increased by 60.0% to approximately RMB1,901.3 million (US\$273.1 million) in 2019 from approximately RMB1,188.4 million in 2018. The increase was primarily due to the increase of sales staff corresponding to the increase in our contracted sales and revenue, resulting in an increase in the salary and bonuses, sales commissions, advertising marketing expenses and other related marketing expenses in 2019 as compared to 2018, of which 1) advertising expenses increased by approximately RMB210.3 million (US\$30.2 million), 2) staff costs increased by approximately RMB157.9 million (US\$22.7 million), 3) advertising fees paid for football club increased by approximately RMB138.2 million (US\$19.9 million), and 4) property management fees for sales center and vacant properties increased by approximately RMB53.0 million (US\$7.6 million). Our selling and marketing expenses as a percentage of revenue decreased from approximately 8.0% in 2018 to approximately 6.2% in 2019.

***General and administrative expenses:*** Our general and administrative expenses increased by 10.9% to approximately RMB1,721.8 million (US\$247.3 million) in 2019 from approximately RMB1,552.4 million in 2018. This increase was primarily because the number of projects under development of the Company increased by 33, from 118 in 2018 to 151 at the end of 2019, thus resulting in an increase by approximately RMB150.6 million (US\$21.6 million) in staff costs in 2019 as compared to 2018. Our general and administrative expenses as a percentage of revenue decreased from approximately 10.5% in 2018 to approximately 5.6% in 2019.

***Impairment losses on trade and other receivables and contract assets:*** Impairment losses on trade and other receivables and contract assets increased by 210.6% to approximately RMB169.6 million (US\$24.4 million) in 2019 from approximately RMB54.6 million in 2018, which was mainly due to the increase in the contract assets and balances of receivable as at the end of 2019, leading to an increase in the provision for expected credit loss.

***Finance costs:*** Our finance costs increased by 74.7% to approximately RMB395.2 million (US\$56.8 million) in 2019 from approximately RMB226.2 million in 2018, mainly due to an increase of total borrowings. As at December 31, 2019, the total borrowings were approximately RMB31,490.6 million (US\$4,523.3 million), representing an increase of approximately 58.6% from approximately RMB19,851.3 million (US\$2,851.5 million) as at December 31, 2018.

***Share of profits less losses of associates:*** Our share of losses of associates increased by 89.4% to approximately RMB33.9 million (US\$4.9 million) in 2019 from approximately RMB17.9 million in 2018, primarily due to an increase in losses attributable to associates as some of the associates were not eligible for revenue recognition.

***Share of profits less losses of joint ventures:*** Our share of profits of joint ventures increased by 1,040.4% to approximately RMB177.9 million (US\$25.5 million) in 2019 from approximately RMB15.6 million in 2018, primarily due to the increase in revenue recognized in respect of the joint ventures as some relatively large-scale joint venture projects were eligible for revenue recognition.

***Net valuation gain on investment property:*** A net valuation gain of approximately RMB92.8 million (US\$13.3 million) on the Company's investment properties for 2019 was recorded, which was mainly due to the rising rents of commercial buildings such as the Five Buildings of Zhengzhou Jianye, Luoyang Triumph Plaza and Nanyang Triumph Plaza, resulting in an increase in the valuation of investment properties.

***Income tax:*** Income tax mainly comprises corporate income tax and LAT. The Company's income tax increased by 73.5% to approximately RMB2,700.8 million (US\$388.0 million) in 2019 from approximately RMB1,556.9 million in 2018, primarily due to the increase in income tax as a result of the increase in the recognized revenue from sales of properties during the year.



**Profit for the year:** As a result of the foregoing, our profit for the year increased by 70.7% to approximately RMB2,415.5 million (US\$347.0 million) in 2019 from approximately RMB1,415.1 million in 2018.

#### **Comparison of 2018 to 2017**

**Revenue:** Our revenue increased by 6.5% to approximately RMB14,783.5 million in 2018 from approximately RMB13,879.2 million in 2017, primarily due to the delay in revenue recognition of certain properties since 2018 as a result of the application of HKFRS 15, which resulted in the decrease in the GFA of the properties recognized during the year as compared to 2017, therefore the revenue recorded did not increase significantly as the contracted sales.

- **Income from sales of properties:** Revenue from property sales increased by 3.2% to approximately RMB13,629.2 million for 2018 from approximately RMB13,211.0 million for 2017 due to a decrease in area recognized by 19.7% to 1,871,076 sq.m. for 2018 from 2,329,226 sq.m. for 2017, while the average selling price (excluding underground parking spaces) increased by 28.4% to RMB7,284 per sq.m. for 2018 from RMB5,672 per sq.m. for 2017.
- **Rental income:** Income from property leasing increased by 54.8% to approximately RMB146.9 million for 2018 from RMB94.9 million for 2017, which was mainly due to the rental income from the newly-opened shopping malls and commercial buildings.
- **Revenue from hotel operation:** Revenue from hotel operation increased by 7.2% to approximately RMB284.6 million in 2018 from approximately RMB265.5 million in 2017, as the markets of the famous tourist cities of Henan, such as Zhengzhou, Nanyang and Luohe, were rather prosperous as compared with 2017, with the occupancy rate and room rates increasing remarkably. In addition, Yanling Jianye The Mist Hot Spring Hotel and Zhengzhou Jianye Sky Mansion commenced operation and was put into trial operation during the year respectively.
- **Revenue from provision of project management service:** Revenue from provision of project management service increased by 119.4% to approximately RMB675.3 million for 2018 from approximately RMB307.8 million for 2017 which was derived from operation and management services provided by the Group under light-asset projects. The increase was mainly attributable to a rapid increase in projects.

**Cost of sales:** Our cost of sales decreased by 8.5% to approximately RMB9,692.4 million for 2018 from approximately RMB10,598.4 million for 2017. The decrease in cost of sales was due to a decrease in GFA sold during the year as mentioned above.

**Gross profit:** The Group's gross profit increased by 55.2% to approximately RMB5,091.1 million for 2018 from approximately RMB3,280.8 million for 2017, while our gross profit margin increased significantly by 10.8 percentage points from 23.6% for 2017 to 34.4% for 2018. It was principally due to during the year: 1) the increase of the average selling price of property sales recognized was higher than the increase of the average cost of sales; 2) an increase in the proportion of sales of car park spaces with higher gross profit margin as a result of an increased sales volume; 3) an increase in the proportion of sales volume in cities with higher gross profit margin, such as Zhengzhou and Luoyang; and 4) an increase in revenue from project management service with higher gross profit margin.

**Other revenue:** Other revenue increased by 51.2% to approximately RMB234.9 million for 2018 from approximately RMB155.4 million for 2017. This was primarily due to 1) an increase in advances to third parties resulting in an increase in related interest income; and 2) an increase in government compensation.

**Other net income:** Other net income decreased by 75.2% to approximately RMB64.2 million for 2018 from approximately RMB258.4 million for 2017, which was primarily due to 1) the exchange loss of RMB37.7 million for 2018 as compared to the exchange gain of RMB59.4 million for 2017; and 2) the revenue for 2017 included the gain on disposal of a subsidiary.

**Selling and marketing expenses:** Our selling and marketing expenses increased by 70.5% to approximately RMB1,188.4 million for 2018 from approximately RMB697.1 million for 2017. The increase was primarily due to an increase in brand advertising and property marketing expenses, including the contribution of RMB298.2 million to sports events during the year to strengthen brand promotion.

**General and administrative expenses:** Our general and administrative expenses increased by 42.8% to approximately RMB1,552.4 million for 2018 from approximately RMB1,087.2 million for 2017, which is because the Group continued its business expansion, and expanded into 13 county-level cities in Henan province, while the number of projects under development of the Group increased from 92 as at the end of 2017 by approximately 110.9% to 194 as at the end of 2018, leading to 1) an increase in staff cost of approximately RMB197.9 million in 2018 as compared to 2017; 2) an increase in other relevant tax expenses of approximately RMB104.0 million in 2018 as compared to 2017 and; 3) an increase in travelling expenses of approximately RMB55.5 million in 2018 as compared to 2017.

**Impairment losses on trade and other receivables and contract assets:** Impairment losses on trade and other receivables and contract assets, amounted to approximately RMB54.6 million for 2018, mainly due to the impairment of financial assets resulting from the application of “expected credit loss”, a new impairment model under the HKFRS 9.

**Finance costs:** Our finance costs decreased by 44.6% to approximately RMB226.2 million for 2018 from approximately RMB408.1 million for 2017, mainly due to the change in fair value of derivatives.

**Shares of profits less losses of associates:** Our share of losses of associates increased by 306.8% to approximately RMB17.9 million for 2018 from approximately RMB4.4 million for 2017, mainly due to new associates are during early stages of project construction.

**Share of profits less losses of joint ventures:** Our share of profits of joint ventures decreased by 92.2% to approximately RMB15.6 million for 2018 from approximately RMB198.9 million for 2017, primarily due to substantial new joint ventures are still under the progress of project construction.

**Net valuation gain on investment properties:** Net valuation gain of approximately RMB605.7 million on our investment property for 2018 was recorded, which was mainly due to the use of Luoyang Triumph Plaza during the year was changed from sale with lease to self-held lease and therefore the plaza was transferred from inventories to investment property.

**Income tax:** Income tax mainly comprises corporate income tax and land appreciation tax. The Group’s income tax increased by 49.6% to approximately RMB1,556.9 million for 2018 from approximately RMB1,040.8 million for 2017, which was principally due to the deferred tax incurred by the valuation gain as a result of the change in use of certain properties for sale to investment properties during the year.

**Profit for the year:** As a result of the foregoing, our profit for the year increased by 57.4% to approximately RMB1,415.1 million for 2018 as compared to approximately RMB899.3 million for 2017.

## **Liquidity and Capital Resources**

As of December 31, 2019, our Group’s cash and cash equivalents amounted to approximately RMB22,707.7 million (US\$3,261.8 million) as compared to approximately RMB14,202.3 million as of December 31, 2018. In 2019, the Group distributed an interim dividend of approximately RMB382.8

million (US\$55.0 million) to the shareholders of the Company and recommended a final dividend of approximately RMB779.4 million (US\$112.0 million) to the shareholders of the Company in relation to profit attributable to the year ended December 31, 2019 (2018: approximately RMB330.2 million).

### **Cash Flows**

The following table sets forth our net cash flows for the years indicated:

	For the year ended December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)
Net cash generated from operating activities . . . . .	5,759,883	4,102,943	551,238	79,180
Net cash used in investing activities . . . . .	(4,728,926)	(3,237,657)	(5,094,433)	(731,770)
Net cash generated from financing activities . . . . .	539,700	2,025,833	12,991,620	1,866,129
Net increase in cash and cash equivalents . . . . .	1,570,657	2,891,119	8,448,425	1,213,540
Cash and cash equivalent at end of year . . . . .	11,283,853	14,202,259	22,707,659	3,261,751

### **Cash Flows from Operating Activities**

Our cash generated from operating activities is principally from the proceeds from the sales of our properties, including pre-sales of properties under development, as well as rental fees received from property leasing and service fees received for our performance under certain construction contracts. Our cash used in operating activities principally comprises amounts we pay for our property development activities.

In 2019, our net cash generated from operating activities was RMB551.2 million (US\$79.2 million). Our net cash generated from operating activities in 2019 consisted primarily of cash generated from operations before changes in working capital of RMB4,479.0 million (US\$643.4 million), which was partially offset by an increase in working capital of RMB1,225.4 million (US\$176.0 million) and PRC income tax paid of RMB2,702.4 million (US\$388.2 million). Working capital in 2019 increased by RMB1,225.4 million (US\$176.0 million), primarily due to an increase in inventories and other contract costs of RMB12,486.7 million (US\$1,793.6 million), an increase in restricted bank deposits of RMB3,772.2 million (US\$541.8 million), an increase in deposits and prepayments of RMB3,690.2 million (US\$530.1 million) and an increase in trade and other receivables of RMB2,273.9 million (US\$326.6 million), partially offset by an increase in trade and other payables of RMB14,297.0 million (US\$2,053.6 million) and an increase in contract liabilities and receipts in advance of RMB6,816.9 million (US\$979.2 million).

In 2018, our net cash generated from operating activities was RMB4,102.9 million. Our net cash generated from operating activities in 2018 consisted primarily of cash generated from operations before changes in working capital of RMB2,626.1 million and a decrease in working capital of RMB3,604.7 million, which was partially offset by PRC income tax paid of RMB2,127.9 million. Working capital in 2018 decreased by RMB3,604.7 million, primarily due to an increase in contract liabilities of RMB38,128.8 million, an increase in trade and other payables of RMB3,852.5 million and a decrease in trade and other receivables of RMB1,321.3 million, partially offset by an increase in inventories and other contract costs of RMB20,513.5 million, a decrease in receipts in advance of RMB15,087.6 million, a decrease in deposits and prepayments of RMB2,306.9 million and an increase in restricted bank deposits of RMB1,429.8 million.

In 2017, our net cash generated from operating activities was RMB5,759.9 million. Our net cash generated from operating activities in 2017 consisted primarily of cash generated from operations before changes in working capital of RMB1,811.4 million and a decrease in working capital of RMB5,235.1 million, which was partially offset by PRC income tax paid of RMB1,286.6 million. Working capital in 2017 decreased by RMB5,235.1 million, primarily due to an increase in trade and other payables of RMB10,261.7 million, an increase in receipts in advance of RMB7,331.7 million, an increase in deposits and prepayments of RMB5,324.7 million, partially offset by an increase in inventories and other contract

costs of RMB5,109.4 million, an increase in trade and other receivables of RMB1,268.4 million and an increase in restricted bank deposits of RMB656.9 million. The above description for cash flows from operating activities for 2017 has reflected the reclassification from certain reconciliation items from profit before taxation to operating cash flow. Unless otherwise stated, such amounts presented elsewhere in this offering memorandum reflects the audited amount from our 2017 audited financial statements without such reclassification.

#### *Cash Flows from Investing Activities*

In 2019, our net cash used in investing activities was RMB5,094.4 million (US\$731.8 million). Our net cash used in investing activities in 2019 primarily consisted of advances to joint ventures and associates of RMB4,953.4 million (US\$711.5 million), net cash paid upon acquisitions of subsidiaries of RMB2,393.2 million (US\$343.8 million), payment for purchases of property, plant and equipment of RMB1,431.7 million (US\$205.7 million), investment of joint ventures and associates of RMB965.3 million (US\$138.7 million) and payment for investment in other financial assets of RMB511.5 million (US\$73.5 million), partially offset by repayment from joint ventures and associates of RMB4,736.7 million (US\$680.4 million), interest received of RMB246.0 million (US\$35.3 million), dividend received of RMB129.7 million (US\$18.6 million) and net cash inflow upon disposals of subsidiaries of RMB47.8 million (US\$6.9 million).

In 2018, our net cash used in investing activities was RMB3,237.7 million. Our net cash used in investing activities in 2018 primarily consisted of advances to joint ventures and associates of RMB3,042.8 million, investment of joint ventures and associates of RMB983.7 million, payment for purchases of property, plant and equipment of RMB922.2 million and net cash paid upon acquisitions of subsidiaries of RMB507.9 million, partially offset by repayment from joint ventures and associates of RMB1,556.8 million, dividend received of RMB391.1 million and interest received of RMB210.4 million and other cash flows arising from investing activities of RMB60.8 million.

In 2017, our net cash used in investing activities was RMB4,728.9 million. Our net cash used in investing activities in 2017 primarily consisted of advances to joint ventures of RMB2,650.8 million, payment for purchases of property, plant and equipment of RMB998.3 million, net cash paid upon acquisitions of subsidiaries of RMB624.3 million, advances to associates of RMB393.8 million, payment for purchase of other financial assets of RMB300.0 million and investments in joint ventures and associates of RMB244.7 million, partially offset by net cash received upon disposals of subsidiaries of RMB283.6 million, repayment from joint ventures of RMB130.1 million and other cash flows arising from investing activities of RMB69.3 million.

#### *Cash Flows from Financing Activities*

In 2019, our net cash generated from financing activities was RMB12,991.6 million (US\$1,866.1 million). The net cash generated from financing activities in 2019 primarily consisted of proceeds from bank loans and other loans of RMB14,794.6 million (US\$2,125.1 million), net proceeds from issuance of senior notes of RMB8,529.0 million (US\$1,225.1 million), proceeds from resales and issue of corporate bonds of RMB2,759.4 million (US\$396.4 million) and capital contribution and advance from non-controlling interests of RMB1,208.2 million (US\$173.5 million), partially offset by repayment of bank loans and other loans of RMB6,255.8 million (US\$898.6 million), repayment of corporate bonds of RMB2,771.6 million (US\$398.1 million), interest paid of RMB2,248.5 million (US\$323.0 million), redemption and repayment of senior notes of RMB1,397.5 million (US\$200.7 million), dividend paid of RMB891.7 million (US\$128.1 million) and payment of guarantee deposits for bank loans of RMB697.6 million (US\$100.2 million).

In 2018, our net cash generated from financing activities was RMB2,025.8 million. The net cash generated from financing activities in 2018 primarily consisted of net proceeds from issuance senior notes of RMB4,967.9 million, proceeds from bank loans and other loans of RMB3,282.7 million and

proceeds from issuance of ordinary shares of RMB832.2 million, partially offset by redemption of senior notes of RMB4,111.0 million repayment of bank and other loans of RMB1,321.7 million, interest paid of RMB1,195.4 million and other cash flows used in financing activities of RMB428.8 million.

In 2017, our net cash generated in financing activities was RMB539.7 million. The net cash used in financing activities in 2017 primarily consisted of proceeds from bank loans of RMB2,791.9 million, net proceeds from issue of senior notes of RMB1,330.1 million and capital contribution from non-controlling interests of RMB99.6 million, partially offset by repayment of bank loans and other loans of RMB1,302.7 million, interest paid of RMB1,228.3 million, redemption of senior notes of RMB1,098.7 million and other cash flows used in financing activities of RMB52.2 million.

### **Capital Resources**

Property developments require substantial capital investment for land acquisitions and construction and may take months or years before positive cash flow can be generated. We principally fund our property developments by using a combination of sources, from internal funds, borrowings from banks and other parties and funds raised from capital markets, such as our IPO in 2008, the 2009 Convertible Bonds with Warrants, the 2010 Notes, the 2011 Rights Issue, the 2012 Notes, the January 2013 Notes, the June 2013 Notes, the 2014 Notes, the 2015 Notes, the 2016 Notes, the July 2017 Notes, the 2017 Facility, the Corporate Bonds, the March 2018 Notes, the April 2018 Notes, the May 2018 Notes, the April 2019 Notes, the August 2019 Notes, the November 2019 Notes, the January 2020 Notes and the February 2020 Notes. Our financing methods may vary from project to project and are subject to the limitations imposed by PRC regulations and monetary policies.

### ***Cash and Cash Equivalents***

Our cash and cash equivalents amounted to RMB22,707.7 million (US\$3,261.8 million), as of December 31, 2019, which excludes restricted cash of RMB8,077.4 million (US\$1,160.3 million).

### ***Borrowings***

Our borrowings primarily consist of loans from commercial banks and other financial institutions as well as senior notes and corporate bonds raised in debt offerings in the capital markets. As of December 31, 2019, we had aggregate borrowings (including bank loans, other loans, senior notes and Corporate Bonds) of RMB31,490.6 million (US\$4,523.3 million), a substantial portion of which was denominated in U.S. dollar, RMB13,515.3 million (US\$1,941.3 million) of which was denominated in Renminbi and, RMB774.6 million (US\$111.3 million) of which was denominated in Singapore dollars. Our senior notes are secured by equity pledges over some of our subsidiaries. Subsequent to December 31, 2019, we also issued the January 2020 Notes and the February 2020 Notes. Our project-specific onshore borrowings are typically secured by our properties under development and our land use rights, and we usually repay such borrowings using a portion of our pre-sale proceeds from the specific project.

Our borrowings have a range of maturities from less than one year to more than five years. As of December 31, 2019, the effective interest rate for our bank loans ranged from 4% to 7.5% per annum, and the effective interest rate for our other loans ranged from 6.8% to 12.0% per annum.



The following table sets forth the level of our borrowings and their respective maturity profiles as of the dates indicated.

	As of December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)
<b>Bank loans</b>	<b>3,887,578</b>	<b>5,830,481</b>	<b>7,238,459</b>	<b>1,039,740</b>
Within one year or on demand	450,118	1,756,130	3,734,424	536,416
After one year but within two years	986,674	2,232,976	2,273,910	326,627
After two year but within five years	1,785,876	1,368,250	758,750	108,988
After five years	664,910	473,125	471,375	67,709
<b>Other loans</b>	<b>300,000</b>	<b>833,180</b>	<b>3,287,347</b>	<b>472,198</b>
Within one year or on demand	90,000	593,150	2,437,022	350,056
After one year but within two years	90,000	240,030	850,325	122,142
After two year but within five years	90,000	—	—	—
After five years	30,000	—	—	—
<b>Corporate bonds</b>	<b>2,986,914</b>	<b>2,996,760</b>	<b>2,989,478</b>	<b>429,412</b>
Within one year or on demand	—	2,996,760	1,489,608	213,969
After one year but within two years	2,986,914	—	1,499,870	215,443
After two year but within five years	—	—	—	—
After five years	—	—	—	—
<b>January 2013 Notes</b>	<b>1,295,951</b>	<b>1,368,455</b>	—	—
Within one year or on demand	—	1,368,455	—	—
After one year but within two years	1,295,951	—	—	—
After two year but within five years	—	—	—	—
After five years	—	—	—	—
<b>June 2013 Notes</b>	<b>2,596,209</b>	—	—	—
Within one year or on demand	—	—	—	—
After one year but within two years	2,596,209	—	—	—
After two year but within five years	—	—	—	—
After five years	—	—	—	—
<b>2015 Notes</b>	<b>1,937,635</b>	<b>2,047,039</b>	<b>2,092,144</b>	<b>300,518</b>
Within one year or on demand	—	—	—	—
After one year but within two years	—	—	2,092,144	300,518
After two year but within five years	1,937,635	2,047,039	—	—
After five years	—	—	—	—
<b>2016 Notes</b>	<b>1,285,374</b>	<b>1,359,000</b>	<b>2,757,152</b>	<b>396,040</b>
Within one year or on demand	—	—	—	—
After one year but within two years	—	—	2,757,152	396,040
After two year but within five years	1,285,374	1,359,000	—	—
After five years	—	—	—	—
<b>July 2017 Notes</b>	<b>1,294,484</b>	—	—	—
Within one year or on demand	1,294,484	—	—	—
After one year but within two years	—	—	—	—
After two year but within five years	—	—	—	—
After five years	—	—	—	—
<b>March 2018 Notes</b>	—	<b>2,039,991</b>	<b>2,777,667</b>	<b>398,987</b>
Within one year or on demand	—	—	—	—
After one year but within two years	—	—	2,777,667	398,987
After two year but within five years	—	2,039,991	—	—
After five years	—	—	—	—
<b>April 2018 Notes</b>	—	<b>2,623,029</b>	<b>2,686,810</b>	<b>385,936</b>
Within one year or on demand	—	—	2,686,810	385,936
After one year but within two years	—	2,623,029	—	—
After two year but within five years	—	—	—	—
After five years	—	—	—	—
<b>May 2018 Notes</b>	—	<b>753,315</b>	<b>774,599</b>	<b>111,264</b>
Within one year or on demand	—	—	774,599	111,264
After one year but within two years	—	753,315	—	—
After two year but within five years	—	—	—	—
After five years	—	—	—	—
<b>January 2019 Notes</b>	—	—	<b>1,396,514</b>	<b>200,597</b>
Within one year or on demand	—	—	1,396,514	200,597
After one year but within two years	—	—	—	—
After two year but within five years	—	—	—	—
After five years	—	—	—	—
<b>April 2019 Notes</b>	—	—	<b>2,060,769</b>	<b>296,011</b>
Within one year or on demand	—	—	—	—



	As of December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)
After one year but within two years . . . . .	–	–	–	–
After two year but within five years . . . . .	–	–	2,060,769	296,011
After five years . . . . .	–	–	–	–
<b>August 2019 Notes . . . . .</b>	–	–	<b>2,051,867</b>	<b>294,732</b>
Within one year or on demand . . . . .	–	–	–	–
After one year but within two years . . . . .	–	–	–	–
After two year but within five years . . . . .	–	–	2,051,867	294,732
After five years . . . . .	–	–	–	–
<b>November 2019 Notes . . . . .</b>	–	–	<b>1,377,819</b>	<b>197,911</b>
Within one year or on demand . . . . .	–	–	–	–
After one year but within two years . . . . .	–	–	–	–
After two year but within five years . . . . .	–	–	1,377,819	197,911
After five years . . . . .	–	–	–	–
	<b>15,584,145</b>	<b>19,851,250</b>	<b>31,490,625</b>	<b>4,523,345</b>

Subsequent to December 31, 2019, we have, from time to time, in the ordinary course of business, entered into additional loan agreements to finance our property developments or for general corporate purposes and repaid some of our borrowings. For a description of our material indebtedness, see “Description of Other Material Indebtedness.”

#### *2012 Notes*

On April 18, 2012, we issued secured senior notes in the principal amount of S\$175 million due 2016. The senior notes are interest-bearing at 10.75% per annum and payable semi-annually in arrears. The maturity date of the 2012 Notes was April 18, 2016. In April 2016, we redeemed the 2012 Notes in full.

#### *January 2013 Notes*

On January 28, 2013, we issued senior notes due 2020 in the principal amount of US\$200 million. The January 2013 Notes are interest bearing at 8.0% per annum and payable semi-annually in arrears. The maturity date of the January 2013 Notes is January 28, 2020. For more details of our January 2013 Notes, see the section entitled “Description of Other Material Indebtedness – January 2013 Notes.”

#### *June 2013 Notes*

On June 4, 2013, we issued senior notes due 2018 in the principal amount of US\$400 million. The June 2013 Notes are interest bearing at 6.5% per annum and payable semi-annually in arrears. The maturity date of the June 2013 Notes is June 4, 2018. In June 2018, we redeemed the June 2013 Notes in full.

#### *2014 Notes*

On May 26, 2014, we issued senior notes due 2017 in the principal amount of S\$200 million. The 2014 Notes are interest bearing at 6.5% per annum and payable semi-annually in arrears. The maturity date of the 2014 Notes is May 26, 2017. In May 2017, we redeemed the 2014 Notes in full.

#### *2015 Notes*

On April 23, 2015, we issued senior notes due 2021 in the principal amount of US\$300 million. The 2015 Notes are interest bearing at 8.75% per annum and payable semi-annually in arrears. The maturity date of the 2015 Notes is January 23, 2021. For more details of our 2015 Notes, see the section entitled “Description of Other Material Indebtedness – 2015 Notes.”

#### *2016 Notes*

On November 8, 2016, we issued senior notes due 2021 in the principal amount of US\$200 million. On October 8, 2019, we further issued senior notes due 2021 in the principal amount of US\$200 million, which was consolidated and formed a single class with the senior notes issued on November 8, 2016.

The 2016 Notes are interest bearing at 6.75% per annum and payable semi-annually in arrears. The maturity date of the 2016 Notes is November 8, 2021. For more details of our 2016 Notes, see the section entitled “Description of the Notes.”

#### *July 2017 Notes*

On July 18, 2017, we issued senior notes due 2018 in the principal amount of US \$ 200 million. The July 2017 Notes are interest bearing at 6.0% per annum and payable semi-annually in arrears. The maturity date of the July 2017 Notes is July 16, 2018. In July 2018, we redeemed the July 2017 Notes in full.

#### *March 2018 Notes*

On March 5, 2018, we issued senior notes due 2021 in the principal amount of US\$ 300 million. On April 30, 2019, we further issued senior notes due 2021 in the principal amount of US\$100 million, which were consolidated and formed a single class with the original notes issued on March 5, 2018. The March 2018 Notes are interest bearing at 6.5% per annum and payable semi-annually in arrears. The maturity date of the March 2018 Notes is March 5, 2021. For more details of our March 2018 Notes, see the section entitled “Description of Other Material Indebtedness – March 2018 Notes.”

#### *April 2018 Notes*

On April 23, 2018, we issued senior notes due 2020 in the principal amount of US\$300 million. On June 5, 2018, we further issued senior notes due 2020 in the principal amount of US\$86 million, which was consolidated and formed a single class with the senior notes issued on April 23, 2018. The April 2018 Notes are interest bearing at 6.875% per annum and payable semi-annually in arrears. The maturity date of the April 2018 Notes is October 23, 2020. For more details of our April 2018 Notes, see the section entitled “Description of Other Material Indebtedness – April 2018 Notes.”

#### *January 2019 Notes*

On January 29, 2019, we issued senior notes due 2020 in the principal amount of US\$200 million. The January 2019 Notes are interest bearing at 7.325% per annum and payable semi-annually in arrears. The maturity date of the January 2019 Notes is January 27, 2020. For more details of our January 2019 Notes, see the section entitled “Description of Other Material Indebtedness – January 2019 Notes.”

#### *April 2019 Notes*

On April 24, 2019, we issued senior notes due 2023 in the principal amount of US\$300 million. The April 2019 Notes are interest bearing at 7.25% per annum and payable semi-annually in arrears. The maturity date of the April 2019 Notes is April 24, 2023. For more details of our April 2019 Notes, see the section entitled “Description of Other Material Indebtedness – April 2019 Notes.”

#### *August 2019 Notes*

On August 8, 2019, we issued senior notes due 2022 in the principal amount of US\$300 million. The August 2019 Notes are interest bearing at 6.875% per annum and payable semi-annually in arrears. The maturity date of the August 2019 Notes is August 8, 2022. For more details of our August 2019 Notes, see the section entitled “Description of Other Material Indebtedness – August 2019 Notes.”

#### *November 2019 Notes*

On November 7, 2019, we issued senior notes due 2023 in the principal amount of US\$200 million. The November 2019 Notes are interest bearing at 7.9% per annum and payable semi-annually in arrears. The maturity date of the November 2019 Notes is November 7, 2023. For more details of our November 2019 Notes, see the section entitled “Description of Other Material Indebtedness – November 2019 Notes.”

### *January 2020 Notes*

On January 16, 2020, we issued senior notes due 2024 in the principal amount of US\$200 million. The January 2020 Notes are interest bearing at 7.25% per annum and payable semi-annually in arrears. The maturity date of the January 2020 Notes is July 16, 2024. For more details of our January 2020 Notes, see the section entitled “Description of Other Material Indebtedness – January 2020 Notes.”

### *February 2020 Notes*

On February 12, 2020, we issued senior notes due 2021 in the principal amount of US\$300 million. The February 2020 Notes are interest bearing at 6.875% per annum and payable semi-annually in arrears. The maturity date of the February 2020 Notes is February 10, 2021. For more details of our February 2020 Notes, see the section entitled “Description of Other Material Indebtedness – February 2020 Notes.”

### *Corporate Bonds*

On April 13, 2016, we issued the first tranche of domestic corporate bonds with an aggregate principal amount of RMB3.0 billion through our wholly owned PRC subsidiary, Central China Real Estate Group (China) Company Limited (建業住宅集團(中國)有限公司). These corporate bonds bear interest at 6.0% per annum and will mature in 2021. On July 23, 2019, we issued the domestic corporate bonds with an aggregate principal amount of RMB1.5 billion through our wholly owned PRC subsidiary, Central China Real Estate Group (China) Company Limited (建業住宅集團(中國)有限公司). These corporate bonds bear interest at 7.5% per annum and will mature in 2022. For more details of our Corporate Bonds, see the section entitled “Description of Other Material Indebtedness – Corporate Bonds.”

### *2011 Rights Issue*

On June 28, 2011, we issued 428,000,000 shares of HK\$0.1 each by way of a rights issue in the proportion of 21.4 rights shares for every 100 ordinary shares at a subscription price of HK\$1.71 per rights share. These newly issued shares rank equally in all respects with the existing shares. The net proceeds from the rights issue amounted to approximately HK\$718.2 million.

### **Capital Commitments**

As of December 31, 2019, our contractual obligations in connection with our property development activities, other than loans and borrowings, amounted to RMB75,172.5 million (US\$10,797.9 million), primarily arising from contracted construction fees or other capital commitments for future property developments. The following tables set forth our contractual obligations, other than loans and borrowings, as of the dates indicated:

	As of December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)
Properties under development undertaken by the Group				
Authorized but not contracted for . . . . .	12,352,427	44,534,992	49,306,769	7,082,474
Contracted but not provided for . . . . .	6,814,843	24,153,219	25,865,751	3,715,383
<b>Total capital commitments . . . . .</b>	<b>19,167,270</b>	<b>68,688,211</b>	<b>75,172,520</b>	<b>10,797,857</b>

### **Contingent Liabilities**

As of December 31, 2019, we provided guarantees to PRC banks for loans with an aggregate principal amount of RMB42,382.4 million (US\$6,087.9 million), in respect of mortgages provided by the banks to purchasers of the properties we developed and sold as well as our joint ventures. Our guarantees are issued from the dates of grant of the relevant mortgages and released upon issuance of property ownership certificates or after the full repayment of the underlying mortgages by the purchasers.

Pursuant to the terms of the guarantees, in respect of mortgages, if there is a default of the mortgage payments by purchasers of the properties, we are responsible to repay the outstanding mortgage loans, together with accrued interests thereon and any penalty owed by the purchasers in default to banks. We are entitled to take over the legal title of the related properties.

We also provided guarantees for bank loans and other loans of our joint ventures, amounting to RMB10,047.0 million (US\$1,443.2 million) as of December 31, 2019. The Group also provided guarantee to trust manager of a joint venture for expected minimum return as stipulated in the corporation agreement. The directors consider that the likelihood of default in payment and the financial guarantees measured at fair value are minimal.

### **Off-balance Sheet Commitments and Arrangements**

Except for the contingent liabilities set forth above, we have not entered into any off-balance-sheet guarantees or other commitments to guarantee the payment obligations of any third parties. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.

### **Market Risks**

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

#### ***Commodities Risk***

We are exposed to fluctuations in the prices of raw materials for our property developments, primarily steel and cement. We purchase most of our supplies of steel and cement at market prices. Such purchase costs are generally accounted for as part of contractors' fees pursuant to our arrangements with the relevant contractors. Rising prices for construction materials will therefore affect our construction costs in the form of increased fees payable to our contractors. As a result, fluctuations in the prices of our construction materials could have a significant impact on our results of operations.

#### ***Interest Rate Risk***

Our business is sensitive to fluctuations in interest rates. Our indebtedness in the PRC generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Upward fluctuations in interest rates will increase the interest cost of new and existing loans. We currently do not hedge our interest rate risk but may do so in the future.

An increase in interest rates may also adversely affect our prospective purchasers' ability to obtain financing and depress overall housing demand. Higher interest rates may adversely affect our revenue, gross profits and profits. The PBOC published benchmark one-year lending rates in China (which directly affect the property mortgage rates offered by commercial banks in the PRC) as of December 31, 2017, 2018 and 2019 were 4.35%, 4.35% and 4.35%, respectively.

#### ***Foreign Exchange Rate Risk***

We conduct our business principally in Renminbi. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. The conversion of Renminbi into foreign currencies, including the U.S. dollar and the Hong Kong dollar, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar. Under the new policy, Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. While the international reaction to the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of Renminbi against the U.S. dollar. The majority of our foreign currency transactions and balances are

denominated in H.K. dollars, Singapore dollars and U.S. dollars. Fluctuations in the value of Renminbi to these foreign currencies may adversely affect our cash flows, revenue, earnings and financial position. For example, if the value of Renminbi appreciates, we would record foreign exchange losses on bank balances and other assets we maintain in non-Renminbi currencies. See “Risk Factors – Risks Relating to the PRC – Fluctuation in the exchange rates between the Renminbi and foreign currencies, particularly U.S. dollars, may have a material adverse effect on us and on your investment.”

On November 14, 2016, we further entered into the 2016 ISDA Master Agreement with Morgan Stanley & Co. International plc., as the swap counterparty, to manage our foreign exchange rate risk. The term of the swap was for five years.

On June 6, 2018, we entered into the 2018 ISDA Master Agreement with Goldman Sachs International, as the swap counterparty, to manage our foreign exchange rate risk. The term of the swap was for eighteen months.

On December 12, 2018, we entered into the 2018 ISDA Master Agreement with Goldman Sachs International, as the swap counterparty, to manage our foreign exchange rate risk. The term of the swap was for one year.

On December 13, 2018, we entered into the 2018 ISDA Master Agreement with Nomura International plc, as the swap counterparty, to manage our foreign exchange rate risk. The term of the swap was for one year.

On January 9, 2019, we entered into the 2019 ISDA Master Agreement with Deutsche Bank AG, Hong Kong Branch, as the swap counterparty, to manage our foreign exchange rate risk. The term of the swap was for one year.

On January 11, 2019, we entered into the 2019 ISDA Master Agreement with Nomura International plc, as the swap counterparty, to manage our foreign exchange rate risk. The term of the swap was for one year.

On January 30, 2019, we entered into the 2019 ISDA Master Agreement with China CITIC Bank International Limited, as the swap counterparty, to manage our foreign exchange rate risk. The term of the swap was for one year.

On February 21, 2019, we entered into the 2019 ISDA Master Agreement with Goldman Sachs International, as the swap counterparty, to manage our foreign exchange rate risk. The term of the swap was for one year.

On July 12, 2019, NDRC published a Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (關於對房地產企業發行外債申請備案登記有關要求的通知) on its website which imposes more restrictions on the use of proceeds of foreign debts incurred by real estate developers. According to the notice, the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium to long term offshore debts which will become due within one year, and the real estate developer is required to specify in the documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts to be refinanced, such as amount, maturity date and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter to NDRC regarding the authenticity of its foreign debt issuance. If a real estate developer fails to comply with these restrictions, it may be blacklisted and prevented from obtaining foreign debt registrations in the future.

### ***Inflation or Deflation Risk***

In recent years, China has not experienced significant inflation or deflation, and thus inflation or deflation has not had a material impact on our results of operations. According to the National Bureau of Statistics of China, the change in Consumer Price Index in China was 1.5%, 2.1% and 2.9% in 2017, 2018 and 2019, respectively.

### **Non-GAAP Financial Measures**

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

- interest income;
- income tax expense;
- depreciation and amortization;
- gross finance costs;
- net increase in fair value of investment properties; and
- profit attributable to non-controlling interests.

EBITDA is not a standard measure under either U.S. GAAP or 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 and U.S. GAAP 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 the 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 for the year under HKFRS to our definition of EBITDA for the years indicated:

	For the year ended December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000) (unaudited)
Profit before taxation . . . . .	1,940,066	2,971,983	5,116,349	734,918
Adjustments for				
interest income . . . . .	(91,309)	(219,138)	(249,780)	(35,879)
depreciation and amortization . . . . .	255,448	268,459	298,245	42,919
gross finance costs <sup>(1)</sup> . . . . .	1,083,562	2,338,913	4,560,914	655,134
net increase in fair value of investment properties . . . . .	(243,400)	(605,673)	(92,773)	(13,326)
profit attributable to non-controlling interests. . . . .	(87,917)	(260,861)	(400,458)	(57,522)
<b>EBITDA . . . . .</b>	<b><u>2,856,450</u></b>	<b><u>4,493,683</u></b>	<b><u>9,233,044</u></b>	<b><u>1,326,244</u></b>

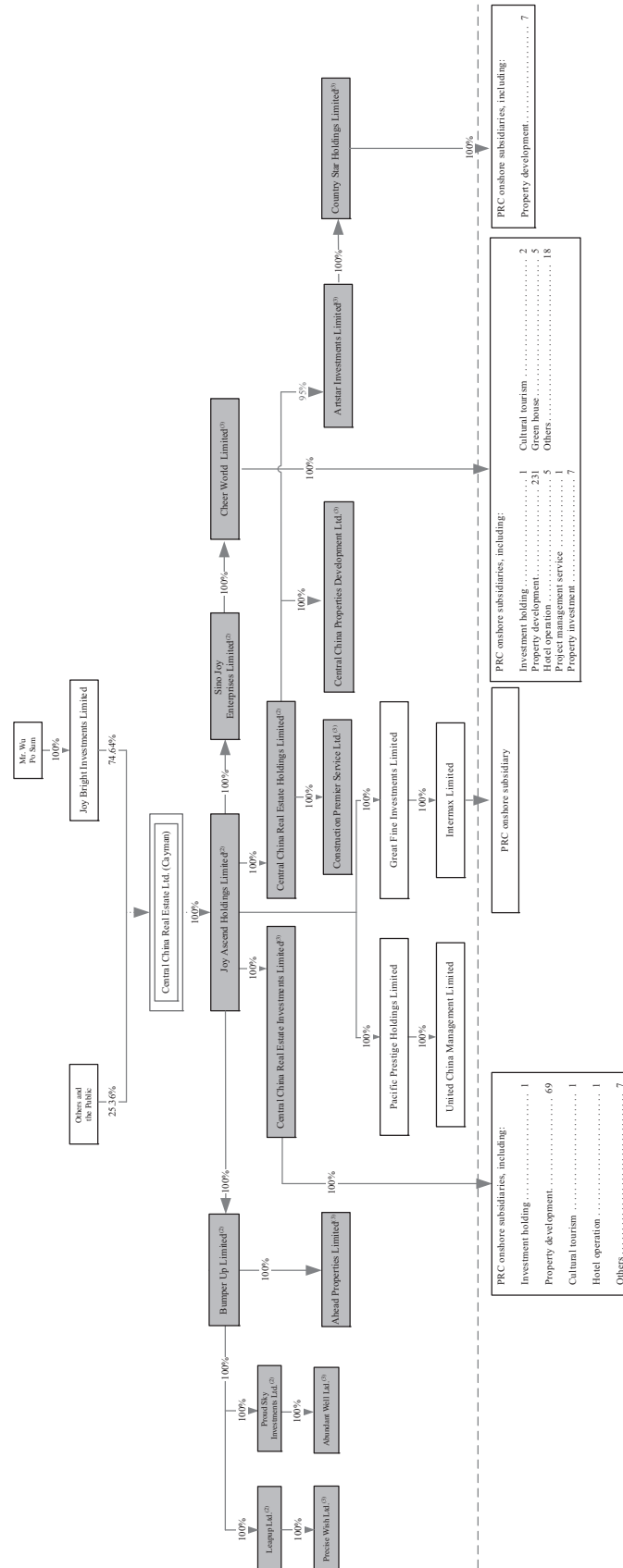
*Note:*

- (1) Gross finance costs represented our finance costs with “net change in fair value of derivatives” excluded and “borrowing costs capitalised into properties under development” added back.

You should not consider our definition of EBITDA in isolation or construe it as an alternative to profit for the year or as an indicator of operating performance or any other standard measure under HKFRS or U.S. GAAP. Our definition of EBITDA does not account for income tax expense, interest income, depreciation and amortization, gross finance costs, net (decrease)/increase in fair value of investment properties and profit attributable to non-controlling interests. 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. Interest expense excludes amounts capitalized. See the section entitled “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.

## CORPORATE STRUCTURE

The following chart shows our corporate structure as of December 31, 2019<sup>(1)</sup>:





Subsidiary guarantors

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*Notes:*

- (1) Subsequent to December 31, 2019, we have, in our ordinary course of business, incorporated or acquired certain onshore or offshore subsidiaries, which are not reflected in the corporate structure in this offering memorandum.
- (2) The company was incorporated in the British Virgin Islands.
- (3) The company was incorporated in Hong Kong.

## BUSINESS

### Overview

We are the leading residential property developer in Henan based on a number of factors including scale, profitability, financial stability and growth potential. See “– Awards and Certificates.” With an operating history of 28 years in property development in Henan, we have established a well-recognized brand in Henan’s residential property market and completed an aggregate GFA of approximately 36.6 million sq.m. between 1992 and December 31, 2019. Leveraging our experience and brand reputation, we have expanded into 122 cities across Henan, including all 18 prefecture-level cities and 104 county-level cities, as of December 31, 2019.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan’s strong economic growth and significant increase in urbanization. Henan is one of China’s most populous provinces by number of registered residents according to the National Bureau of Statistics of China, with approximately 109.5 million registered residents as of December 31, 2019. From 2008 through 2019, Henan’s GDP grew from RMB1,801.9 billion to RMB5,425.9 billion, representing a CAGR of 10.5%. From 2008 to 2019, Henan’s urbanization rate also grew significantly by 17.2 percentage points, from 36.0% to 53.2%, which was yet at a level considerably below the national urbanization rate of 60.6% in 2019, leaving room for further growth in urbanization in Henan.

We believe Henan is a substantially end-user driven residential property market, which helps contribute to greater stability in pricing and sales volume, less exposure to cyclicalities and policy changes compared to many other provinces, particularly when the PRC government introduces policies aimed at curbing speculation in the residential property market. The majority of our residential properties are sold to end-users who are either first-time buyers or homeowners seeking an upgraded residence. Our residential properties are targeted at mid to high-income customers. To cater to the diverse needs of our target customers, our projects are typically integrated residential complexes offering a combination of products, ranging from townhouses to low-rise and high-rise apartment buildings, with retail and other commercial facilities, community facilities and scenic surroundings.

Since our inception and up until December 31, 2019, we had completed an aggregate GFA of approximately 36.6 million sq.m. (including GFA which had been sold). As of December 31, 2019, we had a total of 211 projects in Henan and three projects in Hainan in various stages of development, including an aggregate planned total GFA of approximately 30.2 million sq.m. of properties under development and an aggregate planned total GFA of approximately 20.7 million sq.m. of properties held for future development for which we had obtained land use rights certificates.

We intend to continue to execute our provincial and regional strategy on the Henan market by further solidifying our leading position in Henan’s residential property market and leveraging our local knowledge and market reputation to expand our business in Henan. We plan to continue to focus on developing medium to large-scale residential communities in major prefecture-level cities. We also intend to continue our expansion in newly urbanized town centers of county-level cities. We believe these will allow us to capture the economic growth in Henan and to geographically broaden our revenue base. In addition, in the second half of 2015, we launched a light-asset development strategy in order to strengthen our profitability, expand our market share and enhance our competitiveness as well as to maximize the value of our brands. Capitalizing on our brand name, our management experience, our capital resources, as well as our understanding of the real estate market, we have achieved steady growth. As of December 31, 2019, we have entered into 163 management entrustment agreements to develop, operate and manage real estate projects of third parties, or light-asset model projects, with total planned GFA of approximately 23.94 million sq.m. We intend to continue engaging in such light-asset strategy to further capitalize on our brand value and diversify our income sources.

For the years ended December 31, 2017, 2018 and 2019, our revenue was RMB13,879.2 million, RMB14,783.5 million and RMB30,766.7 million (US\$4,419.4 million) respectively, and our net profit attributable to equity holders of our Company was RMB811.4 million, RMB1,154.3 million and RMB2,015.1 million (US\$289.4 million) respectively. We have also achieved contracted sales of

RMB71,801 million (US\$10,313.6 million) in 2019, representing an increase of 33.8% as compared to 2018. In 2019, our contracted sales GFA in 2019 was 9.2 million sq.m. and our contracted average selling price was RMB7,811 per sq.m.

### ***Recent Developments***

Subsequent to December 31, 2019, we have acquired the following land parcels:

<u>Date of acquisition</u>	<u>Location</u>	<u>Attributable interest</u>	<u>Planned total GFA (sq.m.)</u>	<u>Consideration (RMB Mn)</u>	<u>Average GFA land cost (RMB/sq.m.)</u>	<u>Type <sup>(1)</sup></u>
January 2020 . . . . .	Luoyang	100%	244,487	556	2,274	R, C, K
January 2020 . . . . .	Luoyang	61%	241,704	336	2,281	R, C, K
January 2020 . . . . .	Xinxiang	100%	91,380	70	766	R, C, K
January 2020 . . . . .	Zhoukou	99%	644,427	708	1,109	R, C, K
January 2020 . . . . .	Zhumadian	51%	222,489	114	1,008	R, K
January 2020 . . . . .	Hebi	100%	144,497	93	646	R, C, K
January 2020 . . . . .	Shangqiu	51%	415,000	127	599	R, C, K
January 2020 . . . . .	Kaifeng	64%	23,970	47	3,066	C
February 2020 . . . . .	Anyang	30%	82,651	59	2,357	R, K
March 2020 . . . . .	Sanmenxia	30%	213,631	28	373	R, C, K
<b>Total . . . . .</b>			<b>2,324,236</b>	<b>2,138</b>		

*Note:*

(1) Property type includes Commercial “C”, Residential “R”, Carpark “K”.

### ***Issuance of the January 2020 Notes***

On January 16, 2020, we issued 7.25% senior notes due 2025 in an aggregate principal amount of US200.0 million.

### ***Entrance into an Equity Transfer Agreement***

On January 17, 2020, Shanghai Yujin Investment Consulting Co., Ltd. (上海豫進投資諮詢有限公司) (“Shanghai Yujin”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Guangzhou R&F Properties Co., Ltd. (廣州富力地產股份有限公司) (“Guangzhou R&F”) and Central China R&F Investment Co., Ltd. (河南建業富居投資有限公司) (“Central China R&F”), pursuant to which Shanghai Yujin has agreed to acquire 10% equity interest in Central China R&F from Guangzhou R&F and the creditor’s rights of RMB262,326,648.32 owned by Guangzhou R&F, for a total consideration of RMB1 billion. Upon completion, Shanghai Yujin will own 55% of the equity of Central China R&F, and Central China R&F will become an indirect non-wholly owned subsidiary of the Company from a jointly controlled entity of the Company.

### ***Issuance of the February 2020 Notes***

On February 12, 2020, we issued 6.875% senior notes due 2021 in an aggregate principal amount of US300.0 million.

### ***Provision of Corporate Guarantee***

On February 13, 2020, the Company and some of its subsidiaries entered into the acquisition agreement with Jiayao (International) Investment Co., Ltd. (與嘉耀(國際)投資有限公司) (“Jiayao”) and China Ping An Insurance Overseas (Holdings) Co., Ltd. (中國平安保險海外(控股)有限公司) (“Ping An”) pursuant to which Jiayao agreed to issue, and Ping An agreed to subscribe for and pay or cause to subscribe for and pay, 6.875% secured bonds of in an aggregate principal amount of US\$203 million, while the Company and some of its subsidiaries agree to provide a guarantee in favor of the trustee, DB

Trustees (Hong Kong) Limited, as a collateral for Jiayao's performance obligations under the bonds, trust deed and agency agreements. The Company will charge 1% of the total principal of the bonds as the annual guarantee fee.

On June 5, 2020, the Project Company entered into the Loan Agreement with CGB. Pursuant to the Loan Agreement, CGB granted a loan to the Project Company in the amount of RMB700,000,000. On the same date, CCRE China entered into a guarantee agreement with CGB. Pursuant to such agreement, CCRE China agreed to provide a guarantee in favor of CGB as security for the repayment obligations of the Project Company in respect of the loan under the Loan Agreement. Meanwhile, the Project Company also entered into a guarantee agreement with CGB and pledged its projects under construction, whose book value was approximately RMB482 million as of May 31, 2020, as security to guarantee its repayment obligations under the Loan Agreement.

### ***The recent COVID-19 epidemic 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 6.5 million cases have been confirmed worldwide. China and other countries had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. Henan Province was one of the heavily affected areas in China, and our operations had been adversely affected. 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, as the effect of the Pandemic is seemingly starting to ease, 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. 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. Our business, financial conditions and results of operations may be materially and adversely affected primarily due to the delay in construction and delivery of certain properties as a result of the impact of COVID-19. For details, please see "Risk Factors – Risks Relating to our Business – Any future occurrence of natural disasters or outbreaks of contagious diseases in China may have a material adverse effect on our business operations, financial condition and results of operations."

### **Our Competitive Strengths**

#### ***We are the leading residential property developer in Henan***

We are the leading residential property developer in Henan based on a number of factors including scale, profitability, financial stability and growth potential. See "– Awards and Certificates." With an operating history of 28 years in property development in Henan, we have established a well-recognized brand in Henan's residential property market and completed an aggregate GFA of approximately 36.6 million sq.m. between 1992 and December 31, 2019. Leveraging our experience and well recognized brand name, we have expanded into 122 cities across Henan, including all 18 prefecture-level cities and 104 county-level cities, as of December 31, 2019.

Our focus on residential property development in Henan has enabled us to capture the opportunities presented by Henan's strong economic growth and significant increase in urbanization. Henan is one of China's most populous province by number of registered residents according to the National Bureau of Statistics of China, with registered residents of approximately 109.5 million as of December 31, 2019. From 2008 through 2019, Henan's GDP grew from RMB1,801.9 billion to RMB5,425.9 billion, representing a CAGR of 10.5%. From 2008 to 2019, Henan's urbanization rate also grew significantly by 17.2 percentage points, from 36.0% to 53.2%, which was yet at a level considerably below the national urbanization rate of 60.6% in 2019, leaving room for further growth in urbanization in Henan.



Henan's property market is still at a relatively early stage of development with significant long term growth potential. We believe our established strong presence and leading position in Henan will position us well to capitalize on Henan's growth.

***We benefit from strong relationships with our business partners***

We have strong relationships with international and domestic business partners.

We have built up strong working relationships with established domestic and international design firms, construction companies, building material suppliers, and property management companies. We also cooperate with renowned international hotel management companies such as Starwood Hotels & Resorts Worldwide, Inc. and the InterContinental Hotels Group to build up our hotel management capabilities and enhance the operations of our hotel projects. These business partners, who cooperate with us in areas ranging from design and construction to property management and hotel operation, help reinforce our strength in delivering high-quality products and services.

***We enjoy strong brand recognition supported by our long track record in Henan, our high-quality differentiated products and after-sales services***

Having engaged in property development in Henan for 28 years, we have established “建業” (*Jian Ye*) as a well-recognized brand for good quality and innovative design in Henan's residential property market. We completed an aggregate GFA of approximately 36.6 million sq.m. between 1992 and December 31, 2019. We have been recognized as one of the “Top 10 Real Estate Enterprises by Brand Value in Midwestern China” according to the China Real Estate Top 10 Research Team since 2007. The Company ranked 41st in the “2017 Top 500 Chinese Property Developers” in the “2018 Assessment Report on Top 500 Chinese Property Developers” published on March 21, 2018 and topped the list of “Top 10 Chinese Property Developers in Regional Operations” for 10 consecutive years. According to the “Evaluation and Research Report on the Listed Real Estate Companies in the PRC in 2018” published on May 25, 2018, the Company ranked 26th on the “2018 Best 30 China Real Estate Listed Companies with Strongest Comprehensive Strengths” and ranked 4th among the listed property companies in China in terms of operations performance. The Company was listed on the “2018 Fortune China 500 List” released by the Fortune magazine on July 10, 2018, the only property developer in Henan province on the list. See “- Awards and Certificates.” We have built our brand primarily through offering quality products and services that we believe are among the best available in the relevant markets. We select and maintain good relationships with established architecture and design firms, construction companies and suppliers. We emphasize workmanship quality, innovative interior design and integrated landscaping to create desirable living environments. Moreover, we develop properties with designs and concepts tailored to meet the needs of our target customers, as evidenced by Forest Peninsula, U-Town and Code One City. We also provide an array of value-added services through our three major service regimes, namely the CCRE Property 1.0, the “E+ Family” APP 2.0 and the “Jianye Junlin Club” 3.0, for satisfying the need of property owners for more delicate, civilized and personalized services.

We have received numerous awards for our product quality and design innovation, such as the Asian Habitation Model Project Award given to the Forest Peninsula (Zhengzhou) project and the designation of the Landmark (Zhengzhou) as one of China's Most Reputable Projects at the Eighth China International Real Estate & Architectural Technology Fair in 2006. We believe our experience and ability to develop high-quality properties, as well as the recognition accorded to us by the property industry and buyers alike, enable us to sell our properties at a premium.

***We have sufficient low-cost land reserves in strategic locations in Henan to support our future development***

We undertake extensive market research to identify land in cities with significant development and growth potential. Currently, our strategic presence encompasses 122 cities in Henan, which include all 18 prefecture-level cities. Our selection criteria include GDP, population, disposable income, and other factors. Most of our land reserves are strategically located in town centers with convenient transportation access.

We believe we have been able to maintain a relatively low land cost base. As of December 31, 2019, the average acquisition cost of our land reserves, which include land for which land use rights certificates are pending, was approximately RMB1,280 per sq.m. (US\$183.9 per sq.m.) of GFA, based on our internal records. For the years ended December 31, 2017, 2018 and 2019, our land acquisition cost recognized in cost of sales in respect of properties completed and sold accounted for approximately 18.3%, 16.5% and 17.3% of our revenue from the sale of properties, respectively.

As of December 31, 2019, we had an aggregate planned GFA of approximately 34.2 million sq.m. of properties under development and an aggregate planned GFA of approximately 20.7 million sq.m. of properties held for future development for which we had obtained land use rights certificates. With our current land reserves, we believe we have a sufficient land bank for development for approximately three to five years.

***We have access to diverse funding sources***

We have access to the international capital markets through equity and debt offerings. We completed our IPO and listed our shares on the Hong Kong Stock Exchange in 2008, raising gross proceeds of approximately HK\$1,375.0 million. Subsequent to our IPO, we completed an offering of our 2009 Convertible Bonds with Warrants with a principal amount of HK\$765 million, an offering of our 2010 Notes with a principal amount of US\$300 million, our 2011 Rights Issue of 428 million shares raising net proceeds of HK\$718.2 million, an offering of our 2012 Notes with a principal amount of S\$175 million, our January 2013 Notes with a principal amount of US\$200 million, our June 2013 Notes with a principal amount of US\$400 million, our 2014 Notes with principal amount of S\$200 million, our 2015 Notes with a principal amount of US\$300 million, our 2016 Notes with a principal amount of US\$400 million, our July 2017 Notes with a principal amount of US\$200 million, our March 2018 Notes with a principal amount of US\$400 million, our April 2018 Notes with a principal amount of US\$386 million, our May 2018 Notes with a principal amount of S\$150 million, the Corporate Bonds with a principal amount of RMB4.5 billion, our January 2019 Notes with a principal amount of US\$200 million, our April 2019 Notes with a principal amount of US\$300 million, our August 2019 Notes with a principal amount of US\$300 million, our November 2019 Notes with a principal amount of US\$200 million, our January 2020 Notes with a principal amount of US\$200 million and our February 2020 Notes with a principal amount of US\$300.0 million. In addition, we have established close relationships with domestic trust companies, offshore banks and major PRC commercial banks, which have enabled us to obtain trust financing and new bank loans. In October 2013, we obtained the 2013 Term Loan Facility from lenders comprising both offshore and major PRC commercial banks. In March 2017, we obtained the 2017 Facility. We believe that our ability to access different funding sources provides us with flexibility to fund our operations and enhances our liquidity.

***We have a highly effective management structure and an experienced management team***

We adopt a three-tier management structure. Our headquarters oversees development and acquisition, product design, marketing, budgeting and strategy. Our nine district companies are responsible for feasibility assessment of potential projects, government relationship management and implementation of construction quality control policies. Our project companies are responsible for day to day on site management. This enables us to optimize the resources and enhance our operating efficiency.

Mr. Wu Po Sum, our chairman and a founder of our Group, has extensive experience in property development in Henan and is a prominent real estate entrepreneur in China. He was recognized as one of the “Most Influential Persons in China’s Real Estate Industry for the Last 30 Years” in Boao Real Estate Forum in June 2008 and an “Annual Leader of China’s Real Estate Industry” by 2010 China New Vision of Real Estate Summit in January 2010. In addition, our board of directors comprises experienced executive, non-executive and independent non-executive members including. In February and March 2017 respectively, our CEO, Mr. Yuan Xujun and CFO, Mr. Hu Ping, joined us and brought in their extensive experience in the property development industry to the Group. We have been able to capitalize on the collective expertise of our management team so that we can develop and sell properties that appeal to our target customers across Henan. We believe that we have benefited, and will continue to benefit, from our management’s extensive experience and knowledge of the PRC property market.

## **Our Business Strategies**

### ***Further strengthen our leading position in Henan’s residential property market***

We intend to continue to execute our provincial and regional strategy to focus on Henan’s property market. We intend to further solidify our leading position in Henan’s residential property market through investments in land acquisitions in our key markets and continue to utilize our local knowledge and market reputation to expand our business in Henan province, both in cities where we already have developments and in others where we do not yet have developments. We plan to continue to focus on developing mid to large-scale residential communities in major prefecture-level cities. We also intend to continue our expansion in newly urbanized town centers of county-level cities in Henan and gradually expand to all county-level cities in Henan. These will allow us to capture the economic growth in Henan and to geographically broaden our revenue base. In addition, we also intend to leverage on our leading position in Henan and continue our light-asset strategy to develop, operate and manage real estate projects of third parties, or light-asset model projects, in order to capitalize on our brand value and diversity our income sources. See “– Management Entrustment Arrangements.”

### ***Optimize our land reserves***

To grow our business, we intend to optimize our land reserves through prudent financial and project planning and selective acquisitions, with a view to maintaining a land bank optimally structured to meet customer demand and capture growth potentials of the regional markets. We intend to continue our strategic acquisition of development sites for future development, either directly through land acquisitions or indirectly by cooperating with business partners or acquiring a stake in project companies. Meanwhile, we seek to remain disciplined in our capital commitments and incurrence of additional debt in order to maintain a balance between operation scale and prudent financial management. We plan to continue to base our land acquisition decisions on thorough research and analysis of a project’s expected return in the context of forecasted property market trends and economic trends in the relevant city. At the same time, we intend to maximize our operational efficiency by taking into account the geographical distribution of our land sites, seeking to achieve an optimal order of development schedules by accelerating in select cities such as Zhengzhou. We also seek to diversify our land reserves while continuing our focus on residential property development.

### ***Further enhance our brand recognition in Henan***

We place significant emphasis on developing our brand image and will continue to introduce quality products and services in order to enhance our reputation. We have worked closely with leading domestic and international architecture and design firms, such as Centaland, The Architecture Design and Research Institute of Henan, and Shenzhen General Institute of Architectural Design and Research, in creating products that reflect our vision and assimilate recent trends, and we intend to continue to do so in the future. To ensure the quality of our products, we have entered into strategic partnerships with a number of established construction companies and suppliers, such as Zhongtian Construction Group Co., Ltd., China Construction Seventh Engineering Division Corp. and LG Chem, Ltd. We intend to continue to employ strict quality control standards and to closely monitor product quality and workmanship throughout the development process.

Finally, we have started to develop eco-friendly products. We have created a task force within our Company to continue working on green issues. We also set specific targets for sustainable development of buildings in the next several years according to the Evaluation Standards for Green Buildings (綠色建築評價標準) promulgated by the Ministry of Construction in 2006. We believe these measures will make our projects more appealing to our target customers and further strengthen our brand in the medium to long term.

#### ***Further improve our operational efficiency and profitability***

We intend to further improve our operational efficiency and profitability in order to enhance our competitiveness and achieve sustainable and stable profit growth.

We plan to continue to implement our business model of developing properties in product lines with similar designs and standardized construction materials across different project sites. Moreover, we plan to launch new product lines first in more mature markets such as Zhengzhou and, once successful, we would seek to develop such new products in other cities. We believe this approach promotes efficiencies of scale which in turn results in accelerated project development cycles and greater bargaining power in the procurement of materials and services. We continue to implement a prudent approach to acquire land and accelerate the project construction progress, so as to shorten the development cycle.

We have implemented a top-down co-investment scheme in the first half of 2017 and intend to further develop and adjust the scheme from time to time for better aligning the interest of the Group and all the employees. We believe the co-investment scheme will boost the morale and enhance the operational efficiency and profitability.

We intend to further strengthen our collaborative relationship with our business partners. Because the cost of building materials constitutes a significant portion of our total construction costs, we intend to continue to leverage our strategic relationship with major raw material suppliers to obtain favorable purchase prices for construction materials. We also intend to strengthen our collaboration with other established service providers, such as design firms, construction companies and supervisory companies, under existing long-term framework agreements in order to further improve our cost efficiency.

#### **Overview of our Property Developments**

As of December 31, 2019, we had a total of 214 property projects in various stages of development, 211 of which are located in Henan and three of which are located in Hainan. We classify our property projects, for which we have obtained the relevant land use rights certificates, into the following three categories:

- **Completed property developments.** A development is considered “completed” when a joint inspection report is signed by our project company, the contractors, the design firms, the surveying company and the supervisory company of the relevant development and the certificate of completion is issued.
- **Properties under development.** A property is considered as being “under development” immediately after the issuance of a construction permit but prior to the issuance of the completion certificate.
- **Properties held for future development.** A property is considered as being “held for future development” when we have obtained land use rights certificates but have not yet received the construction permit.

Our property projects are developed in multiple phases and each phase may be in a different stage of development. As of December 31, 2019, our completed property developments had an aggregate GFA of approximately 36.6 million sq.m. (including GFA which had been sold). Our properties under

development and properties held for future development (for which we had obtained land use rights certificates) had a total planned GFA of approximately 30.2 million sq.m. and 20.7 million sq.m., respectively.

Information for our projects is given in GFA. GFA information is based on relevant land use rights certificates, land grant contracts or tender documents, depending on which documents are available. Total GFA of a project comprises saleable GFA and non-saleable GFA. Total GFA also represents the sum of the total completed GFA, total planned GFA under development and total planned GFA held for future development. A graphical presentation of the components of total GFA is below:

Saleable GFA	Non-Saleable GFA
<ul style="list-style-type: none"> <li>Internal floor areas allocated to rental units/properties for sale</li> <li>GFA held for investment only</li> <li>“Fixed asset” areas</li> </ul>	<ul style="list-style-type: none"> <li>Clubhouses</li> <li>Schools</li> <li>Other ancillary facilities not for sale</li> </ul>
TOTAL GFA	
Total Completed GFA	Total Planned GFA under development*
	Total Planned GFA held for future development*

\* Applicable only to properties that have not been completed.

“Total completed GFA” refers to the total GFA of our completed property developments. It includes saleable and non-saleable GFA. “Saleable GFA” represents the GFA of a property which we intend to sell. Saleable GFA cannot exceed the specifications set forth in the relevant land grant contracts or other approval documents from the local governments. “Non-saleable GFA” represents the GFA of a property that is not for sale and largely includes ancillary facilities.

The figures for completed GFA that appear in this offering memorandum are based on figures provided in the relevant government documents. All other information for GFA that appears in this offering memorandum is based on our internal records and estimates.

## Our Property Projects

Our property projects are located primarily in cities across Henan. The following table sets forth certain information of our construction plan in 2020 as of December 31, 2019:

City	Project Name	Principal Use of Property	Total GFA (sq.m.)
Zhengzhou	Dengfeng Songyue Mansion . . . . .	Residential	52,031
Zhengzhou	Gongyi Chinoiserie House . . . . .	Residential	109,967
Zhengzhou	Xinmi Spring Time . . . . .	Residential	67,199
Zhengzhou	Xinzheng Bailihui . . . . .	Residential	471,308
Zhengzhou	Xinzheng Tianhui City . . . . .	Residential	1,365
Zhengzhou	Rongyang Central Garden . . . . .	Residential	144,697
Zhengzhou	Zhengxi U-Town . . . . .	Residential	198,748
Zhengzhou	Zhengzhou Chengyuan . . . . .	Residential	190,995
Zhengzhou	Zhengzhou Huayuankou (180 Chinese-mu) . . . . .	Residential	114,952
Zhengzhou	Zhengzhou Blossom Garden . . . . .	Residential	51,202
Zhengzhou	Zhengzhou Junlin Grand Courtyard . . . . .	Residential	20,000
Zhengzhou	Project to be acquired in Zhengzhou . . . . .	Residential	111,111
Zhengzhou	Zhengzhou Art Mansion . . . . .	Residential	167,060
Zhengzhou	Zhengzhou Yingtaogou . . . . .	Residential	165,634
Zhengzhou	Zhengzhou Zhongyi Technology City . . . . .	Residential	137,174
Kaifeng	Kaifeng Jianye Country Garden-Majestic Mansion . . . . .	Residential	82,508
Kaifeng	Kaifeng Taihe Mansion . . . . .	Residential	22,164
Kaifeng	Lankao CCRE Mall . . . . .	Residential	92,089



City	Project Name	Principal Use of Property	Total GFA (sq.m.)
Luoyang	Luanchuan Luanzhou Palace . . . . .	Residential	175,610
Luoyang	Luoyang Binhelong House . . . . .	Residential	110,508
Luoyang	Luoyang Dachengxiaoyuan . . . . .	Residential	74,567
Luoyang	Luoyang Dingding Palace . . . . .	Residential	253,744
Luoyang	Luoyang Code Two City . . . . .	Residential	160,321
Luoyang	Luoyang Longcheng Dongwang . . . . .	Residential	65,847
Luoyang	Project to be acquired in Luoyang . . . . .	Residential	610,000
Luoyang	Luoyang Zhongzhou Mansion . . . . .	Residential	350,843
Luoyang	Yichuan Dragon Mansion . . . . .	Residential	180,773
Pingdingshan	Pingdingshan Spring Time . . . . .	Residential	2,244
Pingdingshan	Pingdingshan Light House . . . . .	Residential	134,282
Pingdingshan	Pingdingshan Pingxi Honour Mansion . . . . .	Residential	76,245
Pingdingshan	Pingdingshan Eighteen Cities . . . . .	Residential	70,531
Pingdingshan	Ruzhou Sweet-Scented Osmanthus Garden . . . . .	Residential	88,494
Pingdingshan	Wugang Forest Peninsula . . . . .	Residential	83,900
Anyang	Anyang Feixiang Road Plot . . . . .	Residential	221,201
Anyang	Anyang Jianye City . . . . .	Residential	185,774
Anyang	Anyang Junlin Grand Courtyard . . . . .	Residential	85,811
Anyang	Anyang Zhongxin Plot . . . . .	Residential	111,896
Anyang	Linzhou Jianye City . . . . .	Residential	179,220
Anyang	Tangyin Forest Peninsula . . . . .	Residential	1,212
Hebi	Hebi Green House . . . . .	Residential	214,410
Hebi	Hebi Tonghe Palace . . . . .	Residential	95,252
Hebi	Qi County Jianye City . . . . .	Residential	124,196
Xinxiang	Fengqiu Jianye City . . . . .	Residential	90,845
Xinxiang	Hui County Gongcheng Dongwang . . . . .	Residential	104,123
Xinxiang	Xinxiang U-Town . . . . .	Residential	194,914
Xinxiang	Xinxiang City Dingguo Lake Plot . . . . .	Residential	137,706
Xinxiang	Xinxiang City Xinfei Plot . . . . .	Residential	160,501
Jiaozuo	Project to be acquired in Wuzhi . . . . .	Residential	199,920
Jiaozuo	Wuzhi Star Mall . . . . .	Residential	39,157
Puyang	Puyang Seven Village Integration Project . . . . .	Residential	225,000
Puyang	Puyang Tonghe Palace Post Plot . . . . .	Residential	150,051
Puyang	Puyang Code One City . . . . .	Residential	33,226
Xuchang	Xiangcheng CCRE Mall . . . . .	Residential	40,500
Xuchang	Xuchang Junlin Grand Courtyard . . . . .	Residential	54,549
Xuchang	Xuchang Pleasure Garden . . . . .	Residential	144,948
Xuchang	Yanling Eco-City . . . . .	Residential	35,410
Xuchang	Yuzhou Dachengxiaoyuan . . . . .	Residential	60,755
Xuchang	Changge Sweet-Scented Osmanthus Garden New City . . . . .	Residential	91,657
Xuchang	Changge Forest Eco-City . . . . .	Residential	34,633
Luohe	Linying County Forest Peninsula . . . . .	Residential	97,668
Luohe	Luohe Danjiang House . . . . .	Residential	77,047
Luohe	Luohe Sweet-Scented Osmanthus Garden West District . . . . .	Residential	63,548
Luohe	Luohe Blossom Garden . . . . .	Residential	112,842
Luohe	Luohe Liangshan Road . . . . .	Residential	59,395
Luohe	Luohe Wuli Temple Project . . . . .	Residential	109,700
Sanmenxia	Sanmenxia Honour Mansion . . . . .	Residential	91,980
Shangqiu	Shangqiu Jianye Jinke-Yuelong Palace . . . . .	Residential	150,920
Shangqiu	Projects to be acquired in downtown Shangqiu . . . . .	Residential	79,024
Shangqiu	Shangqiu Future City . . . . .	Residential	61,167
Shangqiu	Project One to be acquired in county in Shangqiu . . . . .	Residential	88,042
Shangqiu	Project Two to be acquired in county in Shangqiu . . . . .	Residential	157,804
Shangqiu	Shangqiu Art Mansion . . . . .	Residential	151,930
Shangqiu	Xiayi Jianye City . . . . .	Residential	213,305
Shangqiu	Yucheng Hill Water Lake City . . . . .	Residential	248,438
Zhoukou	Huaiyang CCRE Mall . . . . .	Residential	39,281
Zhoukou	Zhoukou Dachengxiaoyuan . . . . .	Residential	23,269
Zhoukou	Project to be acquired in Zhoukou . . . . .	Residential	563,400
Zhoukou	Zhoukou Hill Water Lake City . . . . .	Residential	146,334
Zhoukou	Zhoukou Chinoiserie Palace . . . . .	Residential	44,222
Zhoukou	Zhoukou Landmark . . . . .	Residential	133,217
Zhumadian	Pingyu Central Garden . . . . .	Residential	23,385
Zhumadian	Xiping Spring Time . . . . .	Residential	13,554
Zhumadian	Xincai Sweet-Scented Osmanthus Garden . . . . .	Residential	52,861
Zhumadian	Zhumadian Binhelong Palace . . . . .	Residential	94,132
Zhumadian	Zhumadian Spring Time North Plot . . . . .	Residential	330,100
Zhumadian	Zhumadian Chinoiserie Palace . . . . .	Residential	217,296
Nanyang	Fangcheng Jianye Country Garden-Dragon Bay . . . . .	Residential	9,233
Nanyang	Nanyang Longyue City . . . . .	Residential	57,392
Nanyang	Nanyang Shilihushan . . . . .	Residential	19,612



City	Project Name	Principal Use of Property	Total GFA (sq.m.)
Nanyang	Nanyang Art Mansion . . . . .	Residential	51,595
Nanyang	Nanyang Zhongzhou West Road Second Machine Factory . . . . .	Residential	136,831
Nanyang	Nanzhao Jianye City . . . . .	Residential	24,561
Xinyang	Gushi Future City . . . . .	Residential	137,869
Xinyang	Huangchuan Huangguo Palace . . . . .	Residential	171,432
Xinyang	Shangcheng Project . . . . .	Residential	65,329
Xinyang	Xi County Jianye New City . . . . .	Residential	153,061
Xinyang	Xinyang House . . . . .	Residential	190,738
Xinyang	Xinyang Jianye City . . . . .	Residential	163,411
Xinyang	Xinyang Zhongshanpu E1 Project . . . . .	Residential	67,510
Jiyuan	Jiyuan Jianye City (East) . . . . .	Residential	2,854
Jiyuan	Project to be acquired in Jiyuan . . . . .	Residential	142,800
Hainan	Chengmai Zhonghe Jiayuan . . . . .	Residential	55,228
Hainan	Danzhou Junlin Grand Courtyard . . . . .	Residential	27,607
Hainan	Dongfang City Dongfang Jiayuan . . . . .	Residential	35,762
Hainan	Project to be acquired in Hainan . . . . .	Residential	133,400
others	Other projects to be acquired . . . . .	Residential	265,000
<b>Total</b>			<b>13,010,066</b>

The following table sets forth certain information of our delivery plan in 2020 as of December 31, 2019:

City	Project Name	Principal Use of Property	Total GFA (sq.m.)
Zhengzhou	Dengfeng Songyue Mansion . . . . .	Residential	195,429
Zhengzhou	Gongyi CCRE Mall . . . . .	Residential	16,056
Zhengzhou	Gongyi Spring Time . . . . .	Residential	183,921
Zhengzhou	Zhengxi U-Town . . . . .	Residential	104,807
Zhengzhou	Zhengzhou Blossom Garden . . . . .	Residential	49,681
Zhengzhou	Zhengzhou CCRE Tihome International City . . . . .	Residential	108,940
Zhengzhou	Zhengzhou Intelligent Palace . . . . .	Residential	112,099
Zhengzhou	Zhengzhou Wulong Century New City . . . . .	Residential	10,346
Zhengzhou	Zhengzhou Cifi Zhenro Grand Mansion . . . . .	Residential	168,572
Kaifeng	Kaifeng Blossom Garden . . . . .	Residential	66,586
Kaifeng	Lankao Red World . . . . .	Commercial	12,832
Kaifeng	Qi County Blossom Garden . . . . .	Residential	77,580
Luoyang	Luoyang Dingding Palace . . . . .	Residential	85,438
Luoyang	Luoyang Code Two City . . . . .	Residential	86,302
Luoyang	Luoyang Technology City . . . . .	Residential	127,721
Pingdingshan	Pingdingshan Spring Time . . . . .	Residential	94,404
Pingdingshan	Pingdingshan Eighteen Cities . . . . .	Residential	118,615
Pingdingshan	Ruzhou Sweet-Scented Osmanthus Garden . . . . .	Residential	129,227
Pingdingshan	Wugang Forest Peninsula . . . . .	Residential	22,593
Anyang	Anyang Sweet-Scented Osmanthus Garden . . . . .	Residential	183,139
Anyang	Anyang Chinoiserie Palace . . . . .	Residential	121,894
Anyang	Anyang Code One City . . . . .	Residential	140,609
Anyang	Hua County Code One City . . . . .	Residential	198,751
Anyang	Tangyin Forest Peninsula . . . . .	Residential	129,997
Xinxiang	Beverly Manor . . . . .	Residential	211,587
Xinxiang	Hui County Spring Time . . . . .	Residential	147,140
Xinxiang	Xinxiang Spring Time . . . . .	Residential	90,546
Xinxiang	Xinxiang U-Town . . . . .	Residential	2,668
Xinxiang	Xinxiang Chinoiserie Palace . . . . .	Residential	112,861
Xinxiang	Xinxiang Code One City . . . . .	Residential	45,557
Jiaozuo	Jiaozuo Spring Time . . . . .	Residential	82,623
Jiaozuo	Jiaozuo Central Garden . . . . .	Residential	63,756
Jiaozuo	Jiaozuo Chinoiserie Palace . . . . .	Residential	82,368
Jiaozuo	Wen County Spring Time . . . . .	Residential	101,522
Puyang	Puyang Jianye New City . . . . .	Residential	155,231
Puyang	Puyang Chinoiserie Palace . . . . .	Residential	288,175
Puyang	Puyang Tonghe House . . . . .	Residential	153,053
Puyang	Puyang Code One City . . . . .	Residential	106,516
Xuchang	Xuchang Chinoiserie Palace . . . . .	Residential	88,087
Xuchang	Yanling New Eco-City . . . . .	Residential	30,330
Xuchang	Changge Spring Time . . . . .	Residential	74,258
Xuchang	Changge Forest Eco-City . . . . .	Residential	61,255
Luohe	Luohe Sweet-Scented Osmanthus Garden East District . . . . .	Residential	81,255
Luohe	Luohe Xicheng Forest Peninsula . . . . .	Residential	130,572

City	Project Name	Principal Use of Property	Total GFA (sq.m.)
Sanmenxia	Sanmenxia Jianye City . . . . .	Residential	98,561
Sanmenxia	Sanmenxia New District Forest Peninsula . . . . .	Residential	70,994
Sanmenxia	Sanmenxia Honour Mansion . . . . .	Residential	56,761
Shangqiu	Shangqiu Central Garden . . . . .	Residential	160,460
Shangqiu	Shangqiu Blossom Garden . . . . .	Residential	56,031
Shangqiu	Shangqiu Sky Mansion . . . . .	Residential	53,114
Shangqiu	Shangqiu Happy Place . . . . .	Residential	127,247
Zhoukou	Fugou Jianye New City . . . . .	Residential	88,825
Zhoukou	Huaiyang Jianye City . . . . .	Residential	180,988
Zhoukou	Luyi Jianye City . . . . .	Residential	114,457
Zhoukou	Shangshui Yangcheng Courtyard . . . . .	Residential	24,948
Zhoukou	Taikang Jianye City . . . . .	Residential	59,828
Zhoukou	Xihua Central Garden . . . . .	Residential	18,361
Zhoukou	Xihua Jicheng Courtyard . . . . .	Residential	169,823
Zhoukou	Xiangcheng Jianye City . . . . .	Residential	54,441
Zhoukou	Zhoukou Jianye City . . . . .	Residential	115,593
Zhoukou	Zhoukou Chinoiserie Palace . . . . .	Residential	154,544
Zhumadian	Runan Jianye City . . . . .	Residential	153,588
Zhumadian	Suiping Forest Peninsula . . . . .	Residential	170,716
Zhumadian	Xiping Forest Peninsula . . . . .	Residential	99,776
Zhumadian	Xincai CCRE Mall . . . . .	Residential	45,869
Zhumadian	Zhengyang Jianye City . . . . .	Residential	37,907
Zhumadian	Zhumadian Eighteen Cities . . . . .	Residential	89,580
Nanyang	Dengzhou Central Garden . . . . .	Residential	43,760
Nanyang	Nanyang Shilihushan . . . . .	Residential	50,793
Nanyang	Nanyang Code One City . . . . .	Residential	64,360
Xinyang	Gushi Jianye City . . . . .	Residential	69,095
Xinyang	Xinyang Jianye City . . . . .	Residential	11,691
Jiyuan	Jiyuan Code One City North Courtyard . . . . .	Residential	11,595
<b>Total</b>			<b>7,108,605</b>

The following table sets forth the breakdown of our land bank by city and property type as of December 31, 2019:

City	Residential	Commercial	Hotel	Others	Subtotal	%
Zhengzhou . . . . .	8,889,134	2,035,020	–	2,790,581	13,714,735	26.9%
Luoyang . . . . .	2,849,011	107,142	–	858,430	3,814,583	7.5%
Sanmenxia . . . . .	689,142	–	–	171,487	860,629	1.7%
Zhumadian . . . . .	2,173,154	199,138	–	766,064	3,138,356	6.2%
Xinyang . . . . .	981,620	95,427	6,700	304,271	1,388,018	2.7%
Nanyang . . . . .	1,429,566	26,591	–	451,069	1,907,226	3.7%
Luohe . . . . .	819,007	20,862	–	280,239	1,120,108	2.2%
Xuchang . . . . .	1,959,838	123,579	–	693,169	2,776,585	5.5%
Pingdingshan . . . . .	1,425,303	215,373	35,446	401,390	2,077,512	4.1%
Kaifeng . . . . .	1,258,526	500,307	–	289,940	2,048,772	4.0%
Shangqiu . . . . .	2,351,374	139,644	–	715,127	3,206,145	6.3%
Zhoukou . . . . .	2,186,175	154,639	14,181	687,323	3,042,318	6.0%
Jiaozuo . . . . .	933,073	20,864	–	210,771	1,164,708	2.3%
Xinxiang . . . . .	2,783,444	122,112	–	791,647	3,697,203	7.3%
Jiyuan . . . . .	681,887	16,739	–	230,931	929,557	1.8%
Anyang . . . . .	1,912,024	50,304	–	509,204	2,471,532	4.9%
Puyang . . . . .	1,741,006	201,712	17,000	615,627	2,575,345	5.1%
Hebi . . . . .	298,337	14,675	–	122,335	435,347	0.9%
Hainan . . . . .	437,898	56,210	–	67,672	561,779	1.1%
<b>Total . . . . .</b>	<b>35,799,518</b>	<b>4,100,338</b>	<b>73,327</b>	<b>10,957,275</b>	<b>50,930,459</b>	<b>100.0%</b>

The following table sets forth the breakdown of our land bank by development phase as of December 31, 2019:

	Total GFA	%
Under development . . . . .	30,196,401	59.3%
Held for future development . . . . .	20,734,058	40.7%
	<b>50,930,459</b>	<b>100.0%</b>

### **Key Product Lines**

We have developed four principal product lines: Forest Peninsula, U-Town, Code One City and Triumph Plaza. Our Forest Peninsula projects are targeted at established middle class and feature streams, lakes, causeways, sidewalks and trees to create a “forest” or “lakeside” theme. These projects mostly consist of townhouses, low-rise apartment buildings, mid-rise apartment buildings, retail units and ancillary facilities. Our U-Town projects are targeted at high-end users and consist of mixed-use developments, retail units, office buildings and residential apartments. Code One City projects are targeted at rising middle class and consist of residential projects with a focus on innovative design with an art deco theme. Our Triumph Plaza projects are targeted at small to middle enterprises and consists of high-rise commercial buildings with office and retail area. As of December 31, 2019, we had 214 projects in various stages of development (including completed projects) falling within the Forest Peninsula, U-Town, Code One City and Triumph Plaza lines.

Most of the properties we develop are residential complexes consisting of townhouses, low-rise apartment buildings, mid-rise apartment buildings, high-rise apartment buildings and retail units. We target mid to high-end customers and select designs, materials, environmental elements and services with that market in mind.

Our focus is on the development of residential properties. Most of our retail units have been developed to complement our residential properties. These retail units are relatively small in terms of GFA and comprise only a small portion of the total GFA of our projects. Therefore, we have adopted a strategy of launching sales of the retail units after a large proportion of the residential properties in the project have been sold or pre-sold, which we believe facilitates the sales of the retail units. In light of the above, we believe the low percentage of saleable GFA of retail units sold in these projects would not affect our results of operations and liquidity position.

### **Property Development Process**

We summarize below the core elements of our typical project development process for our properties. We adopt a systematic operational approach beginning with planning, design and construction to pre-sale, sale and after-sale services.

<b>Site selection and land acquisition</b>	<b>Certificates, permits and licenses</b>	<b>Financing, project planning and design</b>	<b>Construction work, procurement and quality control</b>	<b>Pre-sale and sales</b>	<b>After-sales services</b>
<ul style="list-style-type: none"><li>• site identification/evaluation/selection</li><li>• feasibility study</li><li>• environmental impact assessment</li><li>• public tender, auction or listing-for-sale and execution of land use rights grant contract or land use rights transfer agreement</li><li>• payment of land premium/transfer consideration</li></ul>	<ul style="list-style-type: none"><li>• land use rights certificate</li><li>• construction land planning permit</li><li>• construction works planning permit</li><li>• permit for commencement of construction work</li><li>• pre-sale permit</li></ul>	<ul style="list-style-type: none"><li>• financing</li><li>• in-depth market analysis and project positioning</li><li>• master plan design, construction design and drawings</li></ul>	<ul style="list-style-type: none"><li>• construction contractor selection</li><li>• construction supervision</li></ul>	<ul style="list-style-type: none"><li>• pre-sale permit application</li><li>• sales and sales management</li><li>• delivery of properties</li></ul>	<ul style="list-style-type: none"><li>• mortgage and registration assistance</li><li>• handling of complaints</li><li>• establishment and management of customer database</li></ul>

### ***Site Selection***

Site selection is a fundamental step in our property development process. Our investment and development center is responsible for identifying and evaluating sites for prospective property development. When selecting sites for our development projects, we usually consider a number of key factors, including but not limited to:

- geographical location of the development sites, for example, surrounding environment and amenities, proximity and accessibility to city centers or business districts;
- property market conditions in the vicinity of the development site;
- local urban planning and specifications;
- infrastructure available or to be made available by the local government;
- estimated cost, investment and financial return;
- special governmental requirements for the development of the relevant site; and
- applicable zoning regulations and preferential government policies.

Our investment and development center works closely with our sales and marketing center to assess the overall market positioning of a site and the sales potential in the market. Once we plan to acquire a piece of land, we prepare a feasibility report for approval by our strategic and investment committee on behalf of the Board.

### ***Land Acquisition***

Prior to July 2002, land use rights could be obtained through a land use rights grant contract executed between the property development enterprise and the local government authority. Since July 1, 2002, the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction or Listing-for-sale (招標拍賣掛牌出讓國有土地使用權規定) issued by the MLR require that land use rights for industrial, commercial, tourism or entertainment use or for commodity property development in China be granted by the PRC government through public tender, auction or listing-for-sale. On September 28, 2007, the MLR issued the Regulations on the Grant of State-owned Land Use Rights for Construction 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), effective November 1, 2007, which provide that (i) land for industrial, commercial, tourism or entertainment use or for commodity housing development shall be granted by means of public tender, auction or listing-for-sale; (ii) no land use rights certificates shall be issued before the land premium has been fully paid up in accordance with the land use rights grant contract; and (iii) the land use rights certificates shall not be issued separately according to the proportion of the payment of the land premium. Regulations do not prohibit us from paying the land premium by installments if such arrangement is stipulated under the relevant land use rights grant contract. In March 2010, the MLR issued a circular imposing more stringent requirements on the payment of land premium by property developers. The circular stipulates that at least 50% of land premium should be paid within one month after signing a land grant contract and the balance should be fully paid within one year after signing the land grant contract. The implementation of the regulation requires property developers to maintain a higher level of working capital.

As of December 31, 2019, we had obtained land use rights for property projects with an aggregate completed GFA of approximately 36.6 million sq.m. (including GFA which had been sold). We obtained the land use rights of seven parcels of land prior to July 1, 2002 through land use rights grant contracts entered into with the Department of Land and Resources of Henan Province. Grantees of land use rights pursuant to public tender, auction or listing-for-sale may dispose of the land use rights granted to them in private sales, subject to the terms and conditions of the relevant land use rights grant contracts and

the relevant laws and regulations. Therefore, to the extent permitted by law, we may choose to acquire land in the secondary market through negotiated transfers in addition to acquiring land by way of public tender, auction or listing-for-sale processes. When opportunities arise, we will also consider obtaining land use rights from third parties through co-development arrangements to increase our land reserves.

As of December 31, 2019, we had land with an aggregate planned GFA of approximately 30.2 million sq.m. under development and an aggregate planned GFA of approximately 20.7 million sq.m. held for future development for which we had obtained the relevant land use rights certificates.

### ***Certificates, Permits and Licenses***

Once we have obtained the rights to develop a parcel of land, we begin applying for the various permits and licenses that we need in order to begin construction and sale of our properties. If the land use right is acquired by way of grant, the land use rights grant contract will be a pre-condition to applications for the following certificates, permits and licenses:

- ***Land use rights certificate.*** The state-owned land use rights certificate (國有土地使用權證) or real estate certificate (不動產權證) issued by a local real estate and land resources bureau with respect to the land use rights;
- ***Construction land planning permit.*** The construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China;
- ***Construction works planning permit.*** The construction works planning permit (建設工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China;
- ***Construction permit.*** The construction works commencement permit (建築工程施工許可證) issued by local construction committees or equivalent authorities in China; and
- ***Pre-sale permit.*** The commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties.

A property developer is allowed to commence construction of a property development upon obtaining the permit for commencement of construction work which will only be issued after the land use rights certificate, the construction land planning permit and the construction works planning permit (together with the permit for commencement of construction work, collectively known as the “four certificates”) are obtained.

### ***Financing***

Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. We finance the acquisition of land reserves from internal funds, while our property development costs, including construction costs and additional financing for existing projects, are typically financed by internal funds and project loans from PRC banks. In the past, we have also financed some of our property developments using trust arrangements and lease-back arrangements with a put option. The following summarizes our main financing methods for our projects:

- ***Internal funds from business operations.*** Our internal funds primarily comprise proceeds from the sale and pre-sale of properties and rental income. We receive pre-sale proceeds when we enter into contracts to sell properties prior to their completion, and those proceeds must be used for the construction of the particular projects which has been pre-sold. Under relevant PRC regulations, we may engage in such pre-selling activities subject to satisfaction of certain requirements. See “– Property Development Process – Pre-sale” in this section. We typically receive an initial

payment of at least 5% of the purchase price at the time of the execution of the pre-sale contracts and the balance within 45 days thereafter, by which time the customer is typically required to have obtained a bank mortgage.

- ***Funds raised from capital markets.*** We completed our IPO in 2008, raising gross proceeds of approximately HK\$1,375.0 million. Subsequent to our IPO, we issued the 2009 Convertible Bonds with Warrants in August 2009, with a principal amount of HK\$765 million. In August 2010, we issued the 2010 Notes with a principal amount of US\$300 million. In June 2011, we completed the 2011 Rights Issue of 428 million shares raising net proceeds of approximately HK\$718.2 million. In April 2012, January 2013, June 2013, May 2014, April 2015, April 2016, November 2016, July 2017, March 2018, April 2018, May 2018, January 2019, April 2019, August 2019, October 2019, November 2019, January 2020 and February 2020, we issued the 2012 Notes, the January 2013 Notes, the June 2013 Notes, the 2014 Notes, the 2015 Notes, the 2016 Notes, the July 2017 Notes, the March 2018 Notes, the April 2018 Notes, the May 2018 Notes, the January 2019 Notes, the April 2019 Notes, the August 2019 Notes, the November 2019 Notes, the January 2020 Notes and the February 2020 Notes with principal amounts of S\$175 million, US\$200 million, US\$400 million, S\$200 million, US\$300 million, US\$200 million, US\$400 million, US\$400 million, US\$386 million, S\$150 million, US\$200 million, US\$300 million, US\$300 million, US\$200 million, US\$200 million and US\$300 million, respectively. In April 2016 and July 2019, we issued the Corporate Bonds in an aggregate principal of RMB3.0 billion and RMB1.5 billion, respectively. We used the proceeds from these financing activities to fund new and existing projects, to repay existing indebtedness and for general corporate purposes.
- ***Borrowings from banks and other parties.*** As of December 31, 2019, our outstanding bank amounted to approximately RMB10,525.8 million (US\$1,511.9 million), of which RMB7,396.3 million (US\$1,062.4 million) was secured. We usually obtain project-specific borrowings that are secured by our properties under development and our land use rights, and usually repay the borrowings using a portion of our pre-sale proceeds of the specific property.

In the future, we expect to continue funding our projects by using a combination of sources, including the proceeds of this offering, internally generated cash, bank borrowings and funds raised from capital markets from time to time. As of December 31, 2019, the total contracted capital commitment of our projects amounted to approximately RMB25,865.8 million (US\$3,715.4 million). For details of the capital commitment we have made relating to our projects as of December 31, 2019, please refer to “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Capital Commitments.”

We believe we have maintained good business relationships with major commercial banks in China. In 2002, we were recognized as an “AAA Credit Level Customer” by the Henan branch of the Agricultural Bank of China. In 2006, we entered into a strategic cooperation agreement with the Henan branch of Bank of China Limited pursuant to which, among other things, the bank will display promotional materials for our newly launched property projects within their branch network and assist in the marketing of our properties. In turn, we will provide support for the bank’s promotion of its housing mortgage services to purchasers of our properties. In 2006, we were also recognized as an “Excellent Credit Customer in the Banking Industry in Henan”(河南省銀行業信用優良客戶) by the Henan Bank Association. We were recently recognized as a “AA Credit Level Customer” by the Bank of China Limited and China Construction Bank Corporation recently acknowledged us as their “Headquarters and Henan Head Office Key Customer” and recognized us as one of the companies under their Headquarters’ top enterprise list.

The PRC government has implemented a number of measures to prevent the PRC economy from overheating from time to time. PBOC increased the reserve requirement ratio for commercial banks several times between 2006 and 2008 to curtail the overheating of the property sector. The reserve requirement refers to the amount of funds that banks must hold in reserve with PBOC against deposits



made by their customers. After the commencement of the global economic slowdown in the second half of 2008, the PRC government adopted measures intended to stimulate economic development, including lowering benchmark lending rates and the reserve requirement ratios for commercial banks. However, PBOC increased the benchmark one-year lending rate and the reserve requirement ratios several times since 2010. In 2012, PBOC decreased both the one-year lending rate and the reserve requirement ratios twice. Increases in the bank reserve requirement ratios may negatively impact the amount of funds available to commercial banks in China to lend to businesses, including us. The China benchmark one-year lending rate is currently 4.35% and the current reserve requirement ratio ranges from 10%-12.5%. We cannot assure you that PBOC will not further raise lending rates or reserve requirement ratios in the future, or that our business, financial condition and results of operations would not be adversely affected as a result of these adjustments. The fiscal and other measures adopted by the PRC government from time to time may limit our flexibility and ability to use bank loans to finance our property developments and our ability to obtain financing from commercial banks may be materially and adversely affected.

### ***Project Planning and Design***

Our product research and development department is responsible for the research and development of our property projects, for implementing systematic procedures for our property development and for the standardization of our products. This department provides standardized procedures for the design and construction of our projects with the aim of producing designs that can be reproduced in the different cities in which we operate. We believe that systematization and standardization of our projects help to control the quality, timing, and most importantly the cost of our projects.

Our product design department is responsible for monitoring the progress and quality of the architectural design and interior design of our property developments. Our product design department also works closely with our construction management department and sales and marketing center and generally considers their recommendations regarding product mix, project locations and market conditions.

We outsource the design work for our projects to third-party design firms and real estate consultants to help design various aspects of our projects, including master planning, architectural design, landscape design and interior design. In recent years we have engaged local and international design firms to design the master plans for our projects. We have also entered into strategic cooperation agreements with reputable design firms to ensure priority service in the design of the construction plans for our projects.

### ***Construction Work, Procurement and Quality Control***

We utilize a centralized procurement system to enhance our bargaining power with our suppliers and contractors, thereby reducing our construction and raw material costs. We do not maintain an in-house construction team; instead, our construction work is outsourced to third party construction companies, which are selected through a tender process for each property project. We generally hire more than one contractor for each of our projects. The construction companies are selected by our tender and procurement department which considers, among other things, the reputation of the contractors and the price quoted by the contractors. We conduct detailed due diligence work on the contractors during the bidding process before offering construction contracts to them. We typically examine their track record, industry reputation, qualification certificates, management and quality control systems and other information that are required as part of the bidding process to evaluate the suitability of the contractors who submit a bid for our construction contracts. These contractors typically have had relationships of one to three years with us.

Our standard construction contracts typically provide for an agreed price payable by us based on the reference prices of the relevant materials, equipment and components announced every quarter by the local PRC government authority. The reference prices may be adjusted at completion of the construction according to the then latest reference prices. We may also need to pay additional amounts to the contractors in excess of the agreed cost in certain circumstances, such as costs resulting from changes in designs during construction. Equipment and construction materials needed for our construction work are

generally procured by our contractors except for specified materials, including elevators, windows, doors and water pipes which are centrally procured through our tender and procurement department. These contractors may, at their option, employ sub-contractors to assist in providing the services, but the contractors remain responsible to us for any act or negligence of sub-contractors. The construction contracts contain warranties from the contractors in respect of the quality and timely completion of the construction. In the event of any delay or poor work quality, the contractor may be required to pay pre-agreed damages as stipulated in the construction contract. We require our contractors to comply with PRC laws and regulations governing the quality of construction projects, as well as our own standards and specifications stipulated in the construction contracts. The contractors are also subject to our quality control procedures, including examination of materials and supplies, on-site inspection and production of progress reports. In addition to engaging third-party contractors, we enter into strategic cooperation agreements with selected contractors. These agreements provide that we give preference to the contractors who are party to such agreements, provided that they provide terms and conditions similar to other contractors. We require that contractors meet certain minimum thresholds for performance track record and credit background before adding them to our list of preferred contractors.

Our construction supervision department is responsible for overseeing the quality and progress of the construction work. We also engage independent supervisory companies to conduct quality and safety control checks on all projects. In an effort to ensure the quality of the services rendered by the contractors, our construction contracts generally provide for progressive payments throughout the construction process and we generally retain 5% of the total construction costs for a pre-agreed period of time after the construction is completed to secure any claim we may have due to any potential construction defects. Upon the expiry of the two-year retention period, the balance of the retention amount is paid to the contractor. During the past five years, we have not experienced any circumstances where the retention amount was less than the amount we needed to pay to rectify construction defects. During the past five years, we have not had any disputes with any of our major contractors which, individually or in the aggregate, had or would have a material adverse effect on our business and results of operations.

Under PRC law, construction companies bear primary civil liability for personal injuries, accidents and deaths arising out of their construction work if such personal injuries, accidents and death are caused by the construction companies. The owner of the property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the injured. The owner of the property under construction may also bear civil liability for personal injuries, accidents and death if such injuries are due to the fault of such owner. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe we will generally be able to defend ourselves as the property owner if a personal injury claim is brought against us. To date, we have not experienced any destruction of or damage to our property developments nor have any personal injury-related claims been brought against us and no material personal injury incident has occurred on our project sites during the past five years. We are not responsible for any labor problems our contractors might have. As to our risk in relation to environmental, social and safety problems due to noncompliance with PRC laws by the contractors, we may be held responsible for such problems but our construction contracts provide that we may seek indemnification from the contractors for any resulting damages. To help ensure construction safety on our project sites and the compliance with PRC laws and regulations, including environmental, social and safety regulations, we have provided a set of standards and specifications in our construction contracts for construction workers to comply with during the construction process. We also engage independent supervisory companies to conduct quality and safety control checks on our projects.

### ***Pre-sale***

We aim to pre-sell properties before the completion of their construction. Under the Administrative Measures on the Pre-sale of Urban Commercial Housing (城市商品房預售管理辦法)(the “Pre-Sale Measures”) and the PRC Urban Real Estate Administration Law (中華人民共和國城市房地產管理法), as amended in 2004, 2007, 2009 and 2019, respectively, we must comply with the following conditions before the pre-sale of a particular property can commence:

- the land premium must have been fully paid and the relevant land use rights certificates must have been obtained;
- the construction works planning permit and the permit for commencement of construction must have been obtained;
- the funds contributed to the development of the property development where property units are pre-sold must not be less than 25% of the total amount invested in the project and the progress, the expected completion date and the delivery date of the construction work must have been confirmed; and
- pre-sale permits must have been obtained from the county-level construction bureau or real estate administration authority.

In addition, according to the Rules Governing the Administration of Urban Property Development Operations in Henan (河南省城市房地產開發經營管理條例), as amended in 2005 and 2010, more than half of the construction of the project has to be completed and the progress of the construction and the delivery date have to be ascertained before we can obtain a pre-sale permit for our projects in Henan.

Pursuant to the Pre-Sale Measures, before the completion of a pre-sold property project, the proceeds from pre-sales must be used only for the construction of the relevant pre-sold property project. A number of cities where our property projects are located, including without limitation Zhengzhou, Anyang, Luoyang, Jiaozuo, Pingdingshan, Luohe, Nanyang, Puyang and Shangqiu, further require that pre-sale proceeds for a given pre-sold project be deposited in an escrow account set up for such project. As of the date of this offering memorandum, we have established the required escrow accounts for our projects in these locations.

See the section entitled “Regulation – Transfer and Sale of Property” for further information on the regulations relating to pre-sales.

In the past, certain of our properties have been sold or pre-sold under lease-back arrangements with put options. This practice was not in full compliance with PRC regulations, and the relevant subsidiaries may be subject to a maximum penalty of RMB30,000 per violation.

### ***Sales and Marketing***

We handle sales through our own sales and marketing center. Our sales and marketing center is responsible for planning and formulating sales and marketing strategies. It is also responsible for carrying out market research, setting and executing marketing strategy and designing advertisements. We provide our sales and marketing staff training on basic knowledge of real estate, sales and marketing, and laws and regulations in relation to the real estate sector.

We advertise in media such as newspapers, outdoor advertising boards and radio broadcasting. We also set up on-site reception centers at each of our projects to display information relating to the relevant property development. We have three major service regimes, namely the CCRE Property 1.0, the “E+ Family” APP 2.0 and the “Jianye Junlin Club” 3.0, for satisfying the need of property owners for more delicate, civilized and personalized services and increase customer loyalty. We distribute information related to property development to our members.

### ***Customers' Payment Arrangements***

Our customers, including those purchasing our properties and making pre-sale purchases, can pay with mortgage facilities arranged with banks. For 2018 approximately 70% of our customers purchase our properties through mortgage facilities. The mortgage payment terms for properties sold or pre-sold are substantially the same. Currently, purchasers who purchase additional properties subsequent to the purchase of a residential property with a mortgage loan are required to pay at least 60% of the purchase price as down payment with a loan interest rate of not less than 1.1 times the benchmark interest rate published by the PBOC. First-time purchasers who purchase a property are required to make a down payment of at least 30% of the purchase price when executing a sale or pre-sale contract. In each case, a mortgage loan with a maximum term of 30 years for the balance of the purchase price may be available to the purchasers. Typically, purchasers are required to pay the balance of the purchase price within one month following the execution of the sale or pre-sale contract when they purchase properties using mortgage financing.

If our purchasers choose not to finance their purchases with mortgage facilities, typically they are required to pay the purchase price in full at the time of the execution of the pre-sale or sale contract.

In accordance with market practice, we make arrangements with various PRC banks to provide mortgage loans to purchasers of our residential properties. For pre-sold properties, we provide guarantees to banks for the repayment of the mortgage loans granted to our customers. These guarantees are released upon completion of construction and either the delivery of the mortgage registration documents to the relevant banks after the issue of the building ownership certificate or the full settlement of the mortgage loans by our customers, whichever occurs earlier. From our experience, the guarantee periods typically last for six to 12 months after delivery of our properties. In line with industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2019, the outstanding guarantees in respect of the mortgage loans of our customers and customers of our joint ventures amounted to RMB42,382.4 million (US\$6,087.9 million). In the years ended December 31, 2017, 2018 and 2019, defaults in relation to the mortgage loans taken out by our customers and secured by our guarantees were not for material amounts, individually or in the aggregate. We were able to recover all of the default payments from the relevant property owners after the event of default since the proceeds from the resale of the defaulted properties exceeded the amount for which we were held liable as guarantor for our customers. Please refer to the section headed "Risk Factors – Risks Relating to Our Business – We may become liable if our customers default on mortgages we have guaranteed" in this offering memorandum.

### ***Delivery of Properties***

Once a property development has passed the requisite government inspections and is ready for delivery, we notify our customers and hand over keys and possession of the properties. Delivery of a property generally takes place within three to six months (depending on the type of the property) after the completion of the property. Our pre-sale or sale contracts provide the time frame for delivery and we are required to make penalty payments to the purchasers for any delay in delivery.

Please refer to the section headed "Risk Factors – Risks Relating to Our Business – We may not be able to complete our development projects on time, within budget, or at all" in this offering memorandum.

### ***After-sales Services***

We assist our customers in arranging for mortgage facilities by providing information on potential mortgagee banks and the mortgage terms they may offer. We also assist our customers in various title registration procedures relating to their properties and attend to the delivery of the properties to our customers.

Our sales and marketing center provides services such as the processing of sales while Henan Central China Commercial Real Estate Management Company Limited handles rental enquiries. Our customer service center and customer service executive in each city are responsible for handling any complaints we may receive from our customers and arranging for and supervising the repair and maintenance of our developed properties in a timely manner.

Customers can become members of our Jianye Club for free. Please refer to “– Property Development Process – Sales and Marketing” in this section. We have established the “Jianye Junlin Club,” a new service platform for providing customer services that focuses on sharing lifestyle and networking. The new service platform not only provides personal and customized services, but also attempts to reshape community relationship and neighborhood relations in the mobile internet era. The establishment of the Jianye Junlin Club represents another iteration and upgrade of our way of service, and we believe our ability to provide quality service will remain one of our core competitive strengths.

### **Property Leasing**

We lease some of our retail units and parking spaces. Our tenants are primarily individual retailers and home owners. Our retail units are generally leased for terms of one to three years while our parking spaces are generally leased for a term of one year. However, for anchor tenants leasing comparatively large areas or more than one location, or whose presence is expected to attract other tenants, we may consider offering them leases for terms of up to 20 years.

We are responsible for identifying prospective tenants for our retail units and conducting research to enhance the tenant profile and trade mix for each project, in each case on an on-going basis. We engage Jianye Property Management (a former subsidiary of ours which we sold to an independent third party in 2006 in order to focus on our core business) to handle the leasing of parking spaces in our residential developments.

As of December 31, 2019, we had a number of leases in connection with the underground shopping center in our Lakeside Square (Sanmenxia) Project, Luoyang Triumph Plaza and a clubhouse in our Forest Peninsula (Luoyang) Project. We plan to sell Luoyang Triumph Plaza with the benefit of these leases when a suitable opportunity arises but we plan to continue to hold the Lakeside Square (Sanmenxia) and the clubhouse in the Forest Peninsula (Luoyang) Project for investment purposes. For the years ended December 31, 2017, 2018 and 2019, our revenue generated from rental properties amounted to RMB94.9 million, RMB146.9 million and RMB163.1 million (US\$23.4 million) respectively.

As of December 31, 2019, the types of units retained by us for rental purposes include retail units, schools and a clubhouse.

### **Hotel Development**

Since 2007, we have begun to build our hotel development capabilities in order to provide a stable revenue base to complement our variable development revenue. When we purchase parcels on which we plan to develop a hotel project, the hotel’s projected independent profitability in the long term and its synergistic effect with our property development business are preconditions to our purchase. As of December 31, 2019, we had seven hotels in operation and two hotels under construction.

We have entered into hotel management agreements with several internationally recognized hotel management companies for the operation and management of our seven hotels in operation, including affiliates of Starwood Hotels & Resorts Worldwide, Inc., Holiday Inn (China) Co. Ltd. (假日酒店(中國)有限公司), a member of the InterContinental Hotels Group, and the Accor Hotels Group. We believe that by engaging these international hotel management companies to operate our hotels, we will be able to benefit from their global reputation, hotel operation expertise, as well as their integrated marketing services, reservation systems and employee training programs.

Yanling Jianye The Mist Hot Spring Hotel, which commenced operations in 2018, is the first hotel we operate independently.

The table below sets out details of our hotels as of December 31, 2019.

<b>Hotel</b>	<b>Location</b>	<b>No. of Guestrooms</b>	<b>Total GFA (sq.m.)</b>	<b>Opening Time</b>
Aloft Shangjie. . . . .	Zhengzhou	172	19,457	In operation since 2011
Holiday Inn Nanyang. . . . .	Nanyang	353	50,574	In operation since 2012
Four Points by Sheraton Luohe . . . . .	Luohe	244	37,398	In operation since 2012
Le Méridien Zhengzhou . . . . .	Zhengzhou	337	64,721	In operation since 2013
Pullman Kaifeng Jianye . . . . .	Kaifeng	186	43,836	In operation since 2015
Yanling Jianye The MIST Hot Spring Hotel	Xuchang	51	19,951	In operation since 2018
Zhengzhou Jianye Sky Mansion. . . . .	Zhengzhou	302	34,252	In operation since 2018

### **Management Entrustment Arrangements**

Since the second half of 2015, we have launched a light-asset development strategy based on our study and evaluation of the real estate development industry. Under this strategy, we aim to maximize our brand value by entering into management entrustment agreements or cooperation agreements with third party developer partners to develop, operate and manage their real estate projects, or as we call them, light-asset model projects. Pursuant to these agreements, we are engaged by our partners for the development, operation and management of these light-asset model projects for a set period of time, and in return, we receive royalty fees and performance fees representing a share of surplus profit of such projects from our partners. As of December 31, 2019, we had entered into 163 management entrustment arrangements in total. From time to time, we will evaluate other opportunities and enter into additional management entrustment arrangements with other third party developers. The revenue from such management entrustment arrangements are recognized as ‘Management fee income’ under ‘Revenue’ in our consolidated income statement.

### **Property Management Services**

We engage a national first-grade property management company, Jianye Property Management, our former subsidiary which we sold to an independent third party in 2006 in order to focus on our core business, to provide high-standard property management services to customers. The property management services provided to purchasers of our property projects include maintenance and security of the common areas, gardening and landscaping, cleaning, fire protection and dealing with customer complaints.

According to a strategic cooperation agreement between CCRE China and Jianye Property Management dated August 25, 2006, we formed a strategic cooperation relationship with Jianye Property Management. Pursuant to the strategic cooperation agreement, CCRE China granted Jianye Property Management a right to use its “建業” (*Jian Ye*) trade name on a royalty-free basis and agreed to provide priority to Jianye Property Management when selecting a property management company through a tender process to provide property management services to our projects, and Jianye Property Management agreed to set up a department responsible for business with CCRE China and provide quality staff to deliver quality service to our projects. Such property management contracts require us to pay a service fee on an annual basis.

Under current PRC law, property owners have the right to engage or dismiss a property management company with the consent of more than half of the owners who in the aggregate hold more than 50% of the interest in the total non-communal area of the building. As of the date of this offering memorandum, Jianye Property Management had never been dismissed by the owners of any of the projects developed by us.



## Quality Control

Different departments are responsible for ensuring the quality of our properties and our services. Our product design department is responsible for monitoring the quality of the architectural design and interior design of our property developments. In accordance with PRC regulations, we engage qualified supervisory companies selected through a tender process, which work closely with our construction management department to monitor the quality, progress and costs of the construction work of our property developments. Our customer service center is responsible for dealing with complaints which we may receive from customers. Where relevant, customer feedback is provided to our product design department so that we can refine the designs of our future properties to meet our customers' tastes and requirements.

We provide our customers with warranties covering the structure and certain fittings and facilities of our property developments in accordance with relevant regulations. In the event of any construction defects in our properties, we require the contractors to remedy the issues before settling the remaining balance under the construction contracts.

## Awards and Certificates

Since 2007, the China Real Estate Top 10 Research Team (中國房地產 Top 10 研究組)(the "Research Team") has ranked us as the overall leading residential property developer in Henan. We were evaluated based on a composite of indices including scale, profitability, financial stability, social responsibility, growth potential and operating efficiency. The Research Team was jointly established in 2003 by the Enterprise Research Institute of the 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). The Research Team's research is generally regarded as an important indicator of the market position of property developers in the PRC and is used by major international financial institutions.

Set forth below is a summary of our additional key awards and certificates since 2015:

<u>Date of grant</u>	<u>Awards/Certificates</u>	<u>Awarding organization</u>
December 2019 . . . .	Most Popular Employer in Zhongyuan	Henan Human Resources and Social Security Bureau, Henan Talent Communication Association, Zhengzhou Talent Development Association and EBI Employer Brand Research Institute
December 2019 . . . .	Employer with Strongest Brand Strength in Zhongyuan	Henan Human Resources and Social Security Bureau, Henan Talent Communication Association, Zhengzhou Talent Development Association and EBI Employer Brand Research Institute
January 2020 . . . . .	2019 China Real Estate Charity Advanced Enterprise	China Real Estate News, China Real Estate Network and China Real Estate Think Tank
October 2019 . . . . .	Outstanding Real Estate Brand	Henan Real Estate Industry Association and Henan Real Estate Evaluation Center

<b>Date of grant</b>	<b>Awards/Certificates</b>	<b>Awarding organization</b>
June 2019 . . . . .	30th ranking in 2019 Top 100 China Real Estate Brand Value	China Real Estate News, China Real Estate Network and Zhongfang Think Tank
May 2019. . . . .	the Most Socially Responsible Hong Kong Listed Company	Gelonghui
May 2019. . . . .	32th ranking in China Real Estate Listed Company among the “2019 Best 100 China Real Estate Listed Companies with Strongest Comprehensive Strengths” and 4th ranking in property companies in China in terms of operations performance	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
March 2019 . . . . .	2019 Top 50 Chinese Property Developers and first ranking among China Top 10 Chinese Property Developers in Regional Operations	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
July 2018. . . . .	2018 Fortune China 500 List	Fortune Magazine
May 2018. . . . .	26th ranking in China Real Estate Listed Company among the “2018 Best 30 China Real Estate Listed Companies with Strongest Comprehensive Strengths” and 4th ranking in property companies in China in terms of operations performance	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
March 2018 . . . . .	2018 Top 50 Chinese Property Developers and first ranking among China Top 10 Chinese Property Developers in Regional Operations	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
September 2017 . . .	2017 Top 50 China Real Estate Developers Brand Value	China Real Estate Association, China Real Estate Appraisal
May 2017. . . . .	26th ranking in China Real Estate Listed Company	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
March 2017 . . . . .	2017 Top 50 Chinese Property Developers and first ranking among China Top 10 Chinese Property Developers in Regional Operations	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
September 2016 . . .	Twenty-eighty ranking among China Real Estate Company by Brand Value	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
July 2016. . . . .	398th ranking among 2016 China’s Top 500 Enterprises	Fortune Magazine (Chinese version)

<b><u>Date of grant</u></b>	<b><u>Awards/Certificates</u></b>	<b><u>Awarding organization</u></b>
May 2016. . . . .	Twenty-sixth ranking among China Real Estate Listed Companies	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
March 2016 . . . . .	Twenty-eighth ranking among the 2016 China Top 500 Real Estate Developers and first ranking among China Top 10 Real Estate Developers by Regional Operation	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
November 2015. . . .	Seventeenth ranking among Top 100 Henan Private Enterprises	Henan Province Federation of Industry and Commerce
September 2015 . . .	Twenty-ninth ranking among China Real Estate Company by Brand Value	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal
July 2015. . . . .	471st ranking among 2015 China's Top 500 Enterprises	Fortune Magazine (Chinese version)
March 2015 . . . . .	Twenty-sixth ranking among the 2015 China Top 500 Real Estate Developers and first ranking among China Top 10 Real Estate Developers by Regional Operation	China Real Estate Research Association, China Real Estate Association and China Real Estate Appraisal

### **Properties Used By Us**



As of December 31, 2019, we owned office spaces at Jianye Office Building which we use as our headquarters in Zhengzhou City, with a total GFA of approximately 16,033 sq.m. In addition, we occupied office spaces with a total GFA of over 50,000 sq.m., which we temporarily use as sales centers, in the cities in which we operate. We also lease two office spaces in Hong Kong and Zhengzhou with GFA of approximately 537 sq.m. and 9,889 sq.m. respectively, which we primarily use for administration purposes.

### **Competition**

In recent years, an increasing number of property developers have begun undertaking property development and investment projects in Henan and elsewhere in the PRC. Our major competitors include large national and regional property developers, including local property developers that focus on one or more cities in Henan. We endeavor to further strengthen our leading position in Henan, while we may also make selective entries into other provinces in China. The real estate market in Henan is rapidly evolving, highly fragmented and competitive. Our competitors, however, may have a better track record, greater financial, marketing and land resources, broader name recognition and greater economies of scale than us in particular cities or markets in which we operate.

For more information on competition, please refer to the section headed “Risk Factors – Risks Relating to Our Business – Our business is subject to increasing competition” in this offering memorandum.

## Intellectual Property Rights

We are the registrant of 181 registered trademarks in the PRC, Singapore and Hong Kong including our “” and “” trademarks under various categories including construction, real estate leasing, real estate management, real estate agency and advertising as of December 31, 2019. We are also the registered owner of the domain names “jianye.com.cn” and “centralchina.com.”

We have entered into trademark and trade name licensing agreements with Henan Construction Football Club Company Limited (河南建業足球俱樂部股份有限公司), Jianye Education Industry Company Limited (河南建業教育產業有限公司) and Jianye Property Management, in relation to their use of the “建業” (*Jian Ye*) name and certain of our trademarks on a royalty-free basis. The terms of the licensing agreements contain terms similar to one another and are limited in scope. They contain various protections of our trademarks and trade names, including licensee guarantees of the quality of the goods or services attached to the trademarks and trade names, as well as a prohibition on altering the trademarks and trade names.

Certain of our project names contain “Square,” “Luxurious House,” “SOHO” and “Peninsula.” Please note the following:

- “Square” and “Luxurious House” are not distinctive and cannot be registered as a trademark in the PRC; and
- “SOHO” and “Peninsula” are registered by other companies as trademarks in the PRC. However, they have not been used by us as trademarks but only as part of our project names. Therefore, we believe our project names comply with PRC laws and regulations and it is not likely that we will be considered to be infringing upon the intellectual property rights of other companies.

## Insurance

We maintain asset insurance policies for our properties and assets. Based on PRC industry practice, we do not insure against potential losses or damage with respect to our properties developed for sale before their delivery to customers. We also do not maintain insurance coverage against liability from tortious acts or other personal injuries on our project sites. The construction companies are responsible for quality and safety control during the course of the construction and are required to maintain accident insurance for their construction workers pursuant to PRC laws and regulations.

To help ensure construction quality and safety, we provide a set of standards and specifications in construction contracts for the construction workers to comply with. We also engage qualified supervisory companies to oversee the construction process. Under PRC law, construction companies bear primary civil liability for personal injuries, accidents and death arising out of their construction work where such personal injuries, accidents or deaths are caused by the construction companies. The owner of the property under construction may also bear supplementary liability if the construction company is not able to fully compensate the injured. The owner of the property may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are due to the fault of the owner. Since we have taken the above steps to prevent construction accidents and personal injuries, we believe we will generally be able to defend ourselves as the property owner if a personal injury claim is brought against us. To date, we have not experienced any destruction of or damage to our property developments nor have any personal injury-related claims been brought against us and no material personal injury incident has occurred at our project sites.

Nonetheless, there are risks that we do not have sufficient insurance coverage for some damage and liabilities that may arise from our business operations. Please refer to the section headed “Risk Factors – Risks Relating to our Business – We may suffer losses arising from uninsured risks” in this offering memorandum.

## Environmental Matters

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments from time to time. These include the Environmental Protection Law (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). Pursuant to these laws and regulations, each property development is required to undergo environmental assessments. Depending on the impact of the project on the environment, an environmental impact assessment report, an environmental impact analysis table or an environmental impact registration form (each an “environmental impact assessment document”) have to be submitted by a property developer before the relevant authorities will grant a permit for commencement of construction work on the property development. In addition, upon completion of the property development, the project company should conduct environmental protection inspection of the completed project, formulate environmental protection inspection report, disclose the report to the public, and submit the relevant data and information through the online platform of environmental protection inspection on completion of construction projects.

We have obtained environmental approvals from the relevant local authorities with respect to the constructions of certain of our projects. For our other projects where we have not obtained such approvals, we understood that we were not required to submit environmental impact assessment reports after consultation with the local environmental authorities prior to the commencement of construction of these projects. The construction of these projects is not in full compliance with environmental regulations and may be suspended by the environmental authorities. If remedial procedures are not carried out within a limited period, the project companies may be subject to a fine of up to 1%-5% of the total investment amount of the project and the officers of the property developer and the construction company appointed to carry out the project may be subject to an administrative penalty. There have been instances that we were imposed administrative penalties for commencing construction of certain property projects before obtaining environmental approvals. Since such environmental laws and regulations have not been strictly implemented in Henan, approvals for project proposals by planning authorities and other follow-up governmental approvals or permits could also be obtained without the approval of the environmental impact assessment documents. Save as disclosed above, there has been no material violation of relevant environmental rules and regulations by us, no material environmental pollution incidents involving us, no material administrative penalty imposed on us as a result of violation of environmental rules and regulations.

Each of our controlling shareholders has agreed to indemnify and keep us indemnified against all liabilities, damages, costs, losses, or expenses which may be imposed or levied by PRC government authorities as a result of our noncompliance with environmental regulations. As of the date of this offering memorandum, save as disclosed above, none of the PRC subsidiaries have breached any applicable PRC environmental laws or regulations in any material respect, and there are no existing material legal proceedings, claims or disputes relating to environmental matters pending or threatened against us.

We will strictly comply with PRC environmental laws and regulations, and further strengthen our management and supervision systems in respect of environmental protection. We will continue to strengthen our control of the construction process. A supervisory system was formulated by a team of officers experienced in pre-construction property development and environmental matters to manage and examine the procedures and activities that may give rise to environmental issues such as noise, water and air pollution, in order to ensure environmental compliance.

## **Health and Safety Matters**

In respect of social responsibility, in particular, labor health, safety, insurance, accidents, relevant laws and regulations mainly include the PRC Labor Law (中華人民共和國勞動法), the PRC Labor Contract Law, Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), Regulation on Work-Related Injury Insurance (工傷保險條例), Safety Production Law of the People's Republic of China (中華人民共和國安全生產法), Regulations on the Reporting, Investigation and Disposition of Work Safety Accidents (生產安全事故報告和調查處理條例), Administrative Regulations on the Work Safety of Construction Projects (建設工程安全生產管理條例), the Regulations on the Management of the Housing Provident Fund (住房公積金管理條例) and Regulations on the Management of Housing Provident Fund in Henan (河南省住房公積金管理條例). The aforementioned laws and regulations set forth relevant provisions on working hours, work safety, rest and vacation, wages, health and safety, social insurance and welfare for employees. We have purchased insurance for our employees according to PRC laws and regulations and we are planning to increase insurance coverage for our employees to include commercial accident insurance. We believe that as of the date of this offering memorandum, there has been no material violation of currently applicable PRC labor and safety regulations nor have there been any material employee safety issues involving us. Our human resources department is responsible for dealing with employees' safety and security matters.

## **Employees**

As of December 31, 2019, we had 4,193 full-time employees. The remuneration package of our employees includes salary, share-based payment and welfare. In general, we determine employee salaries based on each employee's qualifications, position and seniority. Employees are engaged according to employment contracts. We conduct annual appraisals for our employees, the results of which are applied in annual salary reviews and promotion assessments. Employees are granted an annual bonus according to certain performance conditions and appraisal results. Commission is paid only to sales staff. We are subject to social insurance contribution plans organized by the PRC local governments. In accordance with the relevant national and local labor and social welfare laws and regulations, we are required to pay on behalf of our employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance as well as a housing reserve fund. We benchmark employee remuneration packages against our peers and therefore we believe the salaries and benefits that our employees receive are competitive in comparison with market rates. We review our staff remuneration annually.

Our employees do not negotiate their terms of employment through any labor union or by way of collective bargaining agreements. We believe our relationship with our employees is good. We have not experienced significant labor disputes which adversely affected or are likely to have an adverse effect on our business operations.

## **Staff Training and Development**

In executing its corporate strategies and expansion plan, our top priority is to build a team of performers who demonstrate good work ethics and professionalism, and a strong management team of excellent execution and project management capabilities. In keeping with this goal, we established the "Central China School" to bring project operations and management to a higher level and to continually improve staff training and education.

## **Legal Proceedings**

From time to time we are involved in legal disputes arising in the ordinary course of business, primarily including but not limited to disputes with suppliers. We were not, as of the date of this offering memorandum, engaged in any litigation, arbitration or claim of material importance, and we did not know of any litigation, arbitration or claim of material importance pending or threatened by or against us that would have a material adverse effect on our results of operations or financial condition. However, we cannot assure you that material legal proceedings, claims or disputes will not arise in the future. See "Risk Factors – Risks Relating to Our Business – We may be involved in legal and other proceedings arising out of our operations from time to time and may incur material losses and liabilities as a result."



## REGULATION

### Establishment of a Property Development Enterprise

According to the Law of the People's Republic of China on the Administration of Urban Property (中華人民共和國城市房地產管理法)(the "Urban Property Law") promulgated by the Standing Committee of the National People's Congress on July 5, 1994 and revised in August 2007, August 2009 and August 2019 (effective from January 2020), a property development enterprise is defined as an enterprise which engages in the development and sale of property for the purpose of making profits. Under the Regulations on Administration of Development of Urban Property (城市房地產開發經營管理條例)(the "Development Regulations") promulgated by the State Council on July 20, 1998 and amended in January 2011, March 2018, March 2019 and March 2020 respectively, an enterprise which is to engage in development of property shall satisfy the following requirements: (1) its minimum registered capital shall be RMB1 million; and (2) it shall employ at least four full-time professional property/construction technicians and at least two full-time accounting officers, each of whom shall hold relevant qualification certificates. The Development Regulations also stipulate that the local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the amount of registered capital of, and the qualifications of professionals retained by, property development enterprises.

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

Pursuant to the Development Regulations, a developer who aims to establish a property development enterprise should apply for registration with the Administration for Industry and Commerce. The property development enterprise must also report its establishment to the property development authority in the location of the registration authority, within 30 days upon the receipt of its business license.

Under the Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment of Certain Industries (關於調整部分行業固定資產投資項目資本金比例的通知) issued by the State Council on April 26, 2004, the portion of capital funding for property projects (excluding affordable residential housing projects) has been increased from 20% to 35%.

However, on May 25, 2009, the State Council issued the Notice on Adjusting the Minimum Capital Requirement for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) and lowered the minimum capital requirement for projects of affordable residential housing and regular commodity residential houses from 35% to 20% and, for other property projects, to 30%. In September 2015, the State Council issued a Notice to Adjust and Promote the System of Capital Fund for Investment Projects in Fixed Assets (關於調整和完善固定資產投資項目資本金制度的通知), under which the minimum capital ratio remains 20% for affordable housing projects and ordinary commodity residential projects, and is decreased to 25% for other property projects.

## Foreign-invested Property Enterprises

Under the Foreign Investment Industrial Guidance Catalog (外商投資產業指導目錄) jointly promulgated on December 24, 2011 by MOFCOM and NDRC and effective from January 30, 2012, foreign investment in enterprises engaged in the development of a whole land lot, the construction and operation of high end hotels, premium office buildings, international conference centers and large theme parks, transactions in the real estate secondary market and real estate intermediary or broker services falls within the category of industries in which foreign investment is restricted, and foreign investment in construction and operation of golf course and villas is prohibited, while foreign investment related to other kinds of real estate development falls within the category of industry in which foreign investment is permitted. Meanwhile, foreign investment in the development of a whole land lot is required to take the form of joint development with the PRC partners.

On March 10, 2015, MOFCOM and NDRC jointly issued the revised Foreign Investment Industrial Guidance Catalog effective from April 10, 2015, under which foreign investment in real estate falls within the category of industry in which foreign investment is permitted. Meanwhile, foreign investment in the construction and operation of large theme parks still falls within the restricted category, and foreign investment in the construction of golf course and villas is prohibited. On June 28, 2017, MOFCOM and NDRC jointly issued the revised Foreign Investment Industrial Guidance Catalog effective from July 28, 2017, under which foreign investment in real estate falls within the category of industry in which foreign investment is permitted.

On September 3, 2016, the National People's Congress Standing Committee (NPCSC) adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the State Administration for Industry & Commerce issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to relevant requirements of equity or senior management under the Foreign Investment Industrial Guidance Catalog, will be subject to the special administrative measures for foreign investment entry. On the same day, MOFCOM promulgated the Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) which was subsequently amended on July 30, 2017 by MOFCOM. On January 14, 2017, NDRC issued the Circular on Effectively Implementing Foreign Capital-related Work in the Catalog of Investment Projects Subject to Governmental Approval (2016 Version)(關於做好貫徹落實《政府核准的投資項目目錄(2016年本)》有關外資工作的通知), according to which, 1) any project of the restricted category with a total investment (including capital increase) for US\$300 million or above as included in the Guidance Catalog shall be approved by NDRC, and any project with a total investment (including capital increase) for US\$2 billion and above shall be submitted to the State Council for filing, 2) any project of the restricted category with a total investment (including capital increase) for less than US\$300 million as included in the Guidance Catalog shall be approved by the provincial government, and 3) the foreign investment projects beyond the scope of projects subject to approval and not in the prohibited category as provided in the Guidance Catalog shall be presented to local development and reform commissions for filing.

On February 28, 2018, MOFCOM and the State Administration for Market Regulation jointly issued the Notice on Relevant Matters Concerning the Acceptance of Applications for MOFCOM Filing and AIC Registration of Foreign Investment Enterprises at a Single Window with a Single Form (關於實行外商投資企業商務備案與工商登記“單一窗口、單一表格”受理有關工作的通知) under which, since June 30, 2018, applications for MOFCOM filing and registration with administration for market regulation of foreign investment enterprises which are not subject to special administrative measures of foreign investment entry, should be accepted at a single window with a single form nationwide. Subsequently on June 29, 2018, MOFCOM issued the revised Provisional Measures for Filing Administration of Establishment and Changes at Foreign-invested Enterprises (外商投資企業設立及變更備案管理暫行辦法) which came into effect from June 30, 2018. On June 26, 2018, MOFCOM and NDRC jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version)(外商投資准入特別管理措施(負面清單)(2018年版)) effective from July 28, 2018. On June 30, 2019, MOFCOM and NDRC jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Version)(外商投資准入特別管理措施(負面清單)(2019年版)) which will replace the Special Administrative Measures (Negative List) for Foreign Investment Access (2018 Version) effective from July 30, 2019.

On July 11, 2006, the MOHURD, MOFCOM, NDRC, PBOC, the State Administration for Industry and Commerce (“SAIC”, which has been reorganized as the State Administration for Market Regulation) and SAFE jointly promulgated the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (關於規範房地產市場外資准入和管理的意見) (the “Opinion”). According to the Opinion, the access to and management of foreign capital in the property market must comply with the following requirements:

- Foreign entities or individuals who buy property not for their own use in China must apply for the establishment of a foreign-invested enterprise pursuant to the regulations of foreign investment in property. After obtaining the approvals from relevant authorities and upon completion of the relevant registrations, foreign entities and individuals can then carry on their business pursuant to their approved business scope.
- Where the total investment amount of a foreign-invested property development enterprise is US\$10 million or more, its registered capital shall not be less than 50 percent of the total investment amount; where the total investment amount is less than US\$10 million, its registered capital shall follow the requirements of the existing regulations.
- The commerce authorities and the Administration for Industry and Commerce are responsible for the approval and registration of a foreign-invested property development enterprise and the issuance to the enterprise of a temporary certificate of approval for a foreign-invested enterprise (which is only effective for one year) and the business license. Upon full payment of the assignment price under a land grant contract, the foreign-invested property development enterprise should apply for the land use rights certificate in respect of the land. With such land use rights certificate, it can obtain a formal certificate of approval for a foreign-invested enterprise from the commerce authorities and an updated business license.
- Transfers of projects or shares in foreign-invested property development enterprises or acquisitions of domestic property development enterprises by foreign investors should strictly comply with relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: (1) a written undertaking of fulfillment of the contract for the assignment of state-owned land use rights; (2) a construction land planning permit and construction works planning permit; (3) land use rights certificate; (4) documents evidencing the filing for modification with the construction authorities; and (5) documents evidencing the payment of tax from the relevant tax authorities.

- When acquiring a domestic property development enterprise by way of share transfer or otherwise, or purchasing shares from Chinese parties in a sino-foreign equity joint venture, foreign investors should make proper arrangements for the employees, assume responsibility for the debts of the enterprise and pay the consideration in one single payment with its own capital. Foreign investors with records showing that they have not complied with relevant employment laws, those with unsound financial track records, or those that have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

On August 14, 2006, The General Office of MOFCOM promulgated the Circular on the Thorough Implementation of the Opinion on Regulating the Access to and Management of Foreign Capital in the Property Market (關於貫徹落實《關於規範房地產市場外資准入和管理的意見》的通知)(the “Circular”). The Circular not only reiterates relevant provisions on foreign investment in the real estate industry as prescribed in the Opinion, but also sets forth the definition of Real Estate FIE as a foreign invested enterprise (“FIE”) which carries out the construction and operation of a variety of buildings such as ordinary residences, apartments and villas, hotels (including restaurants), resorts, office buildings, convention centers, commercial facilities, and theme parks, or, undertakes the development of land or a whole land lot in respect of the abovementioned projects.

On September 1, 2006, the MOHURD and the SAFE jointly issued the Opinions on Regulating the Foreign Exchange Administration of the Real Estate Market (關於規範房地產市場外匯管理有關問題的通知), providing regulations on real estate development enterprises mainly as follows:

- For real estate development enterprises, the current account for foreign exchange shall not maintain property purchase payments remitted by residents of Hong Kong, Macau and Taiwan and overseas Chinese expatriates;
- Where the registered capital relating to a Real Estate FIE remains unpaid in its entirety, or the state-owned land use rights certificate is yet to be obtained, or the capital fund of development project has not reached 35% of the total amount of the project investment, such Real Estate FIE is not permitted to borrow foreign loans from overseas; and
- Where foreign entities and individuals purport to merge and acquire domestic real estate enterprises by way of share transfer or any other means, to acquire a Chinese party’s shares within an equity joint venture, such foreign entities and individuals must make a one-time payment for the transfer consideration, otherwise SAFE shall not process any foreign exchange registration relating to the foreign exchange transaction.

On May 23, 2007, MOFCOM and SAFE promulgated the Circular on Further Strengthening and Regulating the Approval and Supervision of Real Estate Industry with Direct Foreign Investment (關於進一步加強、規範外商直接投資房地產業審批和監管的通知), which stipulates, among others, that:

- Foreign investment in the real estate sector in the PRC relating to high-grade properties should be strictly controlled;
- Before obtaining approval for the setup of a Real Estate FIE, (a) both the land use rights certificates and building ownership certificates should be obtained or, (b) contracts for obtaining land use rights or building ownership rights should be entered into;
- Entities which have been set up with foreign investment need to obtain approval before expanding their business operations into the real estate sector and entities which have been set up for real estate development operation need to obtain new approval in case they expand their real estate business operations;

- Strict control should be imposed on the acquisition of or investment in domestic real estate enterprises by way of round trip investment. Foreign investors shall not acquire control of domestic enterprises for the purpose of circumventing the approval procedure related to Real Estate FIE;
- In a Real Estate FIE, Chinese parties shall not, explicitly or implicitly provide any warranties with regard to allocating fixed returns to any party;
- A Real Estate FIE incorporated upon approval by local approval bodies should be registered with MOFCOM on a timely basis; and
- Foreign exchange administration bodies and designated foreign exchange banks shall not process sale and settlement of foreign exchange for capital account items for Real Estate FIEs that fail to complete filing procedures with MOFCOM or to pass joint inspection for foreign invested enterprises.

In addition, according to the Circular on Distribution of the List of the First Group of Foreign-Invested Real Estate Projects Filed with the Ministry of Commerce (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 the General Affairs Department of SAFE on July 10, 2007, (1) local branches of SAFE shall not process any foreign debt registration application or conversion of foreign debt for any Real Estate FIE (including in respect of both newly incorporated Real Estate FIEs and Real Estate FIEs that have registered increased capital contributions) that obtained a certificate of approval for a foreign-invested enterprise from local commerce authorities and completed the registration with MOFCOM on or after June 1, 2007; (2) SAFE branches shall not process foreign exchange registration (or alterations to registration), or sale and settlement of foreign exchange for capital account items, for any Real Estate FIEs that has obtained a certificate of approval from local commerce authorities, but that has not registered with MOFCOM on or after June 1, 2007. The aforesaid regulation has been abolished as of May 13, 2013.

On July 1, 2008, MOFCOM implemented the Circular on the Proper Handling of the Record Filing for Foreign Investment in the Real Estate Sector (關於做好外商投資房地產業備案工作的通知), delegating provincial-level commerce authorities the authority to register matters concerning foreign investment in real property projects after approving the legality, authenticity and accuracy of the project.

In accordance with a Circular with respect to the Administration of Conversion into Renminbi of Foreign Exchange Capital Contributions to Foreign Invested 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) promulgated by SAFE in August 2008, unless otherwise permitted by PRC laws or regulations, Renminbi capital converted from foreign exchange capital contributions can only be applied to activities that come within the approved business scope of such foreign invested enterprise and cannot be used for domestic equity investment or acquisition. Effective on June 1, 2015, the aforesaid circular will be repealed by the Circular on the Reform of Administrative Approach for the Settlement of Foreign Exchange Capital Funds of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), or Circular No. 19, issued by SAFE in March 2015, which stipulates that the voluntary settlement of foreign exchange capital funds for foreign invested enterprises will be implemented. Accordingly, the foreign exchange capital funds in a foreign invested enterprise's capital account, which have been recognized by the local foreign exchange bureau as the interests of capital contributions or registered with the relevant bank, can be settled in banks according to such enterprise's actual business operation requirements. The provisional percentage for the voluntary settlement of foreign exchange capital funds for foreign invested enterprises is 100 percent. SAFE may adjust such percentage in due time according to the situation of the balance in international payments. Furthermore, Circular No. 19 facilitates domestic equity investments by foreign invested enterprises with funds from the settlement of foreign exchange 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. SAFE promulgated the Circular to Further Promote Cross-border Trade and Investment (關於進一步促進跨境貿易投資便利化的通知) dated October 23, 2019 to further ease cross-border trade and investment, such as canceling restrictions on the use of foreign exchange settlement in domestic asset transaction accounts and allowing foreign non-investment enterprises to carry out domestic equity investment provided that such investment will not violate applicable special administrative measures (negative list) for foreign investment access and the projects to be invested shall be authentic and legitimate.

On April 6, 2010, the State Council issued the Opinions on Further Enhancing the Utilization of Foreign Investment (關於進一步做好利用外資工作的若干意見), which provides that, except for the projects required to be approved by relevant departments of the State Council pursuant to the Catalog of Investment Projects Subject to Government Approvals (政府核准的投資項目目錄), a project within the encouraged or permitted industry categories under the Foreign Investment Industrial Guidance Catalog may be approved by local government authorities, provided that the total investment (including capital increase) for such project is no more than US\$300 million.

On May 4, 2010, the NDRC issued the Circular on Doing a Good Job in Delegating the Power to Verify Foreign-invested Projects (關於做好外商投資項目下放核准權限工作的通知), specifying that the power to verify foreign invested projects shall be delegated and project verification procedures shall be simplified. The circular provides that, except for the projects that are required to be verified by relevant departments of the State Council in accordance with the Catalog of Investment Projects Subject to Government Approvals, the foreign invested projects which are within the encouraged or permitted industry categories under the Foreign Investment Industrial Guidance Catalog shall be verified by the NDRC at the provincial level, provided that such projects have a total investment (including capital increase) of no more than US\$300 million. The circular further specifies that, after the power to verify is delegated, project application and verification documents and verification conditions and procedures shall still be determined in accordance with the Interim Provisions on Approving Foreign Investment Projects. According to the circular, the power to verify the projects within the restricted category under the Foreign Investment Industrial Guidance Catalog is not delegated for the time being.

On June 10, 2010, MOFCOM released the Circular on Issues Concerning Delegating the Examination and Approval Authority for the Foreign Investment (商務部關於下放外商投資審批權限有關問題的通知). Under the circular, the relevant local branches of the MOFCOM are granted the power to examine, approve and administrate the establishment and alterations of (i) foreign invested enterprises which are within the encouraged and permitted categories under the Foreign Investment Industrial Guidance Catalog with a total investment of no more than US\$300 million, and (ii) foreign invested enterprises which are within the restricted category under the Foreign Investment Industrial Guidance Catalog with a total investment of no more than US\$50 million.

In November 2010, 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 reiterated a number of these limitations on foreign-invested real estate enterprises. 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), effective from August 1, 2014, to simplify the procedures of registration of foreign investment in real estate. On November 6, 2015, MOFCOM and SAFE jointly issued the Notice on Further Improving the Registration of Foreign Investment in Real Estate (關於進一步改進外商投資房地產備案工作的通知) effective from November 6, 2015 to cancel the registration procedures of foreign investment in real estate.

On March 15, 2019, the National People's Congress of the PRC adopted the Foreign Investment Law of the PRC (中華人民共和國外商投資法), or the Foreign Investment Law, with a view toward unifying and streamlining the foreign investment framework into China which came into effect on January 1,



2020. The Foreign Investment Law will replace the PRC Law on Sino-foreign Equity Joint Ventures, the PRC Law on Wholly Foreign-owned Enterprise and the PRC Law on Sino-foreign Cooperative Joint Ventures. Under the Foreign Investment Law, the types of foreign investment into China will include:

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

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

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

## **Qualifications of a Property Development Enterprise**

### ***Classifications for the qualifications of property development enterprises***

Under the Development Regulations, a property development enterprise must report its establishment to the governing property development authorities in the location of the registration authority within 30 days after receiving its business license. The property development authorities shall examine applications for classification of a property development enterprise’s qualification by considering its assets, professional personnel and industrial achievements. A property development enterprise shall only engage in property development projects that come within the scope of its approved qualification.

Under the Provisions on Administration of Qualifications promulgated by the MOHURD and implemented on March 29, 2000, a property development enterprise shall apply for registration of its qualifications. An enterprise may not engage in the development and sale of property without a qualification classification certificate for property development.

In accordance with the Provisions on Administration of Qualifications, qualifications of a property development enterprise are classified into four classes: class 1, class 2, class 3 and class 4. Different classes of qualification shall be examined and approved by corresponding authorities. The class 1

qualifications shall be subject to both preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council.

Procedures for approval of developers of class 2 or lower shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government. A developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. For a newly established property development enterprise, after it reports its establishment to the property development authority, the latter shall issue a provisional qualification certificate to the eligible developer within 30 days. The provisional qualification certificate shall be effective for one year from its issuance and, depending on the actual business situation of the enterprise, may be extended by the property development authority for a period of no longer than two years. A property development enterprise shall apply with the property development authority for qualification classification within one month of expiry of the provisional qualification certificate.

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

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

#### ***The business scope of a property development enterprise***

Under the Provisions on Administration of Qualifications, a developer of any qualification classification may only engage in the development and sale of the property within its approved scope of business and may not engage in business which falls outside the approved scope of its qualification classification. A class 1 property development enterprise may undertake property development projects throughout the country without any limit on the scale of the project. A property development enterprise of class 2 or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scopes of business shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

Under the Henan Development Rules, a property development enterprise must, after obtaining its qualification certificate, only engage in the development of the property according to its qualification classification: (a) the construction scale of a property development project undertaken by a property development enterprise with class 1 qualification is not subject to restriction; (b) a property development enterprise with class 2 qualification may undertake any property development project with a GFA of less than 250,000 sq.m.; (c) a property development enterprise with class 3 qualification may undertake any property development project with a GFA of less than 100,000 sq.m.; (d) a property development enterprise with class 4 qualification may undertake any property development project with a GFA of less than 30,000 sq.m.; and (e) a property development enterprise with a provisional qualification certificate

may be engaged in a development project relative to the approved standards of the class of qualification so stated in the certificate. With respect to property projects developed in stages, the overall scope of the project must be taken into account when calculating the GFA.

#### ***The annual inspection of a property development enterprise's qualification***

Pursuant to the Provisions on Administration of Qualifications, the qualification of a property development enterprise shall be inspected annually. The construction authority under the State Council or its authorized institution is responsible for the annual inspection of a class 1 property development enterprise's qualification. Procedures for annual qualification inspection for developers with class 2 or lower qualifications shall be formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

### **Development of a Property Project**

#### ***Land for property development***

Under the Provisional Regulations of the People's Republic of China on the Grant and Transfer of the Land-Use Rights 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)(the "Provisional Regulations on Grant and Transfer") promulgated by the State Council on May 19, 1990, a system of assignment and transfer of the right to use state-owned land is adopted. A land user shall pay an assignment price to the State as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Provisional Regulations on the Grant and Transfer and the Urban Property Law, the land administration authority under the local government of the relevant city or county shall enter into a land use rights grant contract with the land user to provide for the assignment of land use rights. The land user shall pay the assignment price as provided by the assignment contract. After full payment of the assignment price, the land user shall register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The Development Regulations provide that the land use right for a land parcel intended for property development shall be obtained through grant except for land use rights which may be obtained through appropriation pursuant to PRC laws or the stipulations of the State Council.

Under the Rules Regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有土地使用規定) promulgated by the MLR on May 9, 2002 and implemented on July 1, 2002, land for commercial use, tourism, entertainment and commodity housing development shall be granted by means of tender, public auction or listing-for-sale. A tender of land use rights means the relevant land administration authority (the "assignor") issues a tender announcement inviting individuals, legal persons or other organizations (whether specified or otherwise) to participate in a tender for the land use rights of a particular parcel of land. The land user will be determined according to the results of the tenders. An auction for land use rights is where the assignor issues an auction announcement, and the bidders can at specified time and location openly bid for a parcel of land. A listing-for-sale is where the assignor issues a listing-for-sale announcement specifying the land grant conditions and inviting bidders to list their payment applications at a specified land exchange within a specified period. The procedures for tender, auction and listing-for-sale may be summarized as follows (for the purpose of the summary, the participant in a tender, auction or listing for sale is referred to as a "bidder"):

- The land authority under the government of the city and county (the "assignor") shall announce at least 20 days prior to the day of competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars of the land parcel, qualification requirements for bidders, the methods and criteria for selection of the winning bidder and certain conditions such as the deposit for the bid.

- The assignor shall conduct a qualification verification of the bidding applicants and inform the applicants who satisfy the requirements of the announcement to attend the competitive bidding, public auction or listing-for-sale.
- After determining the winning bidder by holding a competitive bidding, public auction or listing-for-sale, the assignor and the winning bidder shall then enter into a confirmation. The assignor should refund the other applicants their deposits.
- The assignor and the winning bidder shall enter into a contract for the assignment of state-owned land use rights at a time and venue set out in the confirmation. The deposit for the bid paid by the winning bidder will be deemed as part of the assignment price for the land use rights.
- The winning bidder should apply to register the land registration after paying off the assignment price. The people's government at the municipality or county level or above should issue the land use rights certificate.

On June 11, 2003, the MLR promulgated the “Regulations on the Grant of State-owned Land Use Rights by Agreement” (協議出讓國有土地使用權規定). According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding land use rights for business purposes including commercial, tourism, entertainment and residential commodity properties) may be assigned by way of agreement. If two or more entities are interested in the land use rights to be assigned, such land use rights shall be granted by means of tender, auction or listing-for-sale.

According to the Notice of the Ministry of Land and Resources on Relevant Issues Concerning the Strengthening of the Examination and Approval of Land Use in Urban Construction (關於加強城市建設用地審查報批工作有關問題的通知) promulgated by the MLR on September 4, 2003, from the day of issuance of the Notice, the assignment of land use rights for luxury commodity houses shall be stringently controlled, and applications for land use rights for villas are to be stopped. On May 30, 2006, the MLR issued the Urgent Notice on Rigorously Strengthening the Administration of Land (關於當前進一步從嚴土地管理的緊急通知) which provides that land for property development must be granted by competitive bidding, public auction or listing-for-sale; the rules prohibiting development projects for villas should be strictly enforced; and land supply and relevant procedures of land use for villas ceased to have effect from the date of the notice.

Under the Urgent Notice of Rigorously Strengthening the Administration of the Land, the land authority should strictly follow the Model Form of the State-owned Land-Use Rights Grant Contract and Model Form of the State-owned Land Use Rights Grant Supplementary Contract (for Trial Implementation), which were jointly promulgated by the MLR and the SAIC. The documents relating to the assignment of land should specify the requirements for planning, construction and land use such as relevant restrictions on the dwelling size and plot ratio, and the time limit for the commencement and completion of construction. All these should be set forth in the contract for the assignment of the land.

On September 21, 2007 the MLR promulgated the Rules Regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale (招標拍賣掛牌出讓國有建設用地使用權規定) which came into force on November 1, 2007. The rules stipulate the legal basis, principles, scope, procedures and legal liability arising from and in connection with the assignment of state-owned land use rights by competitive bidding, public auction or listing for sale. The rules clearly state that the grant of land for industrial use must also be by means of competitive bidding, public auction or listing for sale.

On September 30, 2007, the MLR issued a new notice to further enhance the control of land supply, which stipulates that the supply of the land to be developed for low-rent housing, economical housing and housing at low or medium price and of small or medium size shall be no less than 70% of the total land supply of the current year; the land and resources authorities shall control the area of each parcel of land and increase the number of parcels of land to be supplied, in order to prevent the coemption of land

by property development enterprises. Property development enterprises shall develop their land according to the terms of the relevant land use rights grant contract, and any violation thereof may restrict or prevent such property development enterprises from participating in future land bidding. Generally, the development period of each parcel of land must not exceed three years.

The Measures on the Administration of Reserved Land (土地儲備管理辦法), promulgated by the MOF, PBOC and MLR on November 19, 2007, define “reserved land” and stipulate the administrative, regulatory and implementing procedures involved with the management, planning, allocation, use, development, capital expenditure and supply of reserved land. Moreover, the measures make it clear that land must be reserved in accordance with corresponding land programs or plans, and that in determining land reserves priority must be given to land included in state inventories which is unused, unoccupied or under utilized. On January 3, 2018, the MLR, MOF, PBOC and CBRC jointly issued the revised Measures on the Administration of Reserved Land.

In November 2009, the MOF, MLR, PBOC, PRC Ministry of Supervision and PRC National Audit Office jointly promulgated the Notice on Further Enhancing the Revenue and Expenditure Control over Land Grants Development (關於進一步加強土地供應收支管理的通知). The Notice raises the minimum down-payment for land premiums to 50% and requires the land premium to be fully paid within one year after the signing of a contract for the assignment of land, subject to limited exceptions. Any developer defaulting on any such payment may not participate in any new transactions of land grant.

In March 2010, the MLR promulgated the Notification on Emphasizing Relevant Issues Relating to the Supply and Supervision of Land for Real Estate Development (關於加強房地產用地供應和監管的有關問題的通知)(the “2010 Notice”) which adopted measures to improve the regulation of land for real estate development. These include measures to: improve the preparation and implementation of land supply plans; guarantee the supply of land for subsidized community housing developments; improve the regime of public tender, auction and listing-for-sale of land use rights; enhance the supervision on the use of land; disclose to the public information on the supply and assignment of land and the status of the construction project on the land; and conduct special inspections on outstanding problems related to land use.

Pursuant to the 2010 Notice, the administrative authorities for land and resources of cities and counties shall establish a regime for developers to report the commencement and completion of construction projects. Under such regime, the developer shall report in writing to the relevant administrative authority for land and resources at the commencement and completion of the construction project. The commencement and completion date of construction set forth in the agreements may be postponed by reporting the reasons for the delay to the respective administrative authority for land and resources no later than 15 days prior to such date. A developer who fails to report accordingly shall be announced to the public and prohibited from participating in any new land grant transactions for a minimum of one year. Additionally, land used for developing subsidized community housing and small-to-medium-size self-use residential commodity housing, as well as for the redevelopment of run-down and substandard housing shall account for not less than 70% of the total land supply for residential property development. The lowest land premium for the assignment of land use rights shall not be lower than 70% of the benchmark price for land of the same grade in the same locality, and the deposit for the participation as a bidder for the land shall not be lower than 20% of the minimum land premium. The contract for the assignment of land shall be executed in writing within ten days after the deal is reached, the down payment of the land assignment price, which shall not be less than 50% of the full land assignment price, shall be paid within one month after the contract for the assignment of land is executed, and the land assignment price shall be paid in full no later than one year after the contract for the assignment of land is executed. A property development enterprise that defaults on the payment of the land premium, holds idle land, hoards or speculates in land, develops property on the land exceeding its actual development capacity or defaults on the performance of the contract for the assignment of land shall be banned from participating in any transactions for the assignment of land for a specified period.



In September 2010, the MLR and MOHURD jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (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 the planning and construction conditions and land use standards should be specified when a parcel of land is to be granted, and the restrictions on the area of one parcel of land granted for commodity properties should be strictly implemented. The development and construction of large low-density residential properties should be strictly restricted, and the floor area ratio for residential land is required to be more than one. In addition, a property developer and its shareholders will be prohibited from participating in land bidding before any illegal behaviors in which it engages, such as land idle for more than one year on its own reasons, have been completely rectified.

In December 2010, the 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 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 the 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.

On January 26, 2011, the State Council issued the Notice on Further Regulating the Real Estate Market (關於進一步做好房地產市場調控工作有關問題的通知), which provides a more stringent supervision on housing land supply, among other provisions, the new regulation requires land bidding participants to provide a source of fund proof.

On May 23, 2012, the MLR and NDRC jointly issued the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (關於發佈實施《限制用地項目目錄(2012年本)》和《禁止用地項目目錄(2012年本)》的通知), under which, the area of land to be granted for residential use should not exceed (i) seven hectares for small cities and towns; (ii) 14 hectares for medium-sized cities; and (iii) 20 hectares for large cities, and the plot ratio for residential housing projects must be more than 1.0.

On February 15, 2012, the MLR issued the Notice on Diligent 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), which provided, among others, that local governments shall put into effect a reporting system of project commencement and completion, and land users shall submit written reports to the relevant land and resources department at the time of, or prior to, project commencement and completion for supervision.

On March 25, 2015, MLR and MOHURD jointed issued the Notice on Improving Residential Properties and Land Supply Structure in 2015 to Promote the Steady and Healthy Development of the Real Estate Market (關於優化2015年住房及用地供應結構促進房地產市場平穩健康發展的通知), which stipulates, among other things, that for residential properties under development it is allowed to properly adjust the unit structure to satisfy the market demand of residential properties for self-use and improving living conditions subject to the relevant planning requirements unchanged. On April 1, 2017, MOHURD and 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 cities and counties that have more than one million inhabitants should make three-year (2017-2019) and a five-year (2017-2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course depending on the period of the inventory cycle of commodity housing: where such period is longer than



36 months, no more land is to be supplied; land supply shall be reduced in size if the said period is over 18 months but shorter than 36 months; more land shall be provided in the case of a period of longer than six months but shorter than 12 months; however, if the current inventory could be sold in less than six months, land shall be supplied in a significant scale at a fast pace. In addition, the circular stipulates that local authorities should adopt the examination system of land acquisition capital to insure the property developers acquiring land with internal funds and the property developers should be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit.

### ***Resettlement***

Pursuant to the Administration Rules of Demolition and Removal of Housing in Urban Areas (城市房屋拆遷管理條例)(the “Demolition and Removal Rules”) promulgated by the State Council on June 13, 2001, the party responsible for resettlement (the “resettling party”) should apply for a resettlement permit before commencing resettlement. The resettling party must enter into written agreements with the relevant residents detailing, among other things, the compensation to be provided to the residents, which will be determined on the basis of, among other things, the property’s location, permitted use and gross floor area. For leased housings, the resettlement and compensation agreements shall be reached among the resettling party, the relevant residents and the lessees. If the resettling party and the residents fail to reach agreement, either party may apply to the relevant authority for a ruling. A ruling will be given within 30 days of the application, following which either party may initiate proceedings in a people’s court within three months from the ruling if they contest the ruling. The resettling party shall provide monetary compensation or alternative residence for the residents to be resettled according to relevant laws and regulations. There is no need to provide any compensation for the resettlement of illegal housings and temporary constructions, the valid term of which has expired. However, it is necessary to provide proper compensation to demolish those temporary constructions within the valid terms.

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

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

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

After a property developer has carried out the above work, the site is ready for the commencement of construction works, the progress of demolition and relocation of existing buildings complies with construction needs and funds for the construction have been made available, the developer shall apply for a Permit for Commencement of Works from the construction authority under the local government

above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the MOHURD in June 2014 and as effective from October 25, 2014 and as amended on September 19, 2018.

### ***Termination of the land use rights***

In accordance with the Land Administrative Law of the People's Republic of China (中華人民共和國土地管理法) promulgated by the Standing Committee of the National People's Congress on June 25, 1986 and amended on August 28, 2004 and August 26, 2019 (effective from January 1, 2020) respectively, under any of the following cases, the land administrative authorities may recover the state-owned land use rights with the approval of the people's governments that originally gives the approvals or the relevant competent people's governments:

- use land for the sake of public interests (subject to proper compensation);
- use land for adjustment in re-building old city districts in order to implement urban construction plans (subject to proper compensation);
- when the term for the land use rights expires, the land user has failed to apply for an extension or failed to get approval for an extension;
- the use of land originally allocated has been stopped due to cancellation or removal of units; and
- roads, railways, airports and mining sites that have been approved to be abandoned.

Under the Provisional Regulations on Grant and Transfer, the maximum term of the land use rights shall be determined, respectively, in the light of the purposes listed below: (i) 70 years for residential purposes; (ii) 40 years for commercial, tourism and entertainment purposes; and (iii) 50 years for education, science, culture, public health, physical education, industrial, comprehensive utilization or other purposes.

### ***Commencement of development with respect to a property project and idle land***

Under the Urban Property Law, those who have obtained the land use rights by assignment must develop the land in accordance with the use and period of commencement as prescribed by the contract for the assignment of land. According to the Measures on Disposing Idle Land (閒置土地處置辦法) promulgated by the MLR on April 28, 1999 and amended on July 1, 2012, a parcel of land can be defined as idle land under any of the following circumstances:

- any state-owned construction land, of which the holder of the land use rights fails to start the construction and development of the land within one year after the commencement date as prescribed in the contract for fee-based use of state-owned construction land or the decision on allocation of state-owned land for construction; or
- any state-owned construction land of which the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the amount invested is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year.

Unless the delay in development of the land is caused by government actions as stipulated by the Measures on Disposing Idle Land, a parcel of land which has been deemed as idle land by competent authority of land and resources may be disposed of in the following ways:

- where the land has remained idle for more than one year, the competent authority of land and resources at the municipal or county level may, with the approval of the people's government at the same level, issue a Decision on Collecting Idle Land Fee to the holder of the land use rights and collect the idle land fee at the rate of 20% of the land assignment or allocation price, and such idle land fee shall not be included in the production cost by the holder of the land use rights; and
- where the land has remained idle for more than two years, the competent authority of land and resources at the municipal or county level may, with the approval of the people's government at the same level, issue a Decision on Forfeiting the Right to Use the State-owned Construction Land to the holder of the land use rights to forfeit the state-owned construction land use rights without compensation.

On January 3, 2008, the State Council promulgated the Circular on Conservation of Intensive Land Use (關於促進節約集約用地的通知), which seeks to:

- examine and adjust all ranges of site planning and land use standards in line with the principle of economic and intensive land use; project designs, construction and approval of construction shall all be subject to stringent land use standards;
- urge all localities to enforce policies for the disposal of idle land; where a piece of land has been idle for two full years and may be retrieved unconditionally as statutorily required, such land shall be retrieved and arrangements for its use shall be made, and where a piece of land has been idle for one year but less than two years, an idle land charge valued at 20% of the land assignment premium shall be levied on the land user;
- vigorously guide the use of unused and abandoned land and encourage the development and utilization of aboveground and underground space;
- strictly implement the tender, auction and listing-for-sale regime for land intended for industrial and business purposes; where the total land premium is not paid in full in compliance with contractual agreement, the land use certificate shall not be issued, nor shall it be issued in proportion to the ratio between the paid-up land premium and the total land premium;
- make reasonable arrangements on residential land and persist on banning land supply for real estate development projects for villas, and strictly prohibit unauthorized conversion of agricultural land into construction land;
- strengthen supervision and inspection of intensive land use conservation; and
- discourage financial institutions from granting loans and providing finance to property development enterprises whose real estate development project is less than one quarter invested, occupies an area less than one third and/or was commenced over one year after the project commencement date, in each case as stipulated in the contract for the assignment of land.

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

### ***Planning of a property project***

According to the Measures for Control and Administration of the Grant and Transfer of the Right to Use Urban State-owned Land (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the MOHURD on December 4, 1992 and implemented on January 1, 1993 and the Notice of the Ministry of Construction on Strengthening the Planning Administration of the Grant and Transfer of the Right to

Use State-owned Land (建設部關於加強國有土地使用權出讓規劃管理工作的通知) promulgated by the MOHURD on December 26, 2002, after signing the contract for the assignment of land use rights, a property development enterprise shall apply for a project survey and a construction land planning permit from the city planning authority. After obtaining a construction land planning permit, a property development enterprise shall organize the necessary planning and design work in accordance with planning and design requirements and apply for a construction works planning permit from the city planning authority.

The Urban and Rural Planning Law (城鄉規劃法), promulgated by the Standing Committee of the National People's Congress in October 2007 which became effective in January 2008 and as amended on April 24, 2015 and April 23, 2019, provides regulations with respect to the formulation, implementation, modification, control, supervision and related legal liability of measures aimed at curbing problems that may arise as a result of conflicts between city and rural construction developments. The scope of the measures includes the planning, layout and construction of cities, towns with administrative status, market towns and villages. In order to effectively prevent construction that is in breach of rules and regulations, the Urban and Rural Planning Law stipulates that where any construction project is commenced without obtaining a construction land planning permit, or where construction land planning permit has been obtained but construction has proceeded not in accordance with that permit, the Urban and Rural Planning Department at the county level or above may issue an order to cease construction. In the case that the construction can be remedied to conform to the relevant planning rules, an order can be made to rectify the construction in a prescribed period of time and a fine totaling between 5% to 10% of the total construction cost may be imposed. Where the construction cannot conform to relevant planning rules, an order for its demolition will be issued or, where demolition is not possible, the property and/or illegal income derived from the property will be confiscated and a fine totaling 10% or less of the construction cost will be imposed.

In November 2009, the MOHURD and the Office of the Leading Group for Addressing Problems Regarding Unauthorized Change of Planning and Adjustment of the Floor Ratio in Real Estate Development under the Ministry of Supervision jointly promulgated the Notification on Further Implementation of the Special Project to Address Problems Regarding Unauthorized Changes to the Planning and Adjustment of the Floor Area Ratio (關於深入推進房地產開發領違規變更規劃調整容積率問題專項治理的通知) which re-emphasized the need to rectify, investigate and punish property development enterprises which undertake any unauthorized adjustment of the floor area ratio.

### ***Construction of a property project***

According to the Measures for the Administration of Construction Permits for Construction Projects (建築工程施工許可管理辦法) promulgated by the MOHURD on June 25, 2014 and as effective from October 25, 2014 and as amended on September 19, 2018, after obtaining the construction works planning permit, a property development enterprise shall apply for a construction works commencement permit from the construction authority under the local people's government at the county level or above. The Notice Regarding the Strengthening and Regulation of the Management of New Projects (關於加強和規範新開工項目管理的通知), promulgated by the General Office of the State Council on November 17, 2007, regulates the conditions for commencing investment projects, establishes a mechanism for the coordination of government departments regarding new projects, strengthens the statistics and information management and tightens the supervision and inspection of new projects.

### ***Completion of a property project***

According to the Development Regulations and the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例) promulgated by State Council on January 30, 2000, the Interim Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the MOHURD in April 2000 and amended in October 2009 and the Provisions on Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政

基礎設施工程竣工驗收規定) promulgated by the MOHURD on December 2, 2013, after the completion of construction of a project, the property must undergo inspection and receive relevant approvals from local authorities including planning bureaus, fire safety authorities and environmental protection authorities. Thereafter, the property development enterprise shall apply for at the property development authority under the people's government at the county level or above for a certificate of completion. Once the examination has been completed, a Record of Acceptance Examination upon Project Completion (項目竣工驗收報告) will be issued.

According to the Notice on Further Strengthening the Quality Supervision and Management of Construction Projects (關於進一步加強建築工程質量監督管理的通知) promulgated by the MOHURD on April 13, 2009, the legal regulatory framework and the supervision system in respect of quality supervision and completion acceptance examination shall be further improved.

## **Transfer and Sale of Property**

### ***Transfer of property***

According to the Urban Property Law and the “Provisions on Administration of Transfer of Urban Property”(城市房地產轉讓管理規定) promulgated by the MOHURD on August 7, 1995 and as amended on August 15, 2001, a property owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring the title to a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the property administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Where the land use rights were originally obtained by assignment, the real property may only be transferred on the condition that: (a) the assignment price has been paid in full for the assignment of the land use rights as provided by the contract for the assignment of the land and a land use rights certificate has been obtained; or (b) development has been carried out according to the contract for the assignment of the land and, in the case of a project in which buildings are being developed, development representing more than 25% of the total investment has been completed.

If the land use rights were originally obtained by assignment, the term of the land use rights after transfer of the property shall be the remaining portion of the original term provided by the contract for the assignment of the land after deducting the time that has been used by the former land user(s). In the event the transferee intends to change the use of the land provided in the original contract for the assignment of the land, consent shall first be obtained from the original grantor and the planning administration authority under the local government of the relevant city or county and an agreement to amend the assignment contract or a new contract for the assignment of the land shall be signed in order to, amongst other matters, adjust the land use rights assignment price accordingly.

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

### ***Sale of commodity buildings***

Pursuant to the Regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法) promulgated by the MOHURD on April 4, 2001 and implemented on June 1, 2001, sale of commodity buildings can include both pre-completion sales (pre-sale) and post-completion sales.



### ***Permit for pre-sale of commodity buildings***

According to the Development Regulations and the Measures for Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法)(the “Pre-sale Measures”) promulgated by the MOHURD on November 15, 1994 and as amended on August 15, 2001 and July 20, 2004, the pre-sale of commodity buildings shall be subject to a licensing system, and a property development enterprise intending to sell a commodity building before its completion shall register with the property development authority of the relevant city or county to obtain a pre-sale permit. A commodity building may be sold before completion only if: (a) the assignment price has been paid in full for the grant of the land use rights involved and a land use rights certificate has been obtained; (b) a construction works planning permit and construction works commencement permit have been obtained; (c) 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 ascertained; and (d) the pre-sale has been registered and a pre-sale permit has been obtained.

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

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

### ***Supervision of pre-sale income of commodity buildings***

According to the Pre-sale Measures, the income of a property development enterprise from the pre-sale of commodity buildings must be used for the construction of the relevant project. The specific measures for the supervision of the income from the pre-sale of commodity buildings shall be formulated by the relevant property administration authorities.

### ***Conditions of the sale of post-completion commodity buildings***

Under the regulatory Measures on the Sale of Commodity Buildings (商品房銷售管理辦法), commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: (a) the property development enterprise shall have a business license and a qualification certificate of a property development enterprise; (b) the enterprise shall obtain a land use rights certificate or other



approval documents for land use; (c) the enterprise shall have the construction works planning permit and construction works commencement permit; (d) the building shall have been completed, inspected and accepted as qualified; (e) the relocation of the original residents shall have been completed; (f) the provision of essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other essential utilities and public facilities shall have been made ready for use, or a date for their construction and delivery shall have been specified; and (g) the property management plan shall have been completed.

Before the post-completion sale of a commodity building, a property development enterprise shall submit the property development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the property development authority.

### ***Regulations on transactions of commodity buildings***

According to the Development Regulations and the Pre-sale Measures, for the pre-sale of commodity buildings, the developer shall sign a contract on the pre-sale of a commodity building with the purchaser. The developer shall, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity building with the relevant property administration authorities.

Pursuant to the Circular of the General Office of the State Council on Forwarding the Opinions of the Ministry of Construction and other Departments on Stabilizing House 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意見的通知) issued on May 9, 2005:

- a buyer of a pre-sold commodity building is prohibited from conducting any further transfer of the commodity building before construction has been completed and a property ownership certificate obtained. If there is a discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the property administration authorities shall not register the application for property ownership; and
- a real name system is applied for each property purchase transaction and an immediate archival filing network system is in place for pre-sale contracts of commodity buildings.

On July 6, 2006, the MOHURD, the NDRC and SAIC jointly promulgated the Notice on Reorganizing and Regulating Real Estate Transaction Procedures (關於進一步整頓規範房地產交易秩序的通知), the details of which are as follows:

- a property development enterprise may start to sell the commodity buildings within 10 days after receiving a pre-sale permit, and without this permit, the pre-sale of commodity buildings is prohibited, as is the subscription to (including reservation, registration and number selecting) or acceptance of any kind of pre-sale payments;
- the property administration authority should establish a network system for pre-sale contracts of commodity buildings, which should include the location and basic information of the commodity building and the schedule for the sale, and the buyer of a pre-sale commodity building is prohibited from conducting any further transfer of the commodity building while it is still under construction;
- the pre-sale of commodity buildings must not be advertised without a pre-sale permit;
- property development enterprises with a record of serious irregularity or developers who do not satisfy the requirements of the pre-sale of commodity buildings are not allowed to take part in pre-sale activities; and
- property administration authorities should strictly carry out the regulations of the pre-sale registration and apply the real name system for house purchases.

On April 13, 2010, the MOHURD issued the Notice on Further Enhancing the Supervision of the Real Estate market and Perfecting the Pre-sale System of Commodity Properties (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). Pursuant to the notice, without pre-sale approval, pre-

sale of commodity properties is not permitted and property developers are not allowed to charge buyers any deposit, pre-payment or payment of similar nature. Within 10 days after obtaining the relevant pre-sale permits, property developers are required to make a public announcement on all information relating to the units available for pre-sale and the price of each unit. 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.

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

### ***Mortgages of property***

Under the Urban Property Law, the Guarantee Law of the People's Republic of China (中華人民共和國擔保法) promulgated by the Standing Committee of the National People's Congress on June 30, 1995 and implemented on October 1, 1995 which will be superseded by the Civil Law of the PRC (中華人民共和國民法典) since January 1, 2021, and the Measures on the Administration of Mortgages of Property in Urban Areas China (城市房地產抵押管理辦法) promulgated by the MOHURD in May 1997 and as amended on August 15, 2001, when a mortgage is lawfully created on a building, a mortgage shall be simultaneously created on the land use rights of the land on which the building is situated. When the land use rights acquired through means of assignment are being mortgaged, the buildings on the land shall be simultaneously mortgaged. The land use rights of town and village enterprises cannot be mortgaged. When buildings owned by town and village enterprises are mortgaged, the land use rights occupied by the buildings shall at the same time also be mortgaged. The mortgagor and the mortgagee shall sign a mortgage contract in writing. Within 30 days after a property mortgage contract is signed, the parties to the mortgage shall register the mortgage with the property administration authorities at the location where the property is situated. A property mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on property in respect of which a house ownership certificate has been obtained, the registration authority shall make an entry under the "third party rights" item on the original house ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage after the issuance of certificates evidencing the ownership of the property.

### ***Leases of buildings***

Both the Urban Land Regulations and the Real Property Law permit leasing of granted land use rights and the buildings or properties constructed on the land. Leasing of properties situated in urban areas is governed by the Administration Measures for Urban Buildings Leasing, or the Urban Buildings Leasing Measures. The Urban Buildings Leasing Measures were promulgated by the Ministry of Construction in May 1995 in accordance with the Real Property Law in order to strengthen the administration of the leasing of urban buildings. The Urban Buildings Leasing Measures permit property owners to lease their properties to others for residential or commercial property uses except as otherwise prohibited by relevant laws. The landlords and tenants who are the parties to a property lease transaction are required

to enter into a written lease agreement specifying all of the terms of the lease arrangement as required by statutes. Leasing of buildings and the underlying land use rights must not exceed a maximum term of 20 years. The lease agreement becomes effective upon signing; however, it must be registered with the relevant real property administration authority at the municipality or county level within 30 days after its execution for the purpose of protecting the tenant's interest against claims from third parties. A tenant may, upon obtaining consent from the landlord, assign or sublet the premises to sub-tenants.

The MOHURD promulgated the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法)(the "Leasing Measures") on December 1, 2010, and according to the Leasing Measures, the parties to a housing tenancy shall go through the housing tenancy registration formalities with the competent real estate authorities of the municipalities directly under the PRC central government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed. The relevant real estate authorities are authorized to impose a fine below RMB1,000 on individuals, and a fine from RMB1,000 to RMB10,000 on other violators who are not natural persons and fail to comply with the regulations within the specified time limit. The Leasing Measures came into effect as of February 1, 2011 in replacement of the Administration Measures for Urban Buildings Leasing.

According to the Real Property Law, rental income derived from the lease of buildings and the underlying land use rights from a landlord who acquired only allocated land use rights without payment of consideration for such acquisition must be turned over to the State.

On June 3, 2016, the General Office of the State Council issued the Opinions on Accelerating the Cultivation and Development of Leasing Market (國務院辦公廳關於加快培育和發展住房租賃市場的若干意見), which encourages real estate developers to carry out house leasing business. The opinions support real estate developers to explore business scope, utilize built residential properties or newly built residential properties to carry out leasing business, encourage real estate developers to put the residential properties for rent, and guide real estate developers to cooperate with residential property leasing enterprises and develop rental properties.

On July 18, 2017, MOHURD, NDRC and other government departments jointly released the Circular on Accelerating the Development of the Housing Leasing Market in Large and Medium-sized Cities with a Large Inflow Population (關於在人口淨流入的大中城市加快發展住房租賃市場的通知, hereinafter referred to as the Circular). According to the Circular, the government will take multiple measures to speed up the development of the rental market and increase supply of rental housing, including but not limited to, encouraging the local governments to increase land supply for the development of property for rental- and increasing the proportion of rental housing to the commercial residential building projects.

On September 14, 2017, MOHURD issued a notice and officially announce its support for the pilot program on houses with joint property ownership rights in Beijing and Shanghai. On March 16, 2016, Shanghai Municipal People's Government promulgated the Measures for the Administration on Houses with Joint Property Rights (上海市共有產權保障住房管理辦法), which was implemented on May 1, 2016. On September 20, 2017, Beijing Municipal Housing and Urban-Rural Development Commission, Beijing Municipal Planning and Land Resources Management Committee, Beijing Municipal Development and Reform Commission and Beijing Municipal Bureau of Finance released the Interim Measures for the Administration of Houses with Joint Property Rights (共有產權住房管理暫行辦法), which was implemented on September 30, 2017. According to the aforementioned measures, the houses with joint property ownership rights refers to the housing that the property ownership rights are jointly owned by the government and the purchasers, and the sales price is lower than the market price and the ownership of the housing is restricted. The land for joint property ownership rights will be included in the annual plan of land supply of the local government, listed separately and supplied with priority.

On December 13, 2019, MOHURD, NDRC and other government departments jointly issued the Opinions on Regulating the Leasing Market Order (關於整頓規範住房租賃市場秩序的意見).

### ***Financing property development and acquisition***

The PBOC issued the Circular on Further Strengthening the Management of Property Loans (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 mortgages and individual commodity buildings as follows:

- Property loans by commercial banks to property development enterprises shall be granted only in respect of a particular item of property development rather than to meet cash flow or other financing demands. Loans of any kind must not be granted for projects which do not obtain a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit.
- Commercial banks shall not grant loans to property development enterprises to pay off land premiums.
- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for an individual home loan for their first residential unit, the minimum first installment remains unchanged at 20%. In respect of a loan application for any additional purchase of a residential unit(s), the percentage of the first installment shall be increased.

Pursuant to the Guidance on Risk Management of Property Loans from Commercial Banks (商業銀行房地產貸款風險管理指引) issued by the CBRC on September 2, 2004, any property development enterprise applying for property development loans shall have at least 35% of the capital required for the development.

According to the Notice of the People's Bank of China on the Adjustment of Commercial Bank Housing Credit Policies and the Interest Rate of Excess Reserve Deposits (中國人民銀行關於調整商業銀行住房信貸政策和準備金存款利率的通知) promulgated by the PBOC on March 16, 2005, from March 17, 2005, in cities and areas where there has been a rapid increase in house prices, the minimum first installment for individual house loans increased from 20% to 30%. Commercial banks can independently determine the particular cities or areas under such adjustment according to the specific situation in different cities or areas.

On May 24, 2006, the State Council issued the Opinions of the Ministry of Construction and other Departments on Adjusting the Housing Supply Structure and Stabilizing Housing Prices (關於調整住房供應結構穩定住房價格的意見). The regulations relating to property credit are as follows:

- commercial banks shall not provide loans to those property enterprises that fail to meet loan conditions, such as having a project capital of less than 35%.
- for property development enterprises that have large volumes of idle land and vacant commodity buildings, 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 building that has been idle for three or more years as collateral for loans.

According to the Circular on Standardizing the Admittance and Administration of Foreign Capital in the Property Market (關於規範房地產市場外資准入和管理的意見), foreign-invested property enterprises which have not paid up their registered capital, failed to obtain a land use rights certificate, or which have less than 35% of the capital for the project, will be prohibited from obtaining a loan in or outside China, and SAFE shall not approve the registration of foreign loans from such enterprises.

On September 27, 2007, the PBOC and the CBRC issued the Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的通知)(the “2007 Notice”). The 2007 Notice puts forward requirements for the purpose of strengthening processes for loan management, including by means of credit checks, monitoring of real estate loans and risk management, in respect of (a) real estate development, (b) land reserves, (c) housing consumption, and (d) the purchase of commercial buildings.

Pursuant to the 2007 Notice, commercial banks shall not grant loans in any form, to (a) projects where the capital funds (owner’s equity) constitute less than 35%, or, projects without a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit; and (b) property development enterprises that have been hoarding land and housing resources, as detected and verified by land resources departments and construction authorities. Furthermore, commercial banks are not permitted to accept commodity buildings with a vacancy exceeding three years as collateral for a loan, and may not grant property development enterprises any loans for the payment of relevant land assignment premiums.

In respect of loans for individual housing consumption, commercial banks are only permitted to grant housing loans to individuals who purchase commodity buildings the construction of which have reached the “topping out of the main structure” stage. Where an individual purchases his or her first commodity apartment for personal residential purposes: (a) if a construction area is below 90 sq.m., the minimum down payment shall be fixed at no less than 20%; and (b) if the construction area is above 90 sq.m., the minimum down payment shall be fixed at no less than 30%. Where an individual has purchased a commodity apartment by means of such loan and proceeds to purchase a second (or more) home, the minimum down payment shall be no less than 40% and the interest rate shall not be under 110% of the benchmark interest rate as announced by the PBOC during same period and in same bracket. Further, the minimum down payment and the interest rate shall both rise with the increase in the number of homes purchased, with the increased percentage rates to be determined by commercial banks, at their own discretion, according to principles of loan risk management. However, the monthly repayments for housing loans shall not exceed 50% of the individual borrower’s monthly income.

In respect of commercial building loans, commercial buildings purchased by loan shall be buildings that have satisfied procedural requirements of completion inspection and acceptance. For such purchase, the minimum down payment shall be no less than 50%, the loan term shall not exceed ten years and the interest rate shall not be under 110% of the benchmark interest rate as announced by the PBOC during the same period and in same bracket. Where a loan application is in connection with a commercial and residential building, the minimum down payment shall be no less than 45% and the loan term and interest rate shall be arranged according to relevant regulations.

The Supplemental Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的補充通知)(the “Supplemental Notice”), jointly issued by the PBOC and the CBRC and dated December 5, 2007, sets forth supplemental requirements in respect of strengthening housing consumption loan management, mainly including the following:

- assess the number(s) of housing loan with the borrower’s family as the basic calculation unit;
- stipulate conditions under which the housing loan policy for first home buyers shall serve as the referential basis for bank loans; and
- where a family that has already purchased a commodity apartment via housing provident fund makes a housing-loan application to commercial banks, the requirements set forth in the Notice shall be duly satisfied in accordance with the Notice.

As stipulated in the Supplemental Notice, in the event an applicant is found to have presented false information and certifications, all commercial banks shall deem the loan application unacceptable.



Since the second quarter of 2008, the PRC government has implemented a series of policies intended to strengthen and improve the sound development of the real estate market.

On May 26, 2008, the CBRC issued the Notice on Further Strengthening Risk Management in the Provision of Credit to the Real Estate Market (關於進一步加強房地產行業授信風險管理的通知). To combat property development enterprises who (a) “falsify mortgages” by using forged property sale contracts; (b) process “falsified down payments” from borrowers by accepting initial repayments in the pre-sale stage, paying for buyers in advance or by other means; or (c) mislead banks about decisions over the provision of loans by forging their sale performances or house prices as well as other problems arising in the real estate market, the Notice requires each commercial bank to:

- strictly follow the policies and conditions related to the provision of loans to individuals;
- improve the monitoring of the qualifications of borrowers;
- rigorously examine the enterprise credit ratings of property development enterprises; and
- upon discovering that a property development enterprise has engaged in the “falsification of mortgages,” “falsification of down payments,” “forgery of house prices” or other such behavior, terminate the individual housing loans or development loans extended to such developer. Property development enterprises suspected of committing such crimes shall be referred to the judicial organs for further investigation.

On October 22, 2008, the PBOC issued the Circular on the Expansion of the Downward Adjustment Range for Interest Rates of Commercial Individual Mortgage Loans and Related Issues (中國人民銀行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 decreased the minimum down payment for residential property purchasers to 20% and reduced the minimum mortgage loan rates for such purchases to 70% of the benchmark interest rate starting from October 27, 2008.

On December 20, 2008, the General Office of the State Council issued Several Opinions on Promoting the Sound Development of the Real Estate Market (關於促進房地產市場健康發展的若干意見), which provides the following regarding loans for property businesses:

- The purchase of regular commodity houses for residential purposes is to be encouraged. In addition to extending favorable interest rates and loan policies to first time buyers of apartments for self-residential purposes, individuals with an existing home in which the per person floor area is smaller than the local average may buy a second apartment for self residential purposes under favorable loan terms similar to those that apply to first-time buyers. If individuals purchase a second apartment or more for any other purpose, the interest rate shall be determined according to potential risks by commercial banks and based on the benchmark interest rate.
- The proper financing requirements for property development enterprises should be adhered to. Commercial banks shall increase credit financing services available to ordinary commercial housing construction projects, provide financial support and other related services to property development enterprises engaged in merger and restructuring activities, and support the approval of bond issuances by property development enterprises.

The State Council issued the Notice on Adjusting the Minimum Capital Requirement for Capital Funding for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) on May 25, 2009, which provides for the reduction of the minimum capital requirement for affordable residential housing projects and regular commodity residential houses from 35% to 20%, and for other property projects to 30%. When providing credit finance support and services, financial institutions shall determine, at their own discretion, whether to grant a loan and the amount of the loan having regard to the minimum capital requirement as determined by the state.



On June 19, 2009, the CBRC issued the Notice on Further Strengthening the Risk Management of Mortgage Loans (關於進一步加強按揭貸款風險管理的通知). With regard to current problems in the real estate market, particularly in the area of mortgage loans such as “falsified mortgages,” “falsified down payments,” “forged house prices” and the relaxed enforcement of criterion for “loans for a second house,” the Notice reiterates the following requirements:

- banking institutions shall strictly carry out pre-lending credit check and tighten the criterion for granting a loan in order to prevent the occurrence of such behavior as “falsified mortgages,” “falsified down payments,” and “forged house prices;”
- banking institutions shall proceed to focus on supporting the purchase by individuals of their first commodity house for self-residence purposes and shall not circumvent relevant restrictions with regard to the provision of loans for a second (or more) house by claiming that a national network for credit information collection is not available or that cross-regional investigations into the purchaser’s background is difficult or onerous; and
- banking institutions are not entitled to decide the criterion for identifying “loans for a second house” or to lower the minimum down payment indirectly by any means.

On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Prices from Increasing Too Rapidly in Certain Cities, pursuant to which the State Council raised 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, the notice also stipulates that interest rates for mortgage loans for second homes cannot be lower than 110% of the PBOC benchmark lending rate; and interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially.

On May 26, 2010, the MOHURD, the PBOC and the CBRC jointly issued the Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Personal Commercial Housing Loans (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among others, 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 of the total number of residential properties owned by the household of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

In September 2010, PBOC and the 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), which provides, among other things, that (i) the minimum down payment is raised to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, spouse and minor children) for their third or further residential property or to non-local residents who can not provide documentation certifying payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of being involved in abuse of land, changing the land-use purpose or nature use of land, postponing the construction commencement or completion date, hoarding or other noncompliance will be restricted from obtaining bank loans for new projects or extension of credit facilities.

In November 2010, MOHURD, the MOF, CBRC and PBOC jointly promulgated the Notice on Relevant Issues Concerning Policies of Regulation of Individual Housing Reserve 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, among other things: (i) where a first-time house purchaser (including the borrower, his or her spouse and minor children) uses housing reserve loans to buy an ordinary house for self-use with a unit floor area: (a) equal to or less than 90 sq.m., the minimum down payment shall be at least 20%, (b) more than 90 sq.m., the minimum down payment shall be at least 30%; (ii) for a second-time house purchaser using housing reserve loans, the minimum

down payment shall be at least 50% with the minimum lending interest rate of 110% of the benchmark rate; (iii) the second housing reserve loan will only be available to families whose per capital housing area is below the average in locality and such loan must only be used to purchase an ordinary house for self-use to improve residence conditions; and (iv) housing reserve loans to families for their third and further residential property will be suspended.

On January 26, 2011, the State Council issued the Circular on Issues concerning Further Works of Regulation and Control of Real Estate Market (關於進一步做好房地產市場調控工作有關問題的通知), requiring: (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, purchasers (including their spouses and minor children) that are either local residents or non-local residents that can provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase a second (or further) residential property, and purchasers (including their spouses and minor children) that are non-local residents that are unable to provide documentation certifying payment of local tax or social security for longer than a specified time period, are not permitted to purchase any residential properties. In order to implement the Circular, more than 40 cities, including Zhengzhou, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

To support the demand of buyers of property for residential purposes and to promote the sustainable development of the real estate market, PBOC and CBRC jointly issued the Notice on Further Improving Financial Services for Real Estate Sector (關於進一步做好住房金融服務工作的通知) on September 29, 2014, which provides that for any family that wishes to use a loan to buy a property for its own residence, the minimum down payment will be 30% of the property price and the floor loan interest rate will be 70% of the benchmark lending interest rate, with the specific terms of such loan to be decided by the banking financial institution that provides the loan based on the risk profile of the borrower. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off all the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency, credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. On March 30, 2015, PBOC, CBRC and MOHURD jointly issued the Notice on Issues of Individual Mortgage Loans Policies (關於個人住房貸款政策有關問題的通知) to lower the minimum down payment to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. On February 1, 2016, the PBOC and CBRC jointly issued the Notice on the Adjustment of Individual Housing Loans Policies (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. On August 25, 2019, PBOC issued the Announcement of the People's Bank of China No.16 [2019] under which, starting from October 8, 2019, new commercial individual housing loans should be

priced by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. The interest rate of first-time commercial individual housing loans should not be lower than the LPR of corresponding maturity, and the interest rate of second-time commercial individual housing loans not be lower than the LPR of corresponding maturity plus 60 basis points.

### ***Insurance of a property project***

There are no mandatory provisions in PRC laws, regulations and government rules which require a property development enterprise to take out insurance policies for its property projects. Construction companies are required to pay for the insurance premium at their own costs and obtain insurance to cover their liabilities, such as third-party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and risks associated with the construction and installation works during the construction period. The requirement for construction companies to obtain insurance coverage for all the aforementioned risks ceases immediately after the completion and acceptance upon inspection of construction. However, PRC commercial banks may require the property development enterprise to purchase insurance if the commercial bank intends to grant a development loan to the property development enterprise.

### ***Environmental protection***

Pursuant to the requirements of relevant laws and regulations such as the Appraisal Measures for the Impact on the Environment of the PRC (中華人民共和國環境影響評價法) implemented by the Standing Committee of the National People's Congress in September 2003, and the Regulations Governing Environmental Protection of Construction Projects (建設項目環境保護管理條例) implemented by the State Council in November 1998 and as amended on July 16, 2017, property development enterprises and construction enterprises must carry out an appraisal of the impact the construction project will have on the environment. The relevant project shall not commence until approval is obtained from the supervisory body for environmental protection. While the project is in progress, the developer should also comply with the appraisal documents relating to the impact on the environment and implement the environmental protection measures set out in the opinion of the supervisory body for environmental protection. Such measures must be incorporated into the design, construction and operation of the general construction. Upon completion of the project, the developer should apply to the supervisory body for environmental protection for the inspection and acceptance of the completed environmental protection facilities. Only those projects that have been inspected and accepted may go into operation or be available for use.

### ***Construction safety***

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

Under the Construction Law of the People's Republic of China (中華人民共和國建築法), the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor.

## **Major Taxes Applicable to Property Developers**

### ***Corporate income tax***

According to the CIT Law promulgated by National People's Congress on March 16, 2007, which came into effect on January 1, 2008, a uniform income tax rate of 25% is applied equally to domestic enterprises, as well as foreign investment enterprises. Pursuant to the CIT Law, dividends and interests payable to a foreign investor are subject to a 20% withholding tax unless the jurisdiction of incorporation for the foreign investor has a tax treaty with China that provides for a different withholding arrangement.

According to the Implementation Rules of the PRC on the CIT Law (中華人民共和國企業所得稅法實施條例) promulgated by the State Council on December 6, 2007 and effective January 1, 2008, a reduced income tax rate of 10% is applicable to any interest or dividends payable to non-PRC enterprise investors from foreign invested enterprises. The CIT Law also provides a five-year transition period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential lower income tax rate under the then effective tax laws or regulations. The income tax rate of such enterprises will gradually be transiting to the uniform tax rate within the transition period in accordance with implementing rules issued by the State Council. On December 26, 2007, the State Council issued the Circular to Implement the Transition 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 those enterprises then entitled to a preferential income tax rate of 15% and established before March 16, 2007, the transition income tax rate should be 18%, 20%, 22%, 24% and 25%, respectively in 2008, 2009, 2010, 2011 and 2012.

According 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 (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), or the Avoidance of Double Taxation Agreement, dividend payments to shareholders in Hong Kong would be withheld at a rate of 5% if their investment ratio in invested entities in China is above 25%, or 10% if their investment ratio in invested entities in China is below 25%.

On December 10, 2009, the SAT issued the Circular on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises' Share Transfer (關於加強非居民企業股權轉讓所得企業所得稅管理的通知) or Circular 698, effective as of January 1, 2008, under which, where a foreign investor (actual controller) indirectly transfers equity interests in a Chinese resident enterprise by transferring the shares of the offshore holding company that is located in a country (jurisdiction) where the effective tax burden is less than 12.5%, or where the offshore income of the residents is not taxable, the foreign investor shall provide the relevant tax authority in charge with reports containing relevant information within 30 days of the transfers, and where a foreign investor (actual controller) indirectly transfers equity interests in a Chinese resident enterprise through the abuse of form of organization and there are no reasonable commercial purposes such that the corporate income tax liability is avoided, the tax authority shall have the power to re-assess the nature of the equity transfer in accordance with the "substance-over-form" principle and deny the existence of the offshore holding company that is used for tax planning purposes. "Income derived from equity transfers," as mentioned in this circular refers to income derived by non-resident enterprises from direct or indirect transfers of equity interest in China resident enterprises, excluding shares in Chinese resident enterprises that are bought and sold openly on the stock exchange. In 2015, the SAT issued a circular, known as Circular 7, which replaced or supplemented certain previous rules under Circular 698. Circular 7 sets out a wider scope of indirect transfer of PRC assets that might be subject to PRC enterprise income tax, and more detailed guidelines

on the circumstances when such indirect transfer is considered to lack a bona fide commercial purpose and thus regarded as avoiding PRC tax. The conditional reporting obligation of the non-PRC investor under Circular 698 is replaced by a voluntary reporting by the transferor, the transferee or the underlying PRC resident enterprise being transferred. Furthermore, if the indirect transfer is subject to PRC enterprise income tax, the transferee has an obligation to withhold tax from the sale proceeds, unless the transferor reports the transaction to the PRC tax authority under Circular 7. Late payment of applicable tax will subject the transferor to default interest. Gains derived from the sale of shares by investors through a public stock exchange are not subject to the PRC enterprise income tax pursuant to Circular 7 where such shares were acquired in a transaction through a public stock exchange.

### ***Business tax and value added tax***

Pursuant to the Interim Regulations of the People's Republic of China 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, amended on November 10, 2008, and implemented on January 1, 2009, and the Detailed Implementation Rules on the Provisional Regulations of The People's Republic of China on Business Tax (中華人民共和國營業稅暫行條例實施細則) issued by the MOF on December 25, 1993 and amended on December 15, 2008 and implemented on January 1, 2009 and further amended on October 28, 2011 and implemented on November 1, 2011, the tax rate applicable to the transfer of real properties, their superstructures and attachments is 5%.

Pursuant to the Notice on Adjustment of Transforming Business Tax to Appreciation 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 by the MOF and the SAT, the sale of self-developed previous real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by common taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving the advance payment.

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

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

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

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

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

On November 19, 2017, the Interim Regulations of the People's Republic of China on Business Tax was abolished and the Interim Regulations of the People's Republic of China on Value added Tax (中華人民共和國增值稅暫行條例) was revised by the State Council. According to the revised Interim Regulations



of the People's Republic of China on Value added Tax, selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in the PRC, or importing goods to the PRC, shall be subject to value added tax.

According to a notice jointly issued by MOF, SAT and the General Administration of Customs in March 2019, from April 1, 2019, the value-added tax rate of 16 percent will be lowered to 13 percent and the value-added tax rate of 10 percent will be lowered to 9 percent.

### ***Land appreciation tax***

According to the requirements of the Provisional Regulations of The People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例)(the "Land Appreciation Tax Provisional Regulations") which were promulgated on December 13, 1993 and came into effect on January 1, 1994, and the Detailed Implementation Rules on the Provisional Regulations of the People's Republic of China on Land Appreciation Tax (中華人民共和國土地增值稅暫行條例實施細則)(the "Land Appreciation Tax Detailed Implementation Rules") which were promulgated and came into effect on January 27, 1995, any capital-gain from a transfer of property shall be subject to land appreciation tax. Land appreciation tax shall be charged at four levels of progressive rates: 30% for the appreciation amount not exceeding 50% of the sum of deductible items; 40% for the appreciation amount exceeding 50% but not exceeding 100% of the sum of deductible items; 50% for the appreciation amount exceeding 100% but not exceeding 200% of the sum of deductible items; and 60% for the appreciation amount exceeding 200% of the sum of deductible items. Deductible items include the following:

- amount paid for obtaining the land use rights;
- costs and expenses for the development of the land;
- costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- related tax payable for the 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, land appreciation tax shall be exempted under any of the following circumstances:

- the construction of ordinary standard residences for sale (i.e. the residences built in accordance with the local standards for residential properties, and deluxe apartments, villas, resorts etc. do not come under the category of ordinary standard residences) where the appreciation amount does not exceed 20% of the sum of deductible items;
- property is 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; and



- if the property development contracts were signed before January 1, 1994 or the project proposal has been approved and capital was injected for development in accordance with the conditions agreed, the Land Appreciation Tax shall be exempted if the properties are transferred for the first time within 5 years after January 1, 1994. The date of signing the contract shall be the date of signing the sale and purchase agreement. The tax-free period may be prolonged subject to the approval of the MOF and the SAT for particular property projects which are approved by the government for the development of the whole lot of land and long-term development and in which the properties are transferred for the first time after the 5-year tax-free period.

On December 24, 1999, the MOF and the SAT issued the Notice in respect of the Extension of the Period for the Land Appreciation Tax Exemption Policy (關於土地增值稅優惠政策延期的通知) which extended the period for the land appreciation tax exemption policy mentioned above to the end of 2000.

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 require property development enterprises to declare and pay the land appreciation tax. Accordingly, the MOF, the SAT, the MOHURD and the MLR separately and jointly issued several notices to restate the following: after the land grant contracts are signed, the taxpayers should declare the tax to the local tax authorities where the property is located, and pay land appreciation tax in accordance with the amount as calculated by the tax authority. For those who fail to acquire proof of payment or exemption from land appreciation tax 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 also issued the Notice on the Strict Handling 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 request local tax authorities to: modify the management system of land appreciation tax collection; build up a sound taxpaying declaration system for land appreciation tax; and modify the methods of pre-levying tax for the pre-sale of properties. The Notice also pointed out that for property development contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the policy for exemption from land appreciation tax exemption for properties that are transferred for the first time is no longer in effect and the 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 the Notice on Further Strengthening the Administration of 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 on August 2, 2004 and August 5, 2004, respectively, by SAT. These two notices also required that system for the declaration of land appreciation tax and the registration of the sources of the land appreciation tax should be further improved.

On March 2, 2006, the MOF and the SAT issued the Notice on Several Points on Land Appreciation Tax (關於土地增值稅若干問題的通知) to clarify relevant issues regarding land appreciation tax as follows:

- Standards for the transfer of ordinary standard residential houses. Where any development project includes ordinary residential houses as well as other commercial houses, the amount of land appreciation shall be verified for both commercial and residential houses, respectively. No adjustment shall be retroactively made to any application for tax exemption for ordinary standard residential houses that were filed with the tax authority at the locality of the property prior to March 2, 2006, especially for ordinary standard residential houses which had been exempted from land appreciation tax as according to standards determined by the people's government of a province, autonomous region or municipality directly under the Central Government.
- Standards for the collection and settlement of land appreciation tax:

- (i) All regions shall decide the advance collection rate in a scientific and reasonable manner, and adjust it at a proper time according to the value of the property as well as the market development level within the region and on the basis of the specific housing categories, namely, ordinary standard residential houses, non-ordinary standard residential houses and commercial houses. After a project is completed, the relevant settlement shall be handled in a timely manner, with any overpayment refunded or any underpayment being made up.
- (ii) As to any tax that fails to be collected in advance within the advance collection term, overdue fines shall be collected as of the day following the expiration of the prescribed advance collection term according to the provisions of relevant tax collection and administration law.
- (iii) As to any property project that has been completed and has gone through the acceptance procedure, where the floor area of the property as transferred makes up 85% or more of the saleable floor area, the tax authority may require the relevant taxpayer to settle its land appreciation tax obligation for the transferred property according to the proportion between the income as generated from the transfer of property and the amount under the item of deduction. The specific method of settlement shall be prescribed by the local tax authority of a province, autonomous region or municipality directly under the Central Government, or a city under separate state planning.
- (iv) As to any investment that uses land (property) as payment for the purchase of shares, where an enterprise involved in the investment engages in property development or where any other property development enterprise invests in commercial houses it itself builds, it shall not be governed by the regulation of the interim exemption of land appreciation tax when the property (land) is transferred to the enterprise.

On December 28, 2006, the SAT issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (國家稅務總局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)(the “2007 LAT Notice”) which came into effect on February 1, 2007.

Pursuant to the 2007 LAT Notice, a property development enterprise shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the applicable LAT rates. The LAT shall be settled for projects approved by the competent authorities; and for projects developed in different stages, the LAT shall be settled in stages. LAT must be settled if (a) the property development project has been completed and fully sold; (b) the property development enterprise transfers the whole uncompleted development project; or (c) the land use rights with respect to the project are transferred. In addition, the relevant tax authorities may require the property development enterprise to settle the LAT if any of the following criteria is met: (a) for completed property development projects, the transferred GFA represents more than 85% of total salable GFA, or the proportion represented is less than 85%, but the remaining salable GFA has been leased out or used by the property development enterprise; (b) the project has not been completed sold more than three years after obtaining the sale permit or pre-sale permit; (c) the property development enterprise applies for cancellation of the tax registration without having settled the relevant LAT; or (d) other conditions stipulated by the tax authorities.

The 2007 LAT Notice also indicated that if any of the following circumstances applies to a property development enterprise, the tax authorities shall levy and collect LAT as per a levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (a) failure to maintain account books required by law or administrative regulation; (b) destroying account books without authorization or refusing to provide taxation information; (c) the accounts have not been properly maintained or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or the amount of deductible items; (d) failure to go through LAT settlement within the

prescribed period, and such failure is not cured within the period required by the relevant tax authorities; (e) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and the local situation.

On January 30, 2007, the Henan Local Taxation Bureau promulgated the Circular on Forwarding the Notice of the State Administration of Taxation on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (關於轉發國家稅務總局關於房地產企業土地增值稅清算管理有關問題的通知), which provides that:

- for taxpayers transferring land use rights or mainly transferring land use rights (sales prices for buildings accounting for less than 30%), the LAT will be settled by means of audit collection in principal;
- as to deductible items: (i) for a multi-complex building comprising ordinary standard residential housing as well as other houses (luxury houses, commercial complexes, commercial houses and office buildings), the appreciation amount and deductible items will be verified, respectively, according to applicable laws. If the separation of the residential and commercial parts of the multi-complex building is unclear and/or undefined, the residential part of a multi-complex building would not be eligible for the exemption available for ordinary standard residential housing; (ii) where the vouchers or materials relating to (a) the project expenditures at the early stages of the project, (b) construction and fitting expenditures, (c) infrastructure expenditures, and (d) indirect expenditures are non-compliant with the requirements for LAT settlement or untrue, the LAT will be levied by means of verification collection;
- the LAT rate for verification collection: 1.5% for ordinary standard residential housing; 5% for land use rights; 3.5% for other property projects (other than ordinary standard residential housing and land use rights). Transaction incomes of transferring ordinary standard residential housing, luxury houses, commercial complexes, commercial houses and office buildings shall be verified, respectively. If the aforesaid separation calculation would be unfeasible the highest rate shall apply;
- for a property developer who has adopted verification collection means, the verification rate shall be adjusted in accordance with the circular from February 1, 2007, and with respect to the land use rights transaction, the LAT shall be levied by means of audit collection. For a property developer who has adopted audit collection means, the LAT shall be settled according to the circular. From February 1, 2007, the LAT shall be settled or verified on project basis either by means of verification collection or audit collection for property developers; and
- from the implementation of the circular, the adjustment of the LAT collection methods shall be approved by the municipal tax authority directly under the provincial government.

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)(the “Settlement Rules”), which became effective on June 1, 2009. The Settlement Rules reiterated the circumstances under which the LAT must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of LAT and the circumstances under which the tax authorities shall levy and collect LAT as prescribed by the Notice. The Settlement Rules further stipulate detailed procedures for the examination and verification of the settlement of LAT to be carried out by relevant tax authorities.

On October 22, 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通知) and temporarily exempted the LAT for individuals selling houses starting from November 1, 2008.

On May 19, 2010, the SAT issued the Circular on Issuers Concerning Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) to strengthen the settlement of LAT. The circular clarifies certain issues with respect to calculation and settlement of the land appreciation tax, such as (i) the recognition of the revenue upon the settlement of LAT, and (ii) the deduction of fees incurred in connection with the property development.

On 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 requires that the minimum LAT prepayment rate shall be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. According to the notice, the local tax bureaus shall determine the applicable LAT prepayment rates based on the types of the properties.

### ***Deed tax***

Pursuant to the Interim Regulations of the People's Republic of China on Deed Tax (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 as amended in March 2019, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be subject to the payment of deed tax. The rate of deed tax is 3% to 5%. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine their effective tax rates. Pursuant to the Implementation Provisions on Deed Tax in Henan (河南省契稅實施辦法) promulgated by the People's Government of Henan on October 21, 1999, the rate of deed tax within Henan is 4%.

Pursuant to the Notice on Adjustment of Preferential Treatment Policies in respect of Deed Tax and Business Tax on Real Estate Transactions (關於調整房地產交易環節契稅、營業稅優惠政策的通知) promulgated by MOF, SAT and MOHURD on February 17, 2016 and implemented on February 22, 2016, the rate of deed tax payable for real estate transactions is adjusted downward as follows:

- (1) for an individual purchasing the only residential property for his/her household, the rate of deed tax is adjusted downward to 1% for a property of 90 sq.m. or less and to 1.5% for a property of more than 90 sq.m.; and
- (2) for an individual purchasing the second residential property for his/her household to improve the living conditions, the rate of deed tax is reduced to 1% for a property of 90 sq.m. or less and to 2% for a property of more than 90 sq.m.

If a taxpayer applies for tax preferential treatments, the competent real estate authority at the location of the property will issue written search results on the housing status of the taxpayer's household pursuant to his/her application or authorization and promptly provide the search results and the relevant housing status information to the tax authority. Detailed operation measures will be collectively formulated by the competent financial, tax and real estate departments of various provinces, autonomous region and municipalities.

Beijing, Shanghai, Guangzhou and Shenzhen are not subject to the above deed tax preferential treatment policies temporarily.

### ***Urban land use tax***

Pursuant to the Provisional Regulations of the People's Republic of China 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 December 31, 2006, January 8, 2011, December 7, 2013 and March 2, 2019 respectively, land use tax in respect of urban land is levied according to the area of relevant land. As of January 1, 2007, the annual tax on every square meter of urban land collected from foreign-invested enterprises shall be between RMB0.6 and RMB30.0.

### ***Real estate tax***

Under the Interim Regulations of the People's Republic of China on Real Estate Tax (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986 and implemented on October 1, 1986, real estate tax shall be levied at 1.2% if it is calculated on the basis of the residual value of a building, and 12% if it is calculated on the basis of the rental payments for lease of the building.

According to the Circular Concerning the Levy of Real Estate Tax on Foreign Enterprises and Foreigners (關於對外資企業及外籍個人徵收房產稅有關問題的通知) promulgated by the MOF on January 12, 2009, and the Circular Concerning the Implementation of the Levy of Real Estate Tax on Foreign-Invested Enterprise and Foreign Individuals (關於做好外資企業及外籍個人房產稅徵管工作的通知) issued by the SAT on January 6, 2009, from January 1, 2009, domestic and foreign-invested enterprises and foreign individuals will all be subject to the Interim Regulations of the People's Republic of China on Real Estate Tax.

### ***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 and implemented on October 1, 1988, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

On October 22, 2008, the MOF and the SAT issued the Circular on Taxation Policy Adjustment Concerning Real Estate Trading (關於調整房地產交易環節稅收政策的通知) and temporarily exempted stamp duty for individuals selling or buying houses starting from November 1, 2008.

### ***Municipal maintenance tax***

Under the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on February 8, 1985, any taxpayer, whether an individual or otherwise, of product tax, VAT or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town. Under the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) issued by the SAT on February 25, 1994, the municipal maintenance tax shall not be applicable to foreign invested enterprises with foreign investment until further notice is issued by the State Council.

In October 2010, the State Council issued the Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), pursuant to which, from December 1, 2010, municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals. Pursuant to the Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-Invested Enterprises (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知) promulgated by the MOF and the SAT in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any VAT, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax incurred before December 1, 2010.



### ***Education surcharge***

Under the Interim Provisions on the Imposition of the Education Surcharge (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986 and as amended on June 7, 1990 and August 20, 2005, a taxpayer, whether an individual or otherwise, of product tax, VAT or business tax shall pay an education surcharge, unless such taxpayer is instead required to pay a rural area education surcharge as provided by the Notice of the State Council on Raising Funds for Schools in Rural Areas (國務院關於籌措農村學校辦學經費的通知). Under the Supplementary Notice Concerning Imposition of Education Surcharge (國務院關於教育費附加徵收問題的補充通知) issued by the State Council on October 12, 1994, the Circular Concerning Temporary Exemption from Municipal Maintenance Tax and Education Surcharge for Foreign-invested Enterprises and Foreign Enterprises (關於外商投資企業和外國企業暫不徵收城市維護建設稅和教育費附加的通知) issued by the SAT on February 25, 1994, the education surcharge shall not be applicable to enterprises with foreign investment until further notice is issued by the State Council.

Pursuant to the aforesaid Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), pursuant to which, from December 1, 2010, an education surcharge is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals. Pursuant to the aforesaid Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-Invested Enterprises (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知), foreign-invested enterprises must pay an education surcharge on any VAT, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from paying an education surcharge on any VAT, consumption tax and business tax incurred before December 1, 2010.

### **Measures on Stabilizing Housing Prices**

The General Office of the State Council promulgated the Circular on Duly Stabilizing the Prices of Residential Properties (關於切實穩定住房價格的通知) on March 26, 2005, requiring measures to be taken to restrain housing prices from increasing too fast and to promote the healthy development of the property market. On May 9, 2005, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Stabilizing the Prices of Residential Properties (關於做好穩定住房價格工作的意見), which provides that:

#### ***(a) Intensifying planning and control and improving the housing supply structure***

Where there is excessive growth in housing prices and insufficient supply of medium to low priced commodity houses and affordable residential housing, housing construction should mainly involve projects for the development of medium to low priced commodity houses and affordable residential houses. The construction of low-density, high-quality houses shall be strictly controlled. With respect to projects for the construction of medium-or-low-price commodity houses, prior to the assignment of land, the municipal planning authority shall, according to control planning, set forth conditions for the plan and design of such elements as height of buildings, plot ratio and green space. The property authority shall, in collaboration with other relevant authorities, set forth requirements such as sale price, type and area. Such conditions and requirements will be set up as preconditions to the assignment of land to ensure an adequate supply of small or medium-sized houses at moderate and low prices. The local government must intensify the supervision of planning permits for property development projects. Housing projects that have not been commenced within two years must be re-examined, and those that turn out to be noncompliant will have their planning permits revoked.



**(b) *Intensifying control over the supply of land and rigorously enforcing the administration of land***

Where there is rapid excessive growth in the price of land for residential use, the proportion of land for residential use to the total land supply should be raised, and the land supply for the construction of regular commodity housing at medium or low prices and affordable residential housing should be increased. Land supply for villa construction shall be continuously suspended, and land supply for high-end housing property construction shall be restricted.

On May 24, 2006, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格的意見). As to the adjustment of housing supply and stabilization of housing prices, the opinion provides that:

**(a) *Adjustment to the housing supply structure***

- The construction of medium and small-sized regular commodity houses at medium or low prices should be especially developed to satisfy the demands of local residents.
- From June 1, 2006, for each and every commodity building newly examined and approved for the commencement of construction, the proportion of the area of housing (including economically affordable housing) with a unit floor area less than 90 sq.m. must reach 70% of the total development and construction area. In case of adjustment of the above-mentioned proportion, if required in special cases, the municipalities directly under the central government, separately planned cities and provincial capital cities must submit the special request for adjusting proportion to the MOHURD for approval. The projects that have been examined and approved but have not received a construction works commencement permit shall where necessary adjust the set style of housing according to the above-mentioned requirements.

**(b) *Adjustment to tax, credit and land policies***

- Commencing June 1, 2006, business tax applicable to the transfer of a residential property by an individual within five years from the date of purchase will be levied on the basis of the full amount of the sale proceeds. For an individual transferring an ordinary residential property five years or more from the date of purchase, business tax will be exempted. For an individual transferring a house other than an ordinary residential house for five years or more from purchasing, the business tax will be levied on the basis of the balance between the income from selling the house and the purchase price;
- In order to restrain property development enterprises from purchasing land and buildings with bank credits, any developer applying for loans shall have at least 35% of capital required for the project development. Commercial banks should restrict the grant or extension of revolving credit facilities in any form to property development enterprises with a large amount of idle land and/or vacant commodity buildings. Commodity buildings which are vacant for more than 3 years should not be accepted as a guarantee by the commercial banks;
- From June 1, 2006, the first installment of individual house loans should be no less than 30%. When a borrower applies for individual house loans for his own use and the floor area of the unit is less than 90 sq.m., the first installment remains at 20%;
- At least 70% of the land supply for residential property developments must be used for low-to-medium-cost and small to medium-size units and low-cost rental properties. On the basis of the restriction of price and housing style, the land supply shall adopt the method of competitive bidding of land price and housing price to determine the

property development enterprise. Land supply for villa construction shall continue to be suspended, and land supply for low-density and large-area housing property construction shall be strictly prohibited;

- When construction has not yet started one year after the construction commencement date agreed in the land use rights assignment contract has elapsed, charges for idle land should be collected at a higher level; when the construction has not started two years after the construction commencement date agreed in the land use rights assignment contract have elapsed, the right to use land can be taken back without compensation. The land will be regarded as idle land if: the development and construction of the land has started on time, but the developed area is less than one third of the total area to be developed and constructed, or the invested amount is less than 25% of the total amount of investment, and the development and construction has been continuously suspended for no less than one year without approval.

(c) *Further rectifying and regulating the property market*

- Any project with a construction land planning permit which has not started construction should be re-evaluated. If the project is not in accordance with the controlling requirements of the plan, especially the requirements of the set style structure, the construction works planning permit, the construction works commencement permit and the pre-sale permit should not be issued. Projects which have been altered or the construction of which have exceeded the provisions shall be disposed of or confiscated according to law.
- The property administration authority and the administration of industry and commerce should investigate any illegal conduct such as contract fraud. Illegal conduct involving commodity building pre-completion sales without the necessary conditions should be ordered to stop and punished. With respect to the property enterprises that store up housing and maliciously manipulate and raise housing prices, the competent authorities shall enforce monetary punishment according to laws and regulations, and the responsible persons concerned may have their business licenses revoked and/or shall be investigated and prosecuted.

To implement the Opinions on Adjusting the Housing Supply Structure and Stabilizing Housing Prices, the MOHURD promulgated Certain Opinions Regarding the Implementation of the Ratio Requirement for the Structure of Newly Constructed Residential Units (關於落實新建住房結構比例要求的若干意見) on July 6, 2006 and made supplemental requirements on the proportion of newly built housing structure as follows:

- From June 1, 2006, in any city (including counties), housing with a floor area of less than 90 sq.m. should reach 70% of the total floor area of commercial commodity buildings newly approved or constructed.
- The governments should guarantee the conditions of planning and design of newly-built commodity buildings meet the requirements of structure and proportion. Any digression from the above-mentioned requirements without authorization is forbidden and a construction works planning permit should not be issued by municipal planning and authorities. If there is any noncompliance with the planning permit, a construction works commencement permit should not be issued by the construction authority and a permit for pre-sale of commodity buildings should not be issued by property development authority.

According to Several Opinions of the General Office of the State Council on Providing Financial Support for Economic Development (國務院辦公廳關於當前金融促進經濟發展的若干意見), issued by General Office of the State Council on December 8, 2008, the State Council (a) implemented and

promulgated relevant credit policies and measures to support people's purchase of their first ordinary home or improved ordinary home; (b) provided more credit support for the construction of low rent houses and affordable residential houses and the reconstruction of shed areas for low-income urban residents; and (c) initiated the pilot operation of real estate trust investment funds to diversify the financing channels of real estate enterprises.

In January 2010, the General Office of the State Council issued a Circular on Facilitating the Stable and Healthy Development of the 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 reasonable guidance for the purchase of property, restrain speculative investment in property, and strengthen risk prevention and market supervision. Additionally, the Circular explicitly requires a family (including a borrower, his or her spouse and children under 18) who have already entered into a mortgage for the purchase of a house to pay a minimum down payment of 40% of the purchase price of a second or any additional house which they apply to purchase.

On April 17, 2010, the State Council issued the Notice on Firmly Preventing Property Prices from Increasing Too Rapidly in Certain Cities, pursuant to which the State Council raised 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, the notice stipulates that interest rates for mortgage loans for the second property cannot be lower than 110% of the PBOC benchmark lending rate and interest rates for mortgage loans and minimum first installments for third or subsequent homes shall be increased substantially. To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the 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% for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third parcel of residential property and beyond. On September 29, 2010, the MOF, SAT and MOHURD jointly issued the Notice to Adjust the Preferential Policies on Deed Tax and Individual Income Tax Regarding 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), according to which, as of October 1, 2010, the deed tax for individuals who purchased ordinary residential property with floor area under 90 sq.m. as his sole family residence, will be reduced to 1 percent, and those who sell their homes and buy new ones within one year would not be eligible for reductions or exemptions on individual income tax on the profits from the sales.

On January 26, 2011, the General Office of the State Council promulgated the Circular on Issues Concerning Further Works of Regulation and Control of Real Estate Market (國務院辦公廳關於進一步做好房地產市場調控工作的有關問題的通知), as the general rule, municipalities, provincial capitals and cities with high housing prices shall make purchase restrictions for a specified period. In principle, (a) a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment for a required period is limited to purchasing one house (including the new commodity residential house or a second hand one); and (b) a local residential family that holds two or more houses, a non-local residential family that holds one or more houses and a non-local residential family that cannot provide the local payment of tax and/or social insurance for a required period shall be suspended from purchasing any other commodity residential houses.

On January 27, 2011, the MOF and the SAT jointly issued a new Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties (關於調整個人住房轉讓營業稅政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner's purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any

non-ordinary residential property by an individual owner more than five years from such individual owner's purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after five years from the individual owner's purchase. This notice became effective on January 28, 2011.

On February 26, 2013, with a view to uphold the regulation of the real estate market in 2013 and promote a stable and healthy development of the real estate market, the General Office of the State Council issued a Notice on the Continuous Effective Regulation of the Real Estate Market (國務院辦公廳關於繼續做好房地產市場調控工作的通知). The notice provides that the following measures shall be taken:

- Prices in the real estate market shall be stabilized;
- Purchases of residential properties for investment purchases shall be restricted and the policies of the differentiated housing credit extension shall continue to be strictly enforced. Tax authorities shall closely cooperate with departments of housing and urban-rural development to levy individual income tax, which is payable on the sales of owner-occupied houses at 20% of the transfer income if the original value of the house sold can be verified through historical information such as tax collection and administration, house registration;
- The supply of ordinary commercial housing and land for housing construction shall be increased;
- The planning and construction of affordable housing projects shall be accelerated; and
- Market regulation and expectation management shall be strengthened. From 2013 onward, all regions shall (a) raise the pre-sale threshold for commercial housing; (b) reinforce the management of commercial housing pre-sale licensing regarding project investment, project image and progress, more accurately determining the delivery deadline to guide real estate developers to rationally determine house prices; and (c) steadily push forward reform of the commercial housing pre-sale system.

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, which provides for the following, among others:

- (i) The Competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region which shall be subject to the guide and supervision by the competent real estate registration authority at the higher level.
- (ii) The real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the nature condition, ownership conditions of the real estate, and restriction of rights.(iii)  
The competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform basic 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 basic platform to ensure the real-time sharing of registration information at the national, provincial, municipal and county level.

Any right holder or interested party may apply for inquiring about or copying the real estate registration materials and the registration authority shall not refuse to provide such information. Units and individuals inquiring about the real estate registration information shall not use such registration information for any other purpose and no such information may be disclosed to the public or others without the consent of the right holder.

Since the second half of 2014, the central and local governments have implemented measures to support the demand of buyers of residential properties and to promote the sustainable development of the real estate market. For instance, most of the local governments including but not limited to Zhengzhou have issued their respective measures to lift the restrictions on the purchase of residential properties. PBOC and CBRC jointly issued the Notice on Further Improving Financial Services for Real Estate Sector (關於進一步做好住房金融服務工作的通知) on September 29, 2014, which provides that for any family that wishes to use a loan to buy a property for its own residence, the minimum down payment will be 30% of the property price and the floor loan interest rate will be 70% of the benchmark lending interest rate, with the specific terms of such loan to be decided by the banking financial institution that provides the loan based on the risk profile of the borrower. Where a family that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a family that owns two residential properties or more and has paid off all the existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency, credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions required by the related policies. On March 30, 2015, PBOC, CBRC and MOHURD jointly issued the Notice on Issues of Individual Mortgage Loans Policies (關於個人住房貸款政策有關問題的通知) to lower the minimum down payment to 40% for the family that owns a residential property and has not paid off its existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve living conditions and allow the bank at its own discretion to decide the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower. On March 30, 2015, SAT and MOF jointly issued the Notice to Adjust the Business Tax Policies on Residential Properties Transfer by Individuals (關於調整個人住房轉讓營業稅政策的通知), effective from March 31, 2015, a business tax will be levied on the entire sales proceeds from resale of properties if the holding period is shorter than two years, and if the holding period is more than two years, business tax for transfer of ordinary residences will not be imposed, whereas for the transfer of non-ordinary residences business tax shall be paid on the basis of price difference between the transfer income and the purchase cost.

On February 1, 2016, the PBOC and CBRC jointly issued the Notice on the Adjustment of Individual Housing Loans Policies (關於調整個人住房貸款政策有關問題的通知) which provides that in cities where property purchase control measures are not being implemented, the minimum down payment ratio for a personal housing commercial loan obtained by a household for purchasing its first ordinary residential property is, in principle, 25% of the property price, which can be adjusted downward by 5% by local authorities. For existing residential property household owners which have not fully repaid the previous loan and are obtaining further personal housing commercial loan to purchase an additional ordinary residential property for the purpose of improving living conditions, the minimum down payment ratio shall be not less than 30% which is lower than the previous requirement of not less than 40%. On February 17, 2016, MOF, SAT and MOHURD jointly issued the Notice on Adjustment of Preferential Treatment Policies in respect of Deed Tax and Business Tax on Real Estate Transactions (關於調整房地產交易環節契稅、營業稅優惠政策的通知) effective from February 22, 2016. On October 1, the Municipal Government of Zhengzhou issued the Notice to Implement Restriction Measures on the Purchase of Residential Properties in Certain Districts of Zhengzhou (關於在鄭州市部分區域實施住房限購的通知) effective from October 2, 2016, under which, within certain districts in Zhengzhou, local residents who own two or more residential properties or non-local residents who own one or more residential properties, are prohibited from buying residential properties not more than 180 sq.m. On October 2, 2016, Zhengzhou Municipal Housing Security and Real Estate Administration Bureau issued the implementing rules of the purchase restriction measures according to which, within certain districts in Zhengzhou, local residents who own one residential property or non-local residents who do not own any residential property, are allowed buying one residential property not more than 180 sq.m, while local residents who own two or more residential properties or non-local residents who own one or more residential property, are prohibited from buying residential properties. On October 10, 2016, the MOHURD issued the Circular on Further Regulating Operations of Real Estate Developers to Safeguard the Real Estate Market Order (關於進一步規範房地產開發企業經營行為維護房地產市場秩序的通知), which requires that improper operations of real estate developers shall be investigated and



punished according to law. The improper operations include releasing or spreading false housing information and advertisements, maliciously pushing higher and artificially inflating housing prices by fabricating or spreading information on rising property price and other operations. On February 13, 2017, the Asset Management Association of China issued the No.4 Administrative Rules for the Filing of Private Equity and Asset Management Plans Issued by Securities and Futures Institutions (證券期貨經營機構私募資產管理計劃備案管理規範第4號) which stops the filing of private equity and asset management plans of securities and futures institutions which investing into the ordinary residential real estate projects in 16 cities including Beijing, Shanghai, Guangzhou, Hefei, Suzhou, Hangzhou, Tianjin, Wuhan, Chengdu etc.. It also prevents private equity and asset management plans from funding real estate development enterprises to pay land premium or supply working capital through multiple ways, including but not limited to entrusted loans, trust plans and receiving beneficial right of the assets.

### **Outbound Investment Administration of NDRC**

On December 26, 2017, NDRC issued the Administrative Measures for the Outbound Investment of Enterprises (企業境外投資管理辦法), or the Measures, effective from March 1, 2018. Under the Measures, sensitive outbound investment projects carried out by PRC enterprises either directly or through overseas enterprises under their control shall be approved by NDRC, and non-sensitive outbound investment projects directly carried out by PRC enterprises shall be filed with NDRC or its local branch at provincial level. In the case of the large-amount non-sensitive outbound investment projects with the investment amount of US\$300 million or above carried out by PRC enterprises through the overseas enterprises under their control, such PRC enterprises shall, before the implementation of the projects, submit a report describing the details about such large-amount non-sensitive projects to NDRC. Where the PRC resident natural persons make outbound investments through overseas enterprises under their control, the Measures shall apply mutatis mutandis.

### **NDRC REGISTRATION FOR FOREIGN DEBTS**

On September 14, 2015, the NDRC issued the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (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), or the NDRC Circular, which came into effect on the same date. According to the NDRC Circular, domestic enterprises and their overseas controlled entities should register any debt securities issued outside the PRC with the NDRC prior to the issue of the securities and notify the particulars of the relevant issues within ten business days after the issue of the securities. On May 11, 2018, the NDRC and the MOF jointly issued the Notice on Promoting the Market Restraint Mechanisms to Strictly Prevent the Risks of Foreign Debt and Local Debt (關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) which reiterated the regulatory administration of foreign debt. On June 27, 2018, NDRC emphasized in a post on its website that the proceeds from bond offerings offshore by PRC property enterprises shall be mainly used for repayments of the debts due and shall be restricted from being used for investments in property projects within or outside China or working capital and it is also expressed that NDRC plans to further regulate and standardize, among others, the relevant qualifications for the issuance of foreign debt and the usage of funds from such issuance by enterprises. On July 12, 2019, NDRC published a Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (關於對房地產企業發行外債申請備案登記有關要求的通知) on its website which imposes more restrictions on the use of proceeds of foreign debts incurred by real estate developers. According to the notice, the use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing its medium to long term offshore debts which will become due within one year, and the real estate developer is required to specify in the documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts to be refinanced, such as amount, maturity date and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter to NDRC regarding the authenticity of its foreign debt issuance. If a real estate developer fails to comply with these restrictions, it may be blacklisted and prevented from obtaining foreign debt registrations in the future.



## MANAGEMENT

### Directors and Executive Officers

The following table sets forth information regarding our directors and executive officers as of the date of this offering memorandum.

Name	Age	Position/Title
Wu Po Sum . . . . .	69	Chairman and Executive Director
Liu Weixing . . . . .	60	Executive Director
Wang Jun . . . . .	39	Executive Director
Yuan Xujun . . . . .	52	Executive Director and Chief Executive Officer
Wu Wallis (alias Li Hua) . . . . .	38	Non-executive Director
Lim Ming Yan . . . . .	57	Non-executive Director
Cheung Shek Lun . . . . .	59	Independent Non-executive Director
Xin Luo Lin . . . . .	70	Independent Non-executive Director
Sun Yuyang . . . . .	64	Independent Non-executive Director
Hu Ping . . . . .	38	Chief Financial Officer
Vinh Mai . . . . .	46	Head of Investor Relations and Chief Investment Officer

### Directors

#### Executive Directors

**Wu Po Sum (胡葆森)** (formerly known as Hua Jianming 滑建明), age 69, is the founder, the chairman of the Board and an executive Director of our Company, and he is also a director of a number of subsidiaries of our Company. Mr. Wu is responsible for the formulation of development strategies, making decisions on investment projects and development directions of our Group. He graduated from Zhengzhou University majoring in English in 1979 and completed the CEO Program for China in China Europe International Business School on March 27, 2005. Mr. Wu is the father of Ms. Wu Wallis (alias Li Hua), a non-executive Director of our Company. Mr. Wu has over 27 years of experience in real estate development and investment. He started his career with China Textile Import and Export Corporation Henan Branch in 1979. From 1982 to 1985, Mr. Wu was sent by the Department of Foreign Trade of Henan Province to work in Hong Kong. From 1985 to 1986, he was the assistant general manager of Central China International Economic Trade Company Limited (“CCIET”). From 1986 to 1988, Mr. Wu worked as the president and the general manager in Guoguang Industrial Company Limited, a subsidiary of CCIET. From 1988 to 1991, Mr. Wu served as the assistant general manager and the general manager in Central China International (Group) Limited and Central China Overseas Development Company Limited, respectively. He then entered the PRC real estate market in May 1992, when he laid the foundation for our Group and established the “建業” (*Jian Ye*) brand name. Mr. Wu devotes himself not only to the development of our business, but also to public services and promoting the PRC real estate industry. Mr. Wu is currently a director of CURA Investment Management (Shanghai) Co., Ltd, a company listed on National Equities Exchange and Quotations Co., Ltd. (also known as the “PRC New Third Board”).

**Liu Weixing (劉衛星)**, aged 60, was appointed as an executive Director with effect from 24 March 2017. Mr. Liu joined the Company in August 2016 as vice president of the Company and the chairman of Central China Real Estate Group (China) Company Limited, a wholly owned subsidiary of the Company. Mr. Liu has over 36 years of experience in banking and finance. He obtained a certificate of graduation in banking management from Henan Banking College\* (河南銀行學校) in 1979, a certificate of graduation in financial management from Zhengzhou University in 1983, a master degree in economics from Henan University in 1998 and a certificate of graduation in law from Tsinghua University in 2005. Mr. Liu held positions of officer and vice division chief responsible for industrial and commercial credit facilities Luoyang Region Center Branch of People’s Bank of China from 1979 to 1984. Mr. Liu held several positions in Industrial and Commercial Bank of China from 1985 to August 2016, including vice president of Luoyang Region Center Branch, vice president of Sanmenxia City Branch, officer of Henan Province Branch, assistant to president of Henan Province Branch, vice president of Henan Province Branch, president of Anhui Province Branch, president of Chongqing City Branch, president of Henan Province Branch and head of Internal Audit Department of Main Branch.

**Wang Jun (王俊)**, aged 39, has over 15 years of experience in the real estate industry and capital market. He obtained his bachelor's degree in English from Guangdong University of Foreign Studies in 2002 and his master's degree in Business Administration from Hong Kong University of Science and Technology in 2011. From 2003 to 2007, Mr. Wang served in PricewaterhouseCoopers Zhong Tian CPAs Limited Company with the latest position as a senior associate; from 2007 to 2011, he served as the head of investor relations and a senior manager of the finance department in Country Garden Holdings Company Limited; and from 2011 to June 2018, he served in Morgan Stanley Asia Limited with the latest position as an executive director. He joined the Company as an executive Director in August 2018.

**Yuan Xujun (袁旭俊)**, aged 52, was appointed as an executive Director with effect from August 21, 2019. He serves as the chief executive officer of the Company and a director and general manager of Central China Real Estate Group (China) Company Limited.

Before serving as the chief executive officer of the Company, he worked at China Vanke Co., Ltd. from 1994 to 2016, and served various positions such as financial controller of Shanghai Vanke Enterprises Company Limited, chief financial officer and deputy general manager of Zhejiang Vanke Nandu Real Estate Company Limited, manager of Jiaying Vanke Real Estate Company Limited and general manager of Xuzhou Vanke Enterprises Company Limited. He has over 20 years of experiences in financial management and real estate management. Mr. Yuan obtained a master's degree of business administration from Macau University of Science and Technology in 2001.

#### *Non-executive Directors*

**Wu Wallis (李樺)**, alias Li Hua, age 38, is a non-executive Director of our Company and a director of a number of subsidiaries of our Company. Ms. Wu obtained a Bachelor of Architecture degree from the University of New South Wales in Australia in 2006, and a Master of Applied Finance degree from Macquarie University in 2007. Before joining the Group in 2006, she worked in Woodhead International (Beijing) and Banatex Architects Pty Ltd in Sydney Australia in 2005. Ms. Wu is the daughter of Mr. Wu Po Sum, an executive Director and the chairman of the Board.

**Lim Ming Yan (林明彦)**, aged 57, was appointed as a non-executive Director with effect from September 3, 2019. He spent 22 years with CapitaLand Limited (Singapore Stock Code: C31), and was its president and group chief executive officer from 2013 to 2018 and prior to that, its chief operating officer from 2011 to 2012. He was also the chief executive officer of The Ascott Limited from 2009 to 2012 and chief executive officer of CapitaLand China Holdings Pte Ltd from 2000 to 2009.

During his tenure, Mr. Lim built the group into “One CapitaLand” and spearheaded rapid adoption of new technology within the group. As the chief executive officer of CapitaLand China Holdings Pte Ltd, he grew the company into the largest and most successful foreign real estate player in China. Under his leadership and guidance, the Ascott Limited and its subsidiaries grew four times from a portfolio of about 25,000 serviced residence units to one of more than 100,000 units. Mr. Lim serves on various committees in Singapore. He is the chairman of Workforce Singapore, a member of The Future Economy Council in Singapore and co-chairman of its Built Environment Sub-Committee. He is also a board director of Business China, a board director of Singapore Press Holdings Ltd. Co. (Singapore Stock Code: T39) as well as a board director of Singapore Tourism Board.

Mr. Lim has obtained a first class honours degree in mechanical engineering and economics from the University of Birmingham, United Kingdom, and has completed the advanced management program at Harvard Business School.

#### *Independent Non-executive Directors*

**Cheung Shek Lun (張石麟)**, age 59, is an independent non-executive Director of our Company. Mr. Cheung obtained a bachelor degree in Business Administration from the Chinese University of Hong Kong in 1986, a bachelor degree in Business from the University College of Southern Queensland in

1990, and a bachelor degree in Law from the University of Wolverhampton in 2002. Mr. Cheung worked as an assistant assessor at the Inland Revenue Department of the Hong Kong government from November 1986 to January 1989, an accountant at Hong Kong Telephone Company Limited from July 1989 to April 1990, an accounting manager, group senior vice president – accounting and other positions at Fortune (Shanghai) Limited from May 1990 to September 2006. He was a senior executive of T.C.C. International Limited from October 2006 to October 2007. He was a vice-chairman of Insite Asset Management Group Ltd. from September 2008 to December 2017 and became a chairman since December 2017. Currently he is a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Chartered Association of Certified Accountants, a member of the Chartered Institute of Management Accountants, a member of the Institute of Chartered Secretaries and Administrators in the UK and a member of The Hong Kong Institute of Chartered Secretaries.

**Xin Luo Lin (辛羅林)**, aged 70, is an independent non-executive Director of our Company. He was a postgraduate from the Beijing University in the PRC. Mr. Xin was a visiting scholar at the Waseda University, Japan between 1980 and 1983, an honorary research associate at the University of British Columbia, Canada during 1983 and 1984 and a visiting fellow at the Australia National University, Australia in 1985. He is an independent investor with over 24 years of experience in investment banking in the PRC, Hong Kong and Australia. Mr. Xin was a Senior Advisor to Potter Warburg, Australia from 1985 to 1989 and to Citic-Hambros, Australia, from 1995 to 1997, respectively. He is a Justice of Peace in New South Wales of Australia. Mr. Xin was a non-executive director of Sino-Tech International Holdings Limited from August 2010 to June 2012, an independent non-executive director of China Environmental Technology Holdings Limited from August 2012 to May 2015 and a non-executive director of China Trends Holdings Limited from August 2015 to May 2016, the shares of those companies are listed on the Stock Exchange. Mr. Xin was an independent non-executive director of Enerchina Holdings Limited, the shares of which is listed on the Stock Exchange from June 2002 to May 2015 and was a non-executive director from May 2015 to June 2016. He is currently the non-executive chairman of Asian Capital Holdings Limited, an independent non-executive director of Beijing Sports And Entertainment Industry Group Limited (formerly known as ASR Logistics Holdings Limited) and Sinolink Worldwide Holdings Limited, the shares of those companies are listed on the Stock Exchange. Mr. Xin also serves as a director of Daikokuya Inc., a company listed on the Tokyo Stock Exchange.

**Sun Yuyang (孫煜揚)**, aged 64, obtained a master degree in law from Wuhan University in 1996 and a doctorate degree in economics from Southwestern University of Finance and Economics in 2001. He has extensive experience in securities market and venture investment management. Dr. Sun has been the division head of the Guizhou Economic Reform Commission, the deputy head of the Policy Inspection Bureau of the Policy Research Office under the Communist Party in Shenzhen, the deputy general manager of Shenzhen Securities Clearing Company and the first chief executive officer of The Shenzhen Stock Exchange. Dr. Sun also served as the assistant general manager of Shum Yip Holdings Company Limited, the deputy general manager of Shum Yip Investment Limited, the chairman and chief executive officer of China High-tech Investment Management Co., Ltd (中國高新技術產業投資管理有限公司), the president of Penghua Fund Management Co., Ltd as well as the vice president and consultant of Guoxin Securities Co., Ltd. Dr. Sun is one of the first batch of managers engaged in venture investment in China with a wealth of investment management experience and risk control ability.

#### **Senior Management**

**Yuan Xujun (袁旭俊)**, aged 52, has been appointed as chief executive officer of the Company with effect from 24 March 2017. Mr. Yuan has over 22 years of experience in finance and management. He obtained a certificate of graduation in finance from Shanghai Motor Technical College in 1986 and a master degree in business administration from Macau University of Science and Technology in 2001. Mr. Yuan held several positions in China Vanke Co., Ltd. (“Vanke”) from 1994 to January 2017 with his last position as general manager and legal representative of the companies under Vanke. He joined

the Company in February 2017 as the president of Central China Real Estate Group (China) Company Limited, and the chairman of Henan Zhongyuan Central China City Development Limited\* (河南中原建業城市發展有限公司), a wholly owned subsidiary of the Company.

**Hu Ping (胡平)**, aged 38, has been appointed as chief financial officer of the Company with effect from 24 March 2017. Mr. Hu, has over 12 years of experience in management and finance. He graduated from Qingdao Technological University with a major in accounting in 2002 and obtained a master of accounting from Jiangxi University of Finance and Economics in 2006. Mr. Hu held several positions in Vanke from 2006 to February 2017 with his last positions as manager of the companies under Vanke.

**Vinh Mai**, age 46, is the Head of Investor Relations and Chief Investment Officer of our Company. He obtained a bachelor degree with honors in Econometrics and Economics from the University of Sydney. Mr. Mai has over 10 years of investment experience. Previously, he had held senior positions in various investment management companies in Australia. Mr. Mai has been the Head of Investor Relations of our Company since September 2010 and was promoted to Chief Investment Officer in August 2011.

#### **Audit Committee**

Our Company established an audit committee on May 14, 2008 with written terms of reference in compliance with the Listing Rules. The primary duties of the audit committee are, among other things, to review and supervise the financial reporting process and internal control systems of our Company. The audit committee comprises three members, namely, Mr. Cheung Shek Lun, Mr. Xin Luo Lin and Dr. Sun Yuyang. The audit committee is chaired by Mr. Cheung Shek Lun.

#### **Remuneration Committee**

Our Company established a remuneration committee on May 14, 2008 with written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to (i) to make recommendations to the Board on the Company's policies and structures for all remuneration of the directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) to determine the terms of the specific remuneration package of individual executive directors and senior management; and (iii) to review and approve remuneration proposal by reference to corporate goals and objectives resolved by the directors from time to time. The remuneration committee comprises three members, namely, Mr. Wu Po Sum, Mr. Cheung Shek Lun and Mr. Xin Luo Lin. The remuneration committee is chaired by Mr. Xin Luo Lin.

#### **Nomination Committee**

Our Company established a nomination committee on March 29, 2012 with written terms of reference in compliance with the Listing Rules. The primary duties of the nomination committee are to recommend to our board or director qualified persons to become the member of the board of directors and to the structure, size and composition of the board of directors on a regular basis and as required as well as to access the independence of each independent director. The nomination committee comprises three members, namely, Mr. Wu Po Sum, Mr. Cheung Shek Lun and Mr. Xin Luo Lin. The nomination committee is chaired by Mr. Wu Po Sum.

#### **Covenant Compliance Team**

On October 13, 2010, we entered into the 2010 Indenture pursuant to which we issued the 2010 Notes. We breached certain provisions of the 2010 Indenture as a result of lapses in our covenant compliance procedures. Holders of the 2010 Notes have waived these defaults pursuant to a consent solicitation completed in March 2012. Following the discovery of the breaches, we established a covenant compliance team consisting of staff from our finance department and company secretarial department and chaired by our chief financial officer. We have also engaged special U.S. counsel to assist us with covenant compliance matters. The covenant compliance team meets on a monthly basis and reports to

the chief executive officer. See “Risk Factors – Risks Relating to Our Business – Any default under any of our financing arrangements may result in enforcement actions and adversely affect us, our reputation and the trading price of our securities.”

### **Compensation of Directors**

The aggregate amount of fees, salaries, housing allowances, other allowances and benefits in kind (including our contribution to the retirement scheme) paid to our Directors by our Group for the years ended December 31, 2017, 2018 and 2019 were approximately RMB13.6 million, RMB28.4 million and RMB52.1 million (US\$7.5 million), respectively. In addition, our executive Directors and chief executive are entitled to share options granted under the pre-IPO Share Option Scheme and the post-IPO Share Option Scheme.

### **Share Option Schemes**

We adopted a new share option scheme on April 19, 2018, pursuant to which selected participants may be granted options to subscribe for shares as incentives or rewards for their service rendered to our Group. We conditionally granted certain share options to our Directors and employees on May 25, 2010, July 25, 2011, March 27, 2013, May 23, 2017, June 12, 2018 and August 23, 2018, respectively, pursuant to the share option scheme. As of the date of this offering memorandum, share options to subscribe for an aggregate of 100,342,200 shares of our Company under the share option scheme remained outstanding.

## PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding ownership of our outstanding Shares as of December 31, 2019 by those persons who beneficially own more than 5% of our outstanding Shares, as recorded in the register maintained by us pursuant to the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

Name	Ordinary shares beneficially owned <sup>(1)</sup>	
	Number	%
Joy Bright Investments <sup>2</sup>	2,044,431,867	74.64
CapitaLand LF (Cayman) Holdings Co., Ltd (“CapitaLand (Cayman)”) <sup>3</sup>	263,246,492	9.61
CapitaLand China Holdings Limited (“CapitaLand China”) <sup>3</sup>	263,246,492	9.61
CapitaLand China Investments Limited (“CapitaLand China Investments”) <sup>3</sup>	263,246,492	9.61
CapitaLand Limited (“CapitaLand”) <sup>3</sup>	263,246,492	9.61
Temasek Holdings (Private) Limited (“Temasek Holdings”) <sup>3</sup>	263,246,492	9.61
Zhongyuan Bank Co., Ltd.	230,000,000	8.40
Long Growth Opportunity VI Limited	143,200,000	5.23
PAG Highlander (HK) Limited	143,200,000	5.23
PAG Asia Loan Fund III L.P.	143,200,000	5.23
PAG Asia Loan GP III Limited	143,200,000	5.23
PAG Asia Loan LLC	143,200,000	5.23
PAG Holdings Limited	143,200,000	5.23

*Notes:*

- (1) The percentage of the interest in the Company’s issued share capital is based on a total of 2,739,132,960 Shares in issue.
- (2) Mr. Wu Po Sum holds 100% of the issued share capital of Joy Bright Investments and is deemed to be interested in the 2,044,431,867 Shares held by Joy Bright Investments for the purposes of the Securities and Futures Ordinance.
- (3) CapitaLand (Cayman) is directly wholly owned by CapitaLand China. CapitaLand China is directly wholly owned by CapitaLand China Investments and CapitaLand China Investments is directly wholly owned by CapitaLand. Temasek Holdings has an interest in approximately 40.011% of the issued share capital of CapitaLand. Therefore, each of CapitaLand China, CapitaLand China Investments, CapitaLand and Temasek Holdings is deemed or taken to be interested in the 658,116,228 Shares which are owned by CapitaLand (Cayman) for the purposes of the Securities and Futures Ordinance.



## RELATED PARTY TRANSACTIONS

The following table and discussion described certain material related party transactions between our Company and our directors, executive officers and controlling shareholders and, in each case, the companies with whom they are affiliated during the three years ended December 31, 2017, 2018 and 2019. For more information, see notes 36 and 37 to our published audited consolidated financial statements as of and for the years ended December 31, 2018 and 2019 respectively.

	For the year ended December 31,			
	2017	2018	2019	
	RMB'000	RMB'000	RMB'000	US\$'000
Interest income from joint ventures <sup>(1)</sup> . . . . .	32,556	66,642	101,402	14,565
Project management fee income. . . . .	10,081	70,446	73,470	10,553
Interest expenses to joint ventures <sup>(2)</sup> . . . . .	—	—	—	—
Receiving service from entities controlled by the ultimate controlling shareholder. . . . .	(2,915)	(114,080)	(836,674)	(120,181)
Rental income from entities jointly controlled by a close family member of the ultimate controlling shareholder. . . . .	—	—	5,741	825
Hotel and other miscellaneous income from entities controlled by the ultimate controlling shareholder .	—	4,437	11,341	1,629

*Notes:*

(1) This amount represents our interest income from our advances to our joint ventures.

(2) These amounts represent interest expenses in relation to loans from our joint ventures.

## DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into financing arrangements with various financial institutions. As of December 31, 2019, our total outstanding borrowings, including without limitation our outstanding senior notes, the 2017 Facility and the Corporate Bonds, totaled RMB31,490.6 million (US\$4,523.3 million). We set forth below a summary of the material terms and conditions of certain outstanding loans and other material indebtedness.

### **PRC Bank Loans**

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including, without limitation, Bank of China, Industrial and Commercial Bank of China, CITIC Bank, China Guangfa Bank, Agricultural Bank of China and Shanghai Pudong Development Bank. These loans typically are secured project loans to finance the construction of our projects and have terms ranging from one year to five years. As of December 31, 2019, the aggregate outstanding amount under these loans totaled approximately RMB7,238.5 million (US\$1,039.7 million), of which RMB3,734.4 million (US\$536.4 million) was due within one year, RMB2,273.9 million (US\$326.6 million) was due between one and two years, RMB758.8 million (US\$109.0 million) was due between two and five years and RMB471.3 million (US\$67.7 million) was due after five years. Our PRC bank loans are typically secured by land use rights and properties and/or guaranteed by CCRE China, our wholly owned subsidiary, and most land use rights owned by us have been mortgaged to secure our PRC bank loans. The Notes and the Subsidiary Guarantees will be structurally subordinated to these loans and any other indebtedness incurred by our PRC Subsidiaries.

### ***Interest***

The principal amounts outstanding under the PRC bank loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to annual review by the lenders. 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 interest rate on our PRC bank loans ranged from 4% to 7.5% 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 obtaining the relevant lender's prior consent:

- creating encumbrances on their properties or assets;
- making amendments to their constitutional documents in a way that may adversely affect their ability to repay their loans;
- altering the nature or scope of their business operations in any material respect;
- making major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions or reorganizations;
- making other changes to the company's status, such as by liquidation or dissolution;
- transferring part or all of the liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing of assets;

- transferring of a substantial equity interest in the borrower; and
- incurring other indebtedness or granting guarantees to third parties that would adversely affect their ability to repay their loans.

### ***Dividend Restrictions***

Pursuant to the loan agreements with certain PRC banks, some of our PRC subsidiaries (including certain of our material subsidiaries, such as Central China Real Estate Group (China) Co., Ltd. 建業住宅集團(中國)有限公司) have agreed not to distribute any dividends (or not to do so without prior consent from the lenders):

- before the debt service schedules are met;
- before the principal amount of and accrued interest on the relevant loans have been fully paid;
- if the borrowers' after-tax net profit is nil or negative or insufficient to cover losses from the previous accounting periods; or
- if the borrower's profit before tax in the relevant accounting period has not been used to pay off the principal, interest or other related expenses due in that accounting period; or if the before-tax profit is insufficient to cover the principal, interest or other related expenses due in the next period.

### ***Events of Default***

The PRC bank loan agreements contain certain customary events of default, such as failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval, material breach of the terms of the loan agreement and acceleration of repayment obligations under other loan or financing documents. The lenders 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***

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks in connection with some of the PRC bank loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Our obligations under the loan agreements are typically secured by mortgages over the land use rights relating to the relevant projects. As of December 31, 2019, RMB4,865.8 million (US\$698.9 million) of our PRC bank loans were secured by mortgages over land use rights and properties owned by our subsidiary borrowers.

### ***Other PRC Loans***

Certain of our PRC subsidiaries have entered into loan agreements with various PRC financial institutions, including, without limitation, Shanghai International Trust Corporation Limited. These loans typically are secured project loans to finance the construction of our projects and have terms ranging from one year to five years. As of December 31, 2019, the aggregate outstanding amount under these loans totaled approximately RMB3,287.3 million (US\$472.2 million), of which RMB2,437.0 million (US\$350.1 million) was due within one year and RMB850.3 million (US\$122.1 million) was due between one and two years. Our other PRC loans are typically secured by land use rights and properties and/or guaranteed by CCRE China, our wholly owned subsidiary. The Notes and the Subsidiary Guarantees will be structurally subordinated to these loans and any other indebtedness incurred by our PRC subsidiaries.

## **Corporate Bonds**

On April 13, 2016, we issued the first tranche of domestic corporate bonds with an aggregate principal amount of RMB3.0 billion through our wholly owned PRC subsidiary, Central China Real Estate Group (China) Company Limited (建業住宅集團(中國)有限公司). The Corporate Bonds are non-guaranteed, bear interest at 6.0% per annum and will mature in 2021. On March 1, 2019, CCRE China commenced the implementation of sale back of the Corporate Bonds.

On July 23, 2019, we issued the domestic corporate bonds with an aggregate principal amount of RMB1.5 billion through our wholly owned PRC subsidiary, Central China Real Estate Group (China) Company Limited (建業住宅集團(中國)有限公司). The corporate bonds are non-guaranteed, bear interest at 7.5% per annum and will mature in 2022.

## **2015 Notes**

On April 23, 2015, we entered into an indenture (as amended and supplemented from time to time, the “2015 Indenture”) pursuant to which we issued US\$300 million principal amount of the 8.75% senior notes due 2021. As of the date of this offering memorandum, we had a total of US\$300 million principal amount of the 2015 Notes outstanding.

### ***Guarantee***

Our obligations under the 2015 Notes are guaranteed by certain of our existing subsidiaries (the “2015 Subsidiary Guarantors”) other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a 2015 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2015 Indenture.

Each of the 2015 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 2015 Notes.

### ***Collateral***

On April 23, 2015, the trustee to the 2015 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the 2015 Notes and the subsidiary guarantees provided by the 2015 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2015 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2015 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2015 Indenture.

### ***Events of Default***

The 2015 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2015 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2015 Indenture. If an event of default occurs and is continuing, the trustee under the 2015 Indenture or the holders of at least 25% of the outstanding 2015 Notes may declare the principal of the 2015 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

### ***Covenants***

The 2015 Notes and the 2015 Indenture limit the Company’s ability and the ability of its related restricted subsidiaries to, among other things:

- (i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;

- (ii) declare dividends on its capital stock or purchase or redeem capital stock;
- (iii) make investments or other specified restricted payments;
- (iv) issue and sell capital stock of related restricted subsidiaries;
- (v) guarantee indebtedness of related restricted subsidiaries;
- (vi) sell assets;
- (vii) create liens;
- (viii) enter into sale and leaseback transactions;
- (ix) enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- (x) enter into certain transactions with affiliates; and
- (xi) effect a consolidation or merger.

### ***Change of Control***

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding 2015 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

### ***Redemption***

At any time and from time to time on or after January 23, 2019, the Company may at its option redeem the 2015 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on January 23 of each of the years indicated below.

<b><u>Year</u></b>	<b><u>Redemption Price</u></b>
2019 .....	104.375%
2020 and thereafter .....	102.188%

At any time prior to January 23, 2019, 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 2015 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

In addition, at any time and from time to time prior to January 23, 2019, the Company may redeem up to 35% of the aggregate principal amount of the 2015 Notes with the net cash proceeds of one or more sales of the Company's capital stock in an equity offering at a redemption price of 108.75% of the principal amount of the 2015 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

### **2016 Notes**

On November 8, 2016, we entered into an indenture (as amended and supplemented from time to time, the "2016 Indenture") pursuant to which we issued US\$200 million principal amount of the 6.75% senior notes due 2021 and further issued an additional US\$200 million principal amount of the 6.75% senior notes due 2021 on October 8, 2019, which were collectively consolidated and formed a single class with the notes issued on November 8, 2016. As of the date of this offering memorandum, we had a total of US\$400 million principal amount of the 2016 Notes outstanding.

### ***Guarantee***

Our obligations under the 2016 Notes are guaranteed by certain of our existing subsidiaries (the “2016 Subsidiary Guarantors”) other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a 2016 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2016 Indenture. Each of the 2016 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 2016 Notes.

### ***Collateral***

On November 8, 2016, the trustee to the 2016 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the 2016 Notes and the subsidiary guarantees provided by the 2016 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledger under the 2016 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2016 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2016 Indenture.

### ***Events of Default***

The 2016 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2016 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the 2016 Indenture. If an event of default occurs and is continuing, the trustee under the 2016 Indenture or the holders of at least 25% of the outstanding 2016 Notes may declare the principal of the 2016 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

### ***Covenants***

The 2016 Notes and the 2016 Indenture limit the Company’s ability and the ability of its related restricted subsidiaries to, among other things:

- (i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- (ii) declare dividends on its capital stock or purchase or redeem capital stock;
- (iii) make investments or other specified restricted payments;
- (iv) issue and sell capital stock of related restricted subsidiaries;
- (v) guarantee indebtedness;
- (vi) sell assets;
- (vii) create liens;
- (viii) enter into sale and leaseback transactions;
- (ix) engage in any business other than permitted business;
- (x) enter into agreements that restrict the restricted subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;



(xi) enter into transactions with equity holders or affiliates; or

(xii) effect a consolidation or merger.

### ***Change of Control***

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2016 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

### ***Redemption***

At any time and from time to time on or after November 8, 2019, the Company may at its option redeem the 2016 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on November 8 of each of the years indicated below.

<b><u>Year</u></b>	<b><u>Redemption Price</u></b>
2019 .....	103.3750%
2020 and thereafter .....	101.6875%

At any time prior to November 8, 2019, the Company may at its option redeem the 2016 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2016 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

In addition, at any time and from time to time prior to November 8, 2019, the Company may redeem up to 35% of the aggregate principal amount of the 2016 Notes with the net cash proceeds of one or more sales of the Company's capital stock in an equity offering at a redemption price of 106.75% of the principal amount of the 2016 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

### ***March 2018 Notes***

On March 5, 2018, we entered into an indenture (as amended and supplemented from time to time, the "March 2018 Indenture") pursuant to which we issued US\$300 million principal amount of the 6.5% senior notes due 2021. On April 30, 2019, we issued US\$100 million additional March 2018 Notes. As of the date of this offering memorandum, we had a total of US\$400 million principal amount of the March 2018 Notes outstanding.

### ***Guarantee***

Our obligations under the March 2018 Notes are guaranteed by certain of our existing subsidiaries (the "March 2018 Subsidiary Guarantors") other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a March 2018 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the March 2018 Indenture.

Each of the March 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 March 2018 Notes.

### ***Collateral***

On March 5, 2018, the trustee to the March 2018 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the March 2018 Notes and the subsidiary guarantees provided by the March

2018 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the March 2018 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the March 2018 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the March 2018 Indenture.

### ***Events of Default***

The March 2018 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the March 2018 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the March 2018 Indenture. If an event of default occurs and is continuing, the trustee under the March 2018 Indenture or the holders of at least 25% of the outstanding March 2018 Notes may declare the principal of the March 2018 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

### ***Covenants***

The March 2018 Notes and the March 2018 Indenture limit the Company's ability and the ability of its related restricted subsidiaries to, among other things:

- (i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- (ii) declare dividends on its capital stock or purchase or redeem capital stock;
- (iii) make investments or other specified restricted payments;
- (iv) issue and sell capital stock of related restricted subsidiaries;
- (v) guarantee indebtedness of related restricted subsidiaries;
- (vi) sell assets;
- (vii) create liens;
- (viii) enter into sale and leaseback transactions;
- (ix) enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- (x) enter into certain transactions with affiliates; and
- (xi) effect a consolidation or merger.

### ***Change of Control***

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding March 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

### ***Redemption***

At any time and from time to time prior to March 5, 2021, 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 106.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided

that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

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.

Subject to certain exceptions in the March 2018 Indenture, 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.

### **April 2018 Notes**

On April 23, 2018, we entered into an indenture (as amended and supplemented from time to time, the “April 2018 Indenture”) pursuant to which we issued US\$300 million principal amount of the 6.875% senior notes due 2020 on April 23, 2018 and further issued an additional US\$86 million principal amount of the 6.875% senior notes due 2020 on June 5, 2018, which were collectively consolidated and formed a single class with the notes issued on April 23, 2018. As of the date of this offering memorandum, we had a total of US\$386 million principal amount of the April 2018 Notes outstanding.

### ***Guarantee***

Our obligations under the April 2018 Notes are guaranteed by certain of our existing subsidiaries (the “April 2018 Subsidiary Guarantors”) other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, an April 2018 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the April 2018 Indenture.

Each of the April 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 April 2018 Notes.

### ***Collateral***

On April 23, 2018, the trustee to the April 2018 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the April 2018 Notes and the subsidiary guarantees provided by the April 2018 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the April 2018 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the April 2018 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the April 2018 Indenture.

### ***Events of Default***

The April 2018 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the April 2018 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the April 2018 Indenture. If an event of default occurs and is continuing, the trustee under the April 2018 Indenture or the holders of at least 25% of the outstanding April 2018 Notes may declare the principal of the April 2018 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

### ***Covenants***

The April 2018 Notes and the April 2018 Indenture limit the Company's ability and the ability of its related restricted subsidiaries to, among other things:

- (i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- (ii) declare dividends on its capital stock or purchase or redeem capital stock;
- (iii) make investments or other specified restricted payments;
- (iv) issue and sell capital stock of related restricted subsidiaries;
- (v) guarantee indebtedness of related restricted subsidiaries;
- (vi) sell assets;
- (vii) create liens;
- (viii) enter into sale and leaseback transactions;
- (ix) enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- (x) enter into certain transactions with affiliates; and
- (xi) effect a consolidation or merger.

### ***Change of Control***

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding April 2018 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

### ***Redemption***

At any time and from time to time prior to October 23, 2020, 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 106.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to October 23, 2020, 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, as set forth in "Description of the Notes – Optional Redemption."

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.

Subject to certain exceptions in the April 2018 Indenture, 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.

## **April 2019 Notes**

On April 29, 2019, we entered into an indenture (as amended and supplemented from time to time, the “April 2019 Indenture”) pursuant to which we issued US\$300 million principal amount of the 7.25% senior notes due 2023. As of the date of this offering memorandum, we had a total of US\$300 million principal amount of the April 2019 Notes outstanding.

### ***Guarantee***

Our obligations under the April 2019 Notes are guaranteed by certain of our existing subsidiaries (the “April 2019 Subsidiary Guarantors”) other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a April 2019 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the April 2019 Indenture. Each of the April 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 April 2019 Notes.

### ***Collateral***

On April 24, 2019, the trustee to the April 2019 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the April 2019 Notes and the subsidiary guarantees provided by the April 2019 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the April 2019 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the April 2019 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the April 2019 Indenture.

### ***Events of Default***

The April 2019 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the April 2019 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the April 2019 Indenture. If an event of default occurs and is continuing, the trustee under the April 2019 Indenture or the holders of at least 25% of the outstanding April 2019 Notes may declare the principal of the April 2019 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

### ***Covenants***

The April 2019 Notes and the April 2019 Indenture limit the Company’s ability and the ability of its related restricted subsidiaries to, among other things:

- (i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- (ii) declare dividends on its capital stock or purchase or redeem capital stock;
- (iii) make investments or other specified restricted payments;
- (iv) issue and sell capital stock of related restricted subsidiaries;
- (v) guarantee indebtedness of related restricted subsidiaries;
- (vi) sell assets;
- (vii) create liens;

- (viii) enter into sale and leaseback transactions;
- (ix) enter into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- (x) enter into certain transactions with affiliates; and
- (xi) effect a consolidation or merger.

### ***Change of Control***

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding April 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

### ***Redemption***

At any time and from time to time on or after April 24, 2021, the Company may at its option redeem the April 2019 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on April 24 of each of the years indicated below.

<b>Year</b>	<b>Redemption Price</b>
2021 . . . . .	103.625%
2022 and thereafter . . . . .	101.8125%

At any time and from time to time prior to April 24, 2021, the Company may redeem up to 35% of the aggregate principal amount of the April 2019 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 107.25% of the principal amount of the April 2019 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to April 24, 2021, the Company may at its option redeem the April 2019 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the redeemed April 2019 Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

Upon the occurrence of a Change of Control, the Company will make an offer to repurchase all outstanding April 2019 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.

Subject to certain exceptions in the April 2019 Indenture, the Company may redeem the April 2019 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.

### **August 2019 Notes**

On August 1, 2019, we entered into an indenture (as amended and supplemented from time to time, the "August 2019 Indenture") pursuant to which we issued US\$300 million principal amount of the 6.875% senior notes due 2022. As of the date of this offering memorandum, we had a total of US\$300 million principal amount of the August 2019 Notes outstanding.



### ***Guarantee***

Our obligations under the August 2019 Notes are guaranteed by certain of our existing subsidiaries (the “August 2019 Subsidiary Guarantors”) other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a August 2019 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the August 2019 Indenture. Each of the August 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 August 2019 Notes.

### ***Collateral***

On August 8, 2019, the trustee to the August 2019 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the August 2019 Notes and the subsidiary guarantees provided by the August 2019 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the August 2019 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the August 2019 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the August 2019 Indenture.

### ***Events of Default***

The August 2019 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the August 2019 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the August 2019 Indenture. If an event of default occurs and is continuing, the trustee under the August 2019 Indenture or the holders of at least 25% of the outstanding August 2019 Notes may declare the principal of the August 2019 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

### ***Covenants***

The August 2019 Notes and the August 2019 Indenture limit our ability and the ability of its related restricted subsidiaries to, among other things:

- (i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- (ii) declare dividends on its capital stock or purchase or redeem capital stock;
- (iii) make investments or other specified restricted payments;
- (iv) issue and sell capital stock of related restricted subsidiaries;
- (v) guarantee indebtedness of related restricted subsidiaries;
- (vi) sell assets;
- (vii) create liens;
- (viii) enter into sale and leaseback transactions;
- (ix) enter into agreements that restrict the related restricted subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans;
- (x) enter into certain transactions with affiliates; and

(xi) effect a consolidation or merger.

### ***Change of Control***

Upon the occurrence of a certain event of change of control, we are obligated to make an offer to repurchase all outstanding August 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

### ***Redemption***

At any time and from time to time on or after August 8, 2021, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 102% of the principal amount of the Notes.

At any time and from time to time prior to August 8, 2021, 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 our common stock in an equity offering at a redemption price of 106.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to August 8, 2021, 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.

Upon the occurrence of a Change of Control, the Company will make an offer to repurchase all outstanding August 2019 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.

Subject to certain exceptions in the August 2019 Indenture, the Company may redeem the August 2019 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.

### **November 2019 Notes**

On November 7, 2019, we entered into an indenture (as amended and supplemented from time to time, the “November 2019 Indenture”) pursuant to which we issued US\$200 million principal amount of the 7.9% senior notes due 2023. As of the date of this offering memorandum, we had a total of US\$200 million principal amount of the November 2019 Notes outstanding.

### ***Guarantee***

Our obligations under the November 2019 Notes are guaranteed by certain of our existing subsidiaries (the “November 2019 Subsidiary Guarantors”) other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a November 2019 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the November 2019 Indenture. Each of the November 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 November 2019 Notes.

### ***Collateral***

On November 7, 2019, the trustee to the November 2019 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the November 2019 Notes and the subsidiary guarantees provided by the November 2019 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledger under the November 2019 Indenture may, subject to certain

conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the November 2019 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the November 2019 Indenture.

### ***Events of Default***

The November 2019 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the November 2019 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the November 2019 Indenture. If an event of default occurs and is continuing, the trustee under the November 2019 Indenture or the holders of at least 25% of the outstanding November 2019 Notes may declare the principal of the November 2019 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

### ***Covenants***

The November 2019 Notes and the November 2019 Indenture limit the Company's ability and the ability of its related restricted subsidiaries to, among other things:

- (i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- (ii) declare dividends on its capital stock or purchase or redeem capital stock;
- (iii) make investments or other specified restricted payments;
- (iv) issue and sell capital stock of related restricted subsidiaries;
- (v) guarantee indebtedness;
- (vi) sell assets;
- (vii) create liens;
- (viii) enter into sale and leaseback transactions;
- (ix) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- (x) enter into transactions with equity holders or affiliates; or
- (xi) effect a consolidation or merger.

### ***Change of Control***

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding November 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

### ***Redemption***

At any time and from time to time on or after November 7, 2021, the Company may at its option redeem the November 2019 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the twelve month period beginning on November 7 of each of the years indicated below.

<b>Year</b>	<b>Redemption Price</b>
2021 .....	103.95%
2022 and thereafter .....	101.975%

At any time prior to November 7, 2021, the Company may at its option redeem the November 2019 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the November 2019 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

In addition, at any time and from time to time prior to November 7, 2021, the Company may redeem up to 35% of the aggregate principal amount of the November 2019 Notes with the net cash proceeds of one or more sales of the Company's capital stock in an equity offering at a redemption price of 107.9% of the principal amount of the November 2019 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

### **January 2020 Notes**

On January 16, 2020, we entered into an indenture (as amended and supplemented from time to time, the "January 2020 Indenture") pursuant to which we issued US\$200 million principal amount of the 7.25% senior notes due 2024. As of the date of this offering memorandum, we had a total of US\$200 million principal amount of the January 2020 Notes outstanding.

### ***Guarantee***

Our obligations under the January 2020 Notes are guaranteed by certain of our existing subsidiaries (the "January 2020 Subsidiary Guarantors") other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a January 2020 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the January 2020 Indenture. Each of the January 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 January 2020 Notes.

### ***Collateral***

On January 16, 2020, the trustee to the January 2020 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the January 2020 Notes and the subsidiary guarantees provided by the January 2020 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledger under the January 2020 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the January 2020 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the January 2020 Indenture.

### ***Events of Default***

The January 2020 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the January 2020 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the January 2020 Indenture. If an event of default occurs and is

continuing, the trustee under the January 2020 Indenture or the holders of at least 25% of the outstanding January 2020 Notes may declare the principal of the January 2020 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

### ***Covenants***

The January 2020 Notes and the January 2020 Indenture limit the Company's ability and the ability of its related restricted subsidiaries to, among other things:

- (i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- (ii) declare dividends on its capital stock or purchase or redeem capital stock;
- (iii) make investments or other specified restricted payments;
- (iv) issue and sell capital stock of related restricted subsidiaries;
- (v) guarantee indebtedness;
- (vi) sell assets;
- (vii) create liens;
- (viii) enter into sale and leaseback transactions;
- (ix) enter into agreements that restrict the restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- (x) enter into transactions with equity holders or affiliates; or
- (xi) effect a consolidation or merger.

### ***Change of Control***

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding January 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

### ***Redemption***

At any time and from time to time on or after January 16, 2022, the Company may at its option redeem the January 2020 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below plus accrued and unpaid interest, if any, to (but not including) the redemption date if redeemed during the six-month period beginning indicated below.

<b>Year</b>	<b>Redemption Price</b>
January 16, 2022 . . . . .	103.625%
July 16, 2022 . . . . .	103.625%
January 16, 2023 . . . . .	101.8125%
July 16, 2023 . . . . .	101.8125%
January 16, 2024 . . . . .	100.000%

At any time prior to January 16, 2022, the Company may at its option redeem the January 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the January 2020 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

In addition, at any time and from time to time prior to January 16, 2022, the Company may redeem up to 35% of the aggregate principal amount of the January 2020 Notes with the net cash proceeds of one or more sales of the Company's capital stock in an equity offering at a redemption price of 107.25% of the principal amount of the January 2020 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, subject to certain conditions.

### **February 2020 Notes**

On February 12, 2020, we entered into an indenture (as amended and supplemented from time to time, the "February 2020 Indenture") pursuant to which we issued US\$300.0 million principal amount of the 6.875% senior notes due 2021. As of the date of this offering memorandum, we had a total of US\$300.0 million principal amount of the February 2020 Notes outstanding.

### ***Guarantee***

Our obligations under the February 2020 Notes are guaranteed by certain of our existing subsidiaries (the "February 2020 Subsidiary Guarantors") other than those subsidiaries organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a February 2020 subsidiary guarantee required to be provided by a subsidiary of the Company may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the February 2020 Indenture. Each of the February 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 February 2020 Notes.

### ***Collateral***

On February 12, 2020, the trustee to the February 2020 Indenture entered into a supplement to the Intercreditor Agreement and became a secured party under the Intercreditor Agreement. Pursuant to the Intercreditor Agreement, the February 2020 Notes and the subsidiary guarantees provided by the February 2020 Subsidiary Guarantors are secured by the Collateral. The Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledger under the February 2020 Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the February 2020 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the February 2020 Indenture.

### ***Events of Default***

The February 2020 Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the February 2020 Notes, when such payments become due, default in payment of interest which continues for 30 days, breaches of covenants, insolvency and other events of default specified in the February 2020 Indenture. If an event of default occurs and is continuing, the trustee under the February 2020 Indenture or the holders of at least 25% of the outstanding February 2020 Notes may declare the principal of the February 2020 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

### ***Covenants***

The February 2020 Notes and the February 2020 Indenture limit the Company's ability and the ability of its related restricted subsidiaries to, among other things:

- (i) incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- (ii) declare dividends on its capital stock or purchase or redeem capital stock;
- (iii) make investments or other specified restricted payments;
- (iv) issue or sell capital stock of Restricted Subsidiaries;



- (v) guarantee indebtedness of Restricted Subsidiaries;
- (vi) sell assets;
- (vii) create liens;
- (viii) enter into sale and leaseback transactions;
- (ix) enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- (x) enter into transactions with shareholders or affiliates; and
- (xi) effect a consolidation or merger.

### ***Change of Control***

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding February 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

### ***Redemption***

At any time on or after August 12, 2020, the Company may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the redeemed 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 August 12, 2020, 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 106.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to August 12, 2020, 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 redeemed 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 15 days' nor more than 30 days' notice of any redemption.

## DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to Central China Real Estate Limited, 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 herein) is referred to as a “JV Subsidiary Guarantor.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and DB Trustees (Hong Kong) Limited, as trustee (the “Trustee”). The term “Indenture” when used in this offering memorandum will refer to the Indenture as amended by all supplemental Indentures executed on or prior to the date on which the Notes are issued and sold.

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Security Documents and the Intercreditor Agreement (as defined below). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Security Documents and the Intercreditor Agreement. 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 (upon reasonable advance notice being given to the Trustee) for inspection on or after the Original Issue Date during normal business hours at the corporate trust office of the Trustee at DB Trustees (Hong Kong) Limited, Level 52, International Commerce Centre, 1 Austin Road West, 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 all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors 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 (if any) of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor (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 a first priority lien on the Collateral (subject to any Permitted Liens and *pari passu* sharing described below); and
- rank effectively senior in right of payment to unsecured obligations of the Company with respect to the value of the Collateral pledged by the Company securing the Notes (subject to any priority rights of such unsecured obligations pursuant to applicable law).

The Notes will mature on August 27, 2023, unless earlier redeemed pursuant to the term thereof and the Indenture.

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “– Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued.

The Notes will bear interest at 7.65% 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 27 and August 27 each year, except for the first payment of interest which will be paid on February 27, 2021 (each an “Interest Payment Date”), commencing on February 27, 2021. Interest on the Notes will be paid to Holders of record at the close of business on February 12 or August 12 immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the 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. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

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 in the relevant place of payment or in the place of business of the Paying Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 principal amount and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of the Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the office of the Paying Agent (as defined below), currently located at Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Company, payment of interest may be made by check mailed

to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants on the Business Day following payment thereof.

### **The Subsidiary Guarantees and JV Subsidiary Guarantees**

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Artstar Investments Limited, Bumper Up Limited, Central China Real Estate Holdings Limited, Joy Ascend Holdings Limited, Leapup Limited, Proud Sky Investments Limited, Sino Joy Enterprises Limited, Ahead Properties Limited, Central China Properties Development Limited, Central China Real Estate Investments Limited, Construction Premier Service Limited, Country Star Holdings Limited, Abundant Well Limited, Cheer World Limited and Precise Wish Limited. Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC (collectively the "Initial Non-Guarantor Subsidiaries"), Exempted Subsidiaries, Listed Subsidiaries, Unrestricted Subsidiaries nor PRC Restricted Subsidiaries will be a Subsidiary Guarantor on the Original Issue Date. All of the Subsidiary Guarantors are holding companies that do not have significant operations.

None of the existing Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. In addition, no future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that 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.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Listed Subsidiaries or Exempted Subsidiaries), as soon as practicable after such Person becomes a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing 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 (Restricted Subsidiaries other than those organized under the laws of the PRC that do not provide Subsidiary Guarantee or JV Subsidiary Guarantee in accordance with the Indenture, the "New Non-Guarantor Subsidiaries") at the time such entity becomes a Restricted Subsidiary; *provided* that, after taking into account the consolidated assets of such Restricted Subsidiary, 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 do not account for more than 25.0% of the Total Assets.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor."

In the case of a future Restricted Subsidiary (i) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established after the Original Issue Date, (ii) that is organized 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 shares or the issuance of new shares, no less than 20% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase no less than 50.1% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, cause the provision of a JV Subsidiary Guarantee instead of a Subsidiary

Guarantee 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, 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 the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by 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 JV Subsidiary 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 the 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) a duly executed Security Document that pledges in favor of the Global Security Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
  - (iii) 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
  - (iv) 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 subsidiaries had total consolidated indebtedness (which includes bank loans, other loans, senior notes and corporate bonds) of approximately RMB31,490.6 million (US\$4,523.3 million), of which approximately RMB7,396.3 million (US\$1,062.4 million) was secured.

The Subsidiary Guarantee of each Subsidiary Guarantor:

- is a general obligation of such Subsidiary Guarantor;
- is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (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; and
- ranks at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- will be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

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 a first ranking security interest in the Collateral (subject to any Permitted Liens and *pari passu* sharing described below) pledged by such Subsidiary Guarantor Pledgor, as described below under the caption “– Security;” 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 JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their respective rights to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be 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 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 and JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "– Defeasance – Defeasance and Discharge;"
- 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 described under "– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "– Certain Covenants – Limitation on Asset Sales" and "– Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale 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 Guarantee provided by such Subsidiary Guarantor and the Subsidiary Guarantee provided by 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 Global Security 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 such New Non-Guarantor Subsidiaries) do not account for more than 25.0% 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 Global Security 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 and the Intercreditor Agreement have been complied with, as evidenced by an Officers' Certificate from the Company to such effect, and the Trustee and the Global Security Agent shall take all actions necessary to effect and evidence such release in accordance with the terms of the Indenture.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Company has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the terms of the Indenture.

#### ***Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees***

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any 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% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor, *provided* that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any 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 such 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 is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by 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) a duly executed Security Document that pledges in favor of the Global Security Agent the Capital Stock of such JV Subsidiary Guarantor held by the Company or any Subsidiary Guarantor, but not the Capital Stock of the direct or indirect Subsidiaries of such JV Subsidiary Guarantor;
  - (iii) 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
  - (iv) 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 of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of the Indenture, all of the Company's Subsidiaries will be "Restricted Subsidiaries." However, under the circumstances described below under 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 and the initial Subsidiary Guarantor Pledgors, for the benefit of the holders of each series of the Existing Notes, have pledged the capital stock of all of the initial Subsidiary Guarantors owned by the Company or the Subsidiary Guarantor Pledgors (the "Collateral") on a first priority basis (subject to Permitted Liens and *pari passu* sharing as described below) in order to secure the obligations of the Company under each indenture for each series of the Existing Notes, and of such Subsidiary Guarantor

Pledgors under their respective subsidiary guarantees of each series of the Existing Notes and the obligations of the Company or any Subsidiary Guarantor Pledgor under other *pari passu* secured indebtedness.

The Company has agreed to extend, or cause the initial Subsidiary Guarantor Pledgors to extend, as the case may be, the benefit of the security interests created over the Collateral to the Holders on the Original Issue Date in order to secure the obligations of the Company under the Notes and the Indenture and of such initial Subsidiary Guarantor Pledgor under its Subsidiary Guarantee. Upon the Trustee acceding to the Intercreditor Agreement in the manner as described under “– Intercreditor Agreement”, such security interests will be so extended.

The initial Subsidiary Guarantor Pledgors are Joy Ascend Holdings Limited, Central China Real Estate Holdings Limited, Bumper Up Limited, Artstar Investments Limited, Sino Joy Enterprises Limited, Leapup Limited and Proud Sky Investments Limited.

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. If any JV Subsidiary Guarantor is established, the Capital Stock of such JV Subsidiary Guarantor owned by the Company or any Subsidiary Guarantor will be pledged to secure the obligations of the Company under the Notes and the Indenture, and of such Subsidiary Guarantor under its Subsidiary Guarantee, as the case may be, in the manner described above. However, 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 Global Security Agent.

The Company has also agreed, for the benefit of the Holders, to pledge, and 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 or additional shares of Capital Stock acquired or otherwise received by the Company or such Subsidiary Guarantor of any existing Restricted Subsidiary (in each case, other than any Non-Guarantor Subsidiary and its Subsidiaries) after the Original Issue Date, as soon as practicable after such Person has become a Restricted Subsidiary or (in the case of a Listed Subsidiary) has ceased to be a Listed Subsidiary or (in the case of an Exempted Subsidiary) has ceased to be an Exempted Subsidiary, 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 the 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 pursuant to the Intercreditor Agreement on a *pari passu* basis by the Holders and the holders of other secured indebtedness including the Existing Notes. 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 proceeds realizable from 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. 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 is unlikely to be sufficient to satisfy our obligations under the Notes and other *pari passu* secured indebtedness.”

Deutsche Bank Trust Company Americas has acted and will initially act as the Global Security Agent under the Security Documents in respect of the security over the Collateral. The Global Security 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 and the Security Documents. Under certain circumstances, the Trustee and the Global Security Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders and the beneficiaries of the Secured Liabilities. Neither the Trustee nor the Global Security Agent will be under any obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the such parties, unless such parties have offered to the Trustee and/or the Global Security Agent indemnity and/or security satisfactory to the Trustee and the Global Security Agent, as applicable, against any loss, liability or expense.

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 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 each 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 Guarantee with respect to such Indebtedness (such Indebtedness of the Company or any Subsidiary Guarantor and any such Pari Passu Guarantee, “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 and Preferred Stock;” (2) the holders of such Indebtedness (other than Additional Notes) (or their representative) become party to the Intercreditor Agreement referred to below; (3) the agreement in respect of such Indebtedness contains provisions with respect to releases of Collateral and such Pari Passu Guarantee is substantially similar to and no more restrictive on the Company and such Subsidiary Guarantor than the provisions of the Indenture and the Security Documents; and (4) the Company and such Subsidiary Guarantor Pledgor deliver to the Trustee and the Global Security Agent an Opinion of Counsel and Officers’ Certificate with respect to corporate and collateral matters in connection with the Security Documents, in form and substance as set forth in the Security Documents. The Trustee and/or the Global Security Agent, as the case may be, will be permitted and authorized, without the consent of any Holder, to enter into any amendment 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.



Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Company and its Restricted Subsidiaries will not be permitted to issue or 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 Subsidiary Guarantor Pledgors and Deutsche Bank Trust Company Americas, as the Global Security Agent, among others, entered into an intercreditor agreement on October 20, 2010, to which prior to the Original Issue Date, among others, each trustee on behalf of the holders of each series of Existing Notes acceded (as such may be amended, modified or supplemented from time to time, the “Intercreditor Agreement”) pursuant to which the Global Security Agent agreed to act as the collateral agent for each trustee on behalf of the holders of each series of the Existing Notes and holders of any Permitted Pari Passu Secured Indebtedness incurred after the date thereof or their trustee or agent (such holders or their trustee or agent, the “Creditor Representatives”) with respect to the Collateral securing such agreements, trust deeds or indentures or with respect to the Permitted Pari Passu Secured Indebtedness (if any) (such obligations, collectively, are herein referred to as the “Secured Liabilities”). On or before the Original Issue Date, the Trustee on behalf of the Holders will enter into a supplement to the Intercreditor Agreement pursuant to which the Trustee will become a party to the Intercreditor Agreement as a Secured Creditor and a Creditor Representative and the obligations of the Company under the Notes and the obligations of each Subsidiary Guarantor Pledgor under its Subsidiary Guarantee will become Secured Liabilities subject to the Intercreditor Agreement, to the effect that the Collateral will secure such obligations for the benefit of the Trustee on behalf of the holders of the Notes on a *pari passu* basis with the Company’s and the Subsidiary Guarantor Pledgors’ obligations under the other outstanding Secured Liabilities, as the case may be.

The Intercreditor Agreement provides, among other things, that (1) the Secured Liabilities shall rank *pari passu* among themselves and the Liens on the Collateral securing the Secured Liabilities shall rank *pari passu* among themselves; (2) the Collateral shall only be substituted or released and Liens only be granted on the Collateral to the extent permitted under the Debt Documents, and the terms for substitution or release of the Collateral shall be substantially similar to the terms of the Debt Documents; and (3) the parties thereto shall enforce their rights with respect to the Collateral and the Indebtedness secured thereby as described in “– Enforcement of Security” below. Items (1), (2) and (3) in the previous sentence may only be amended or waived with the consent of the Majority Creditors.

After the Original Issue Date and prior to the first Incurrence of any Permitted Pari Passu Secured Indebtedness (other than Additional Notes), the Company will procure that the holders of such Permitted Pari Passu Secured Indebtedness (through their trustee or agent, if applicable) will execute and deliver a supplement to the Intercreditor Agreement or an accession letter, which shall be in a form substantially similar to the form as prescribed by the Intercreditor Agreement, to become parties to the Intercreditor Agreement.

By accepting the Notes, each Holder shall be deemed to have consented to the execution and delivery of the Intercreditor Agreement, any amendments, supplements or modifications thereto, and any future intercreditor agreement required under the Indenture.

### ***Enforcement of Security***

The first priority Lien securing the Secured Liabilities has been, and will be granted to the Global Security Agent. The Global Security Agent for itself and the creditors under the Debt Documents will hold such Liens and security interests in the Collateral granted pursuant to the Security Documents with sole authority as directed by the Creditor Representatives or the Majority Creditors, if applicable, to exercise remedies under the Security Documents. The Global Security Agent has agreed to act as secured party on behalf of the creditors under the Debt Documents under the applicable security documents, to follow the instructions provided to it by one or more of the Creditor Representatives or



the Majority Creditors, if applicable, under the Intercreditor Agreement and to carry out certain other duties. The Trustee will give instructions to the Global Security Agent in accordance with instructions it receive from the Holders under the Indenture.

The Intercreditor Agreement will provide that the Global Security 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 Global Security Agent will only enforce the Collateral upon receiving written instructions from the Majority Creditors. Furthermore, the Intercreditor Agreement will provide that, subject to the rights of any creditor with prior security or any preferential claim under applicable laws, the proceeds of enforcement of any Collateral under the Security Documents will be applied as follows:

*first*, in or towards payment of any unpaid fees, costs and expenses of the Global Security Agent and any receiver, attorney or agent appointed under the Intercreditor Agreement and Security Documents and any amount for which the Global Security Agent is entitled to indemnification under the Intercreditor Agreement;

*secondly*, pro rata, in or towards payment to the trustees and/or agents under the Indenture and any other Debt Documents for application against any fees, costs and expenses payable to them under the Debt Documents and any amount for which such trustees and/or agents are entitled to indemnification under the applicable Debt Document;

*thirdly*, pro rata, in or towards payment to each of the Creditor Representatives for the Secured Liabilities for application against the interest and principal payable under the Debt Documents relevant to it;

*fourthly*, pro rata, in or towards payment of any other sum payable to each of the Creditor Representatives for the Secured Liabilities under the Debt Documents relevant to it; and

*lastly*, the payment of the surplus (if any) to the Company, the Subsidiary Guarantor Pledgors or whomever may be lawfully entitled thereto.

The Global Security Agent may refrain from acting in accordance with the instructions of the Creditor Representatives until it has received security satisfactory to it against any liability or loss which it may incur in complying with the instructions. In addition, the Global Security 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 Global Security Agent's Liens on the Collateral.

Neither the Global Security Agent nor the Trustee nor any of its officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value or protection of any Collateral securing the Secured Liabilities, for the legality, enforceability, effectiveness or sufficiency of the Security Documents or the Intercreditor Agreement, 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. Nor will the Global Security Agent be responsible for (i) the right or title of any person in or to, or the value of, or sufficiency of any part of the Collateral created by the Security Documents; (ii) the priority of any Lien on the Collateral created by the Security Documents; or (iii) the existence of any other Lien affecting any asset secured under a Security Document.

The Intercreditor Agreement and Security Documents will provide that the Obligor shall jointly and severally forthwith on demand indemnify the Global Security Agent for any liability, damage, cost, expense or loss incurred by the Global Security Agent in any way relating to or arising out of its acting as the Global Security Agent, except to the extent that the liability, damage, cost, expense or loss arises directly from the Global Security Agent's willful misconduct or gross negligence.

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 the Collateral in compliance with the covenants described under “– 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 (or its Subsidiaries) in its direct and indirect Subsidiaries, and in accordance with the terms of the Indenture;
- 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 in compliance with the terms of the Indenture;
- with respect to any pledge over any Capital Stock of any Subsidiary Guarantor or JV Subsidiary Guarantor, upon the designation by the Company of (i) such Subsidiary Guarantor or JV Subsidiary Guarantor, or (ii) the Subsidiary Guarantor Pledgor pledging the Capital Stock of such Subsidiary Guarantor or JV Subsidiary Guarantor, as an Unrestricted Subsidiary in compliance 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; and
- with respect to a Lien over the Collateral (or any portion thereof) pledged to secure the Notes, either upon (i) the repayment in full of all amounts owing by the Company or any Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Existing Pari Passu Secured Indebtedness and any Permitted Pari Passu Secured Indebtedness or (ii) the prior or concurrent release of the Lien on the Collateral securing all Existing Pari Passu Secured Indebtedness and all Permitted Pari Passu Secured Indebtedness (if any); *provided* that in each case, no Default has occurred and is continuing on such date and no Default would have occurred as a result of such release, and each of the Trustee and the Collateral Agent shall comply with a release request if the conditions precedent to such release set forth in the Indenture and the Security Documents have been complied with, as evidenced by an Officers’ Certificate from the Company (on which the

Trustee and the Collateral Agent may rely without liability or responsibility to any person), 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 and the Security Documents, as applicable.

### **Further Issues**

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “Further Issue”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *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 on or after August 27, 2022, the Company may at its option redeem the Notes, in whole or in part, at a redemption price of 103.825% of the principal amount of the 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 August 27, 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 107.65% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to August 27, 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 redeemed 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.

### ***Selection and Notice***

The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption, with at least 20 days’ notice to the Trustee or such shorter period of notice as may be agreed with the Trustee. If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

- (1) if the Notes are listed on any recognized securities exchange or are held through a clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed (if any) or the requirements of the clearing system; or
- (2) if the Notes are not listed on any recognized securities exchange, on a pro rata basis, by lot or by such method as the Trustee deems fair and appropriate unless otherwise required by law or by applicable stock exchange or clearing system requirements.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

### **Repurchase of Notes Upon a Change of Control 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, the Subsidiary Guarantors’ and the JV Subsidiary Guarantors’ then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See “Risk Factors – Risks Relating to the Notes – We may not be able to repurchase the Notes upon a Change of Control 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.

### **No Mandatory Redemption or Sinking Fund**

There will be no mandatory redemption or sinking fund payments for the Notes.

### **Additional Amounts**

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees and JV Subsidiary Guarantees will be made 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), including, without limitation, if applicable, the PRC (each, as applicable, a “Relevant Taxing Jurisdiction”), or any jurisdiction (or any political subdivision or taxing authority thereof or therein) through which payments are made (together with each Relevant Taxing Jurisdiction, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

- (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:
  - (i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant 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 Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
  - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on 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 Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
  - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
- (c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (“FATCA”), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other

official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement with respect thereto, or any agreement with the U.S. Internal Revenue Service under FATCA; or

- (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, member 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 15 days' nor more than 30 days' notice to the Holders and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying and Transfer Agent (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to 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 Taxing Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 15 days but not more than 30 days before a redemption date:



- (1) an Officers' Certificate stating that such change, amendment or statement 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, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall 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 or any Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness), any Subsidiary Guarantor may issue Preferred Stock 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 2.0 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 Guarantees;
  - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); *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, 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), (c), (h), (p), (q), (r), (s), (t), (u), (v) or (w) of this paragraph (2) and any Refinancings thereof in an amount not to exceed the amount so Refinanced (plus premiums, accrued interest, fees and expenses); *provided* that (i) Indebtedness the proceeds of which are used to Refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are Refinanced in part or the Indebtedness to be Refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be Refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be Refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be Refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be Refinanced, and (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be Refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is 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 designed 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 or other purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary, 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; *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 sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (h) (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (h) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clauses (p), (q), (r), (t), (u), (v) or (w) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (p), (q), (r), (t), (u), (v) or (w) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% 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, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, 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, however*, 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 does not exceed US\$50.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date);
- (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 issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a PRC Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (p) (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under this clause (p) to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount) plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred under clause (h) above or (q), (r), (t), (u), (v) or (w) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h) above or (q), (r), (t), (u), (v) or (w) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets;
- (q) 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 sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (together with any Refinancings thereof, but excluding any Guarantees Incurred under this clause (q) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h) or (p) above or (r), (t), (u), (v) or (w) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p) above or (r), (t), (u), (v) or (w) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets;
- (r) Indebtedness Incurred by any PRC Restricted Subsidiary which is secured by Investment Properties, and Guarantees thereof by the Company or any PRC Restricted Subsidiary; *provided* that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (r) (together with any Refinancings thereof, but excluding any Guarantees Incurred under this clause (r) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p) or (q) above or

- (t), (u), (v) or (w) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p) or (q) above or (t), (u), (v) or (w) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets;
- (s) 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\$50.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date);
  - (t) 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, if the aggregate of all Indebtedness Incurred under this clause (t) (together with any Refinancings thereof, but excluding any Guarantees Incurred under this clause (t) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q) or (r) above or clauses (u), (v) or (w) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q) or (r) above or clauses (u), (v) or (w) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets;
  - (u) 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 (u) (together with any Refinancings thereof, but excluding any Guarantees Incurred under this clause (u) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (r) or (t) above or clauses (v) or (w) below (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q), (r) or (t) above or clauses (v) or (w) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets;
  - (v) 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 (v) (together with any Refinancings thereof, but excluding any Guarantees Incurred under this clause (v) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (r), (t) or (u) above (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q),



(r), (t) or (u) above or clause (w) below to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets; and

(w) Indebtedness of the Company or any Restricted Subsidiary under the Credit Facilities; *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 (w) (together with any Refinancings thereof, but excluding any Guarantees Incurred under this clause (w) to the extent the amount of such Guarantees is otherwise reflected in such aggregate principal amount), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (r), (t), (u) and (v) above (together with any Refinancings thereof, but excluding any Contractor Guarantees or Guarantees Incurred under clauses (h), (p), (q), (r), (t), (u) and (v) above to the extent the amount of such Contractor Guarantees or Guarantees is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% 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 part (1) above, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.
- (4) Notwithstanding any other provision of the Indenture, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

#### ***Limitation on Restricted Payments***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any 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 shares of such Capital Stock) 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 a Restricted Subsidiary held by a Trust 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 Subsidiary Guarantor); 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 part (1) of the covenant described under “– Limitation on Indebtedness and Preferred Stock;” or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments 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 the first day of the fiscal quarter during which the Measurement Date occurred 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 Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus
  - (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company’s consolidated balance sheet upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
  - (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the 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).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any 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 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 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, not less than 50% of which is held, directly or indirectly through Restricted Subsidiaries, by the Company;
- (6) dividends paid to, or the purchase of Capital Stock of any PRC Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(p) of the “Limitation on Indebtedness and Preferred Stock” covenant;
- (7) any Restricted Payment in an aggregate amount, taken together with all other Restricted Payments made in reliance on this clause (7), not to exceed US\$30.0 million (or the Dollar Equivalent thereof using the exchange rates existing as of the Original Issue Date);

- (8) 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, *provided* that such declaration and payment of dividends by the Company pursuant to this clause (8), together with such repurchase of the Company's Common Stock pursuant to this clause (8), shall not in the aggregate exceed 30.0% of the consolidated profit for the year of the Company calculated in accordance with GAAP;
- (9) distributions or payments of Securitization Fees in connection with Receivable Financing permitted under the Indenture;
- (10) any purchase, redemption, retirement or acquisition of any shares of Capital Stock of any Restricted Subsidiary in an arm's length transaction, *provided* that any such purchase, redemption, retirement or acquisition shall be deemed to be an arm's length transaction if the consideration paid by the Company or the relevant Restricted Subsidiary, as the case may be, is not more than the Fair Market Value of the shares of Capital Stock so purchased, redeemed, retired or acquired;
- (11) (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\$3.0 million (or the Dollar Equivalent thereof) in any fiscal year; and
- (12) declaration or payment of dividends in kind or other distributions in kind consisting of Capital Stock of any member of the Restructuring Group held by the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) in connection with the proposed Restructuring of the Restructuring Group *provided* that such declaration, payment or distribution will be made to the shareholders of the Company at the time of or prior to such Restructuring.

*provided that*, in the case of clause (2), (3), (4) or (8) 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 permitted pursuant to clauses (1), (7) and (8) 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. For the avoidance of doubt, the 2010 Dividend shall not be included in such calculation as set forth in the foregoing sentence.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be their Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in 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 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 (19) 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 or Pari Passu Guarantee, and any extensions, Refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;
  - (b) existing under or by reason of applicable law, rule, regulation or order;
  - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, Refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;

- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;
- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale 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 of the type described under clause (2)(h) or permitted under clause (2)(n), (2)(p), (2)(q), (2)(r), (2)(s), (2)(t), (2)(u), (2)(v) or (2)(w) of the “Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, such 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;
- (g) existing in customary provisions in 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 (as determined in good faith by the Board of Directors) (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 the ability of (x) 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, respectively; 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 Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, 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.

***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 issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and *provided* that the Company complies with the "– Limitation on Asset Sales" covenant; or
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "– Limitation on Asset Sales" covenant.

#### ***Limitation on Issuances of Guarantees by Restricted Subsidiaries***

The Company will not permit any Restricted Subsidiary which is 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 Guaranteed 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 or bank deposits or other assets to secure 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.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.



### ***Limitation on Transactions with Shareholders and Affiliates***

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
  - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
  - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$20.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Company or the relevant Restricted Subsidiary than the terms available to (or from, as applicable) a Person that is not an Affiliate of the Company, in each case 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 “– 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 Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (6) any Affiliate Transaction that is conducted in accordance with the relevant rules and regulations of The Stock Exchange of Hong Kong Limited, for as long as the Capital Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited;

- (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; and
- (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.

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 (19) 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 or a Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Subsidiary Guarantor is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary or being a Subsidiary, Minority Joint Venture or Associate of the Company).

Further, the requirements of clause (2) of the first paragraph of this covenant shall not apply to any transaction between (A) any of the Company or a Restricted Subsidiary and (B) any Minority Joint Venture, Associate or Unrestricted Subsidiary; *provided* that (1) such transaction is entered into in the ordinary course of business and (2) none of the shareholders or partners of or in such Minority Joint Venture, Associate or Unrestricted Subsidiary is a Person described in clause (x) of the first paragraph of this covenant (other than by reason of such shareholder or partner being an officer or director of such Minority Joint Venture or by reason of being a Subsidiary, Minority Joint Venture or Associate of the Company).

#### ***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 such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction pursuant to 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 “– 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 “– 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 to acquire Replacement Assets; or
- (3) make an Investment in cash or Temporary Cash Investments pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute “Excess Proceeds.” Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale,

rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

#### ***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) for the purposes specified, including any adjustment based on the Company’s business needs and changing market conditions, under the caption “Use of Proceeds” in this offering memorandum 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 “– Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under “– Limitation on Liens;” (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “– Limitation on Restricted Payments.”

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided that* (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under “– Limitation on Indebtedness and Preferred Stock;” (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under “– Limitation on Liens;” (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); (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 business of the Company and the Restricted Subsidiaries; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

#### ***Anti-Layering***

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

#### ***Suspension of Certain Covenants***

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from the Rating Agency and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from the Rating Agency, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “– Certain Covenants – Limitation on Indebtedness and Preferred Stock;”
- (2) “– Certain Covenants – Limitation on Restricted Payments;”
- (3) “– Certain Covenants – Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries;”

- (4) “– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries;”
- (5) “– Certain Covenants – Limitation on Issuances of Guarantees by Restricted Subsidiaries;”
- (6) “– Certain Covenants – Limitation on the Company’s Business Activities;”
- (7) “– Certain Covenants – Limitation on Sale and Leaseback Transactions;” and
- (8) “– Certain Covenants – Limitation on Asset Sales.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described under “– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant described under “– 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 Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company’s common 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) 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) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
  - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis), including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial



statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; 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) in accordance with the provisions 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\$7.5 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any 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\$7.5 million (or the Dollar Equivalent thereof) (in excess of amounts which the Company's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

- (7) an involuntary case or other proceeding is commenced against the Company or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any Restricted Subsidiary (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors;
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms in writing 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 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 in writing 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 Trustee ceases to have a first priority Lien on the Collateral (subject to any Permitted Liens).

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 request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least 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 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 pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, foreclose on the Collateral in accordance with the terms of the Security Documents and take such further action on behalf of the Holders of the Notes with respect to the Collateral as the Trustee deems appropriate. See “– 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 the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity reasonably satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer of indemnity; 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 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, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company’s and its Restricted Subsidiaries’ performance under the Indenture and that the Company has fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See “– Provision of Financial Statements and Reports.”

### **Consolidation, Merger and Sale of Assets**

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, Hong Kong, Bermuda 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 and the Security Documents, as the case may be, including the obligation to pay Additional Amounts, 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 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 proviso in part (1) of the covenant described under "– 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) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this covenant and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
- (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 to the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company or 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, 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 proviso in part (1) of the covenant described under “– 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) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; 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.”

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, the Subsidiary Guarantors or the JV Subsidiary Guarantors that may adversely affect Holders.

#### **No Payments for Consents**

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture and the Notes in connection with an exchange or tender offer, the Company and any Subsidiary of the Company may exclude (i) holders or beneficial owners of the Notes that are located in the U.S. or “U.S. Persons” as defined in Regulation S under the Securities Act, and (ii) holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Subsidiary of the Company 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 hold monies for payment in trust and to pay Additional Amounts) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money, 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 a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee an Opinion of Counsel from a firm of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any 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 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, and 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 Waivers**

#### ***Amendments Without Consent of Holders***

The Indenture, the Intercreditor Agreement or 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, *provided however* that such amendment shall not adversely affect the interest of the Holders;
- (2) comply with the provisions described under “– Consolidation, Merger and Sale of Assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) add any Subsidiary Guarantor Pledgor or release any Subsidiary Guarantor Pledgor and the corresponding Collateral as provided or permitted by the terms of the Indenture;
- (7) add additional Collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (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;

- (10) permit Permitted Pari Passu Secured Indebtedness (including, without limitation, permitting the Trustee and the Global Security Agent to enter into any supplements or amendments to 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 Intercreditor Agreement or any Security Document may be modified or amended, and future compliance with any provision thereof may be waived, with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes; *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 place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) release any Collateral, except as provided in the Intercreditor Agreement, 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, 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 captions “– Optional Redemption” or “– Redemption for Taxation Reasons;”
- (14) amend, change or modify the obligation of the Company or 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 U.S. federal securities laws.

#### **Concerning the Trustee and the Agents**

DB Trustees (Hong Kong) Limited has been appointed as Trustee under the Indenture, Deutsche Bank Luxembourg S.A. has been appointed as note registrar (the “Note Registrar”), and Deutsche Bank AG Hong Kong Branch has been appointed as paying agent (the “Paying Agent”) and transfer agent (the “Transfer Agent,” and together with the Trustee, the Note Registrar and the Paying Agent, the “Agents”) with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture 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.

None of the Trustee, the Paying Agent, the Note Registrar, or the security agent nor any of its 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, 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 Agent's own fraud, gross negligence or willful misconduct.

Deutsche Bank Trust Company Americas has acted and will initially act as Global Security Agent under the Security Documents in respect of the Security over the Collateral. The Global Security 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 and the Security Documents. Under certain circumstances, the Global Security Agent may have obligations under the Security Documents or the Intercreditor Agreement that are in conflict with the interests of the Holders. The Global Security Agent will be under no obligation to exercise any rights or powers conferred under the Indenture or any of the Security Documents for the benefit of the Holders unless such Holders have offered to the Global Security Agent indemnity or security reasonably satisfactory to the Trustee against any loss, liability or expense. Furthermore, each Holder, by accepting the Notes will agree, for the benefit of the Global Security Agent, that it is solely responsible for its own independent appraisal of and 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 Global Security 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 Initial Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the "Additional Global Notes", 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 "– Certificated Definitive Notes," the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of 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 their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

### **Payments on the Global Notes**

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures.

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 Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- 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 any Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for certificated notes in certificated form, and to distribute such certificated notes to their participants.

## **Transfers**

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global 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 settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

## **Information Concerning Euroclear and Clearstream**

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.



## **Certificated Notes**

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “– Events of Default” and the Company has received a written request from a Holder, the Company will issue certificated notes in registered form in exchange for the Global Notes. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Notes for certificated and cause the requested certificated notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to Holders. Persons exchanging interests in a Global Note for certificated notes will be required to provide the registrar, through the relevant clearing system, with written instruction and other information required by the Company and the registrar to complete, execute and deliver such certificated notes. In all cases, certificated notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Certificated notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

## **Notices**

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in mails of the relevant jurisdiction (if intended for the Company or any Subsidiary Guarantor or the Trustee) addressed to the Company, such Subsidiary Guarantor or the Trustee, as the case may be, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

## **Consent to Jurisdiction; Service of Process**

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

## **Governing Law**

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Intercreditor Agreement 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” will 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.

“*2015 Notes*” means the US\$300,000,000 8.75% per annum senior notes due 2021 issued by the Company on April 23, 2015.

“*2016 Notes*” means the US\$400,000,000 6.75% per annum senior notes due 2021 issued by the Company on November 8, 2016 and October 8, 2019.

“*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 27, 2022, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“*Affiliate*” means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person, whether now or in the future, as of the date on which, or at any time during the period for which, the determination of affiliation is being made; (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 27, 2022 (such redemption price being set forth above under the caption “– Optional Redemption”), plus (y) all required remaining scheduled interest payments due on such Note through August 27, 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. For the avoidance of doubt, calculation of the Applicable Premium will be made by the Company or on behalf of the Company by such Person as the Company shall designate; provided that such calculation or the correctness thereof shall not be a duty or obligation of the Trustee or any Agents.

“*April 2018 Notes*” means the US\$386,000,000 6.875% senior notes due 2020 issued by the Company on April 23, 2018 and June 5, 2018.

“*April 2019 Notes*” means the US\$300,000,000 7.25% senior notes due 2023 issued by the Company on April 24, 2019.

“*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 described under “– Consolidation, Merger and Sale of Assets;”
- (7) sales or other dispositions of cash or of Temporary Cash Investments;
- (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) (i) 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.

“Associate” means any Person of which at least 20% of the Capital Stock is owned, directly or indirectly, by the Company or any Restricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction.

“August 2019 Notes” means the US\$300,000,000 6.875% per annum senior notes due 2022 issued by the Company on August 8, 2019.

“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 secured by a pledge of one or more bank accounts or bank deposits or other assets of the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to effect exchange of U.S. dollars, Hong Kong dollars or other foreign currencies into Renminbi or vice versa, or to remit Renminbi or any foreign currency into or outside the PRC.

“Board of Directors” means the board of directors 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, Singapore or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“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, amalgamation or consolidation 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 30% 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 to the board of directors was approved by a vote of at least two-thirds of the directors then still in office who were either directors on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“*Change of Control Triggering Event*” means the occurrence of 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, any Subsidiary Guarantee or any JV Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors.

“*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 includes, without limitation, all series and classes of such common stock or ordinary shares.

“*Comparable Treasury Issue*” means the U.S. Treasury security having a maturity comparable to August 27, 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 27, 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 received 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 semi-annual period 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,

- (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), and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business and 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 future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“*Consolidated Fixed Charges*” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“*Consolidated Interest Expense*” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees) 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, in each case, minus interest income for such 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);
- (6) any translation gains or losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains,

*provided* that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of 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 semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any 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 real or personal property or equipment to be used by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

*“Credit Facilities”* means one or more debt facilities or commercial paper facilities or indentures or trust deeds or note purchase agreements or Capitalized Lease Obligations or other indebtedness, in each case, with banks or other lenders, institutions or investors providing for revolving credit loans, term loans, Receivable Financing, letters of credit, bonds, notes, debentures or other corporate debt instruments or other financing including, without limitation, Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a guarantee of Indebtedness of, or securing the Indebtedness of, any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to, any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders, institutions or investors or other banks, lenders, institutions or investors or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

*“Currency 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, each indenture for each series of the Existing Notes, the Indenture and the documents evidencing any Permitted Pari Passu Secured Indebtedness.

*“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 Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “– Limitation on Asset Sales” and “– Repurchase of Notes upon a Change of Control 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), (B) clause (ii), or (C) a combination of clauses (i) and (ii) results in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“*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 Notes*” means the 2015 Notes, the 2016 Notes, the March 2018 Notes, the April 2018 Notes, the April 2019 Notes, the August 2019 Notes, the November 2019 Notes, the January 2020 Notes and the February 2020 Notes.

*“Existing Pari Passu Secured Indebtedness”* means the Indebtedness of the Company or a Subsidiary Guarantor outstanding on the date of the Indenture, which consists of the Existing Notes, that are secured by the Collateral and subject to the Intercreditor 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 the Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

*“February 2020 Notes”* means US\$300,000,000 6.875% senior notes due 2021 issued by the Company on February 12, 2020.

*“Fixed Charge Coverage Ratio”* means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two fiscal semi-annual periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “Two Semi-Annual Period”) to (2) the aggregate Consolidated Fixed Charges during such Two Semi-Annual Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Two Semi-Annual Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-Annual Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the 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 Subsidiaries 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 two full fiscal semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), *provided* that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity 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;
- (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; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase or redemption price plus accrued dividends.

For the avoidance of doubt, a mandatory put option granted to a Person that obligates the Company or any Restricted Subsidiary to repurchase the Capital Stock of any Restricted Subsidiary or any other Person shall be deemed to be "Indebtedness."

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations, 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) 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, or (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such clause.

"*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 to the extent such obligation is outstanding and to the extent guaranteed by such Person.

An acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists of Common Stock of the Company will not be deemed an Investment.

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 book value of the Company’s proportional interest in the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “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 Fitch.

“*Investment Property*” means any property that is owned and held by any PRC Restricted Subsidiary primarily for rental yield or for capital appreciation or both, or any hotel owned by the Company or any PRC Restricted Subsidiary as an investment property.

“*January 2020 Notes*” means US\$200,000,000 7.25% senior notes due 2024 issued by the Company on January 16, 2020.

“*JV Entitlement Amount*” means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Company; and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor 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.

“*Lien*” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“*Listed Subsidiaries*” 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.

“*Majority Creditors*” means, as of any time of determination, the creditors under the Debt Documents that represent more than 50% of the aggregate principal amount of secured liabilities outstanding under the Debt Documents at such time.

“*Measurement Date*” means October 20, 2010.

“*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.

“*March 2018 Notes*” means the US\$400,000,000 6.5% per annum senior notes due 2021 issued by the Company on March 5, 2018 and April 30, 2019.

“*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 such Minority Joint Venture’s Subsidiaries.

“*Moody’s*” means Moody’s Investors Service, Inc. and its successors.

“*Net Cash Proceeds*” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
  - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
  - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the 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-Guarantor Subsidiaries"* means the Exempted Subsidiaries, the Listed Subsidiaries, the Initial Non-Guarantor Subsidiaries, the New Non-Guarantor Subsidiaries and the PRC Restricted Subsidiaries.

*"Non-recourse Receivable Financing"* means Receivable Financing (i) under which neither the Company nor any Restricted Subsidiary (other than pursuant to Standard Nonrecourse 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.

*"November 2019 Notes"* means the US\$200,000,000 7.9% per annum senior notes due 2023 issued by the Company on November 7, 2019.

*"Obligors"* means, collectively, the Company, the Subsidiary Guarantor Pledgor and any other person who becomes a party to the Intercreditor Agreement as an obligor after the date thereof.

*"Offer to Purchase"* means an offer to purchase the 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 and Transfer Agent and each Holder at its last address appearing in the Note register stating:

- (1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof.

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; (b) deposit with the Paying Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted; and (c) 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 or an authenticating agent shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 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 directors or 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* that, with respect to any Subsidiary Guarantor or JV Subsidiary Guarantor having only one Officer, an “Officers' Certificate” means a certificate signed by such Officer.

“*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 Guarantee*” means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes), any Subsidiary Guarantor or any JV Subsidiary Guarantor; *provided* that (1) the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under “– Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks *pari passu* with the Notes, 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 Holders”* means any or all of the following:

- (1) Mr. Wu Po Sum and his children;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) of the definition of Affiliate) or the estate or legal representatives of the 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 of the Persons specified in clauses (1) and (2).

*“Permitted Investment”* means:

- (1) any Investment in the Company or a Restricted Subsidiary or a Person which will, upon the making of such Investment, become a Restricted Subsidiary 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;
- (2) any Investment in cash or Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments consisting of consideration received in connection with an Asset Sale made in compliance with the covenant described under “– 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 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) or services 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) payments made pursuant to any Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement;
- (17) advances or deposits paid to government authorities or government-affiliated or supervised entities in the PRC in connection with the financing of land acquisition, land development or land redevelopment activities in the ordinary course of business that are recorded as assets on the Company's balance sheet to the extent each such advance or deposit is on normal commercial terms;
- (18) repurchases of Notes;
- (19) any Investment (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) by the Company or any Restricted Subsidiary in any Person; *provided* that:
  - (i) the aggregate of all Investments made under this clause (19) since the Original Issue Date shall not exceed in aggregate an amount equal to 35% 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 (19) since the Original Issue Date resulting from:
    - (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
    - (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the 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 (19) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment,
- (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, or
- (E) any 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”),

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 (19);

- (ii) if any of the other shareholders or partners in such Person in which such Investment was made pursuant to this clause (19) 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”, such Investment shall comply with the requirements set forth under the caption “– Limitation on Transactions with Shareholders and Affiliates”; and
- (iii) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be valued at the time such Investment is made;

- (20) any Guarantees permitted to be Incurred under clause (2)(p) or (2)(t) of the covenant described under “– Limitation on Indebtedness and Preferred Stock;” and
- (21) any Investment in a subordinated tranche of interests in a Receivable Financing Incurred pursuant to clause (ii) of the definition thereof with multiple tranches offered and sold to investors that, in the good faith determination of the Board of Directors, are necessary or advisable to effect such Receivable Financing; and
- (22) 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, and (ii) at the time of such designation, the members of the Restructuring Group remain Subsidiaries of the Company; and (B) the aggregate of all Investments made under this clause (22) 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).

“*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, in each case, securing Indebtedness under Hedging Obligations of the type permitted by clause (2)(f) of the covenant described under "– Limitation on Indebtedness and Preferred Stock;"
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to Refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under "– Limitation on Indebtedness and Preferred Stock;" *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being Refinanced;
- (13) 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;
- (16) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee;

- (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 described under “– Certain Covenants – Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property 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) 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 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) or services 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 on the Capital Stock of a PRC Restricted Subsidiary granted by the Company or any Restricted Subsidiary in favor of any Trust Company Investor in respect of, and to secure, Indebtedness or Preferred Stock of the type permitted to be Incurred under clause (2)(p) of the covenant described under “– Limitation on Indebtedness and Preferred Stock;”
- (23) Liens incurred on one or more bank accounts, deposits or other assets to secure Bank Deposit Secured Indebtedness;
- (24) Liens on Investment Properties securing Indebtedness of the Company or any PRC Restricted Subsidiary of the type described under clause (2)(r) of the covenant described under “– Limitation on Indebtedness and Preferred Stock;”
- (25) Liens incurred or deposits made to secure Entrusted Loans;
- (26) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under “– Limitation on Indebtedness and Preferred Stock;”

- (27) 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 which is permitted to be Incurred under clause (2)(o) or (2)(v) of the covenant described under “– Limitation on Indebtedness and Preferred Stock;”
- (28) Liens securing Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors or JV Subsidiary Guarantors) Incurred pursuant to clause (2)(s) of the covenant described under “– Limitation on Indebtedness and Preferred Stock;”
- (29) Liens securing Indebtedness Guaranteed by the Company or any Restricted Subsidiary which is permitted to be Incurred under clause (2)(t) of the covenant described under “– Limitation on Indebtedness and Preferred Stock”, and
- (30) Liens securing Indebtedness permitted to be Incurred under clause (2)(u) or (2)(w) of the covenant described under “– 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 Restricted Subsidiaries (other than the Subsidiary Guarantors), taken as a whole (excluding any Public Indebtedness); *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 the amount of any Public Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary permitted under clauses (2)(a), (2)(b), (2)(d), (2)(f), (2)(g), (2)(m) and (2)(o) of the covenant described under “– Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 20% of Total Assets.

“*Person*” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“*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.

“*PRC*” means the People’s Republic of China, excluding, solely for purposes of this definition, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

“*PRC CJV*” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently promulgated on September 3, 2016 and effective on October 1, 2016) 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 most recently amended on March 1, 2017 by the Decision of the State Council on Abolishing and Amending Some Administrative Regulations), 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.

“*Preferred Stock*” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its terms is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“*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, Singapore Exchange Securities Trading Limited, The Shanghai Stock Exchange or the Shenzhen Stock Exchange 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.

“*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 receivables, 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) either (i) in the ordinary course of business or (ii) by way of selling securities that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

“*Receivable Financing Assets*” means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

“*Rating Agency*” means Fitch, provided that if Fitch 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 Fitch.

“*Rating Category*” means (1) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and (2) the equivalent of any such category of 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 Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Fitch, 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 Notes is under publicly announced consideration for possible downgrade by the Rating Agency) 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 the Rating Agency that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by the Rating Agency on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (b) in the event the Notes are rated below Investment Grade by the Rating Agency on the Rating Date, the rating of the Notes by the Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

*“Reference Treasury Dealer”* means 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.

*“Replacement Assets”* means, on any date, property or assets (other than current assets that are not land use rights, prepaid land lease payments, properties under development or completed properties held for sale) that will be used in the businesses of the Company or any Restricted Subsidiary, including the Capital Stock of any Person holding such property or assets and will, upon the acquisition by the Company or any of its Restricted Subsidiaries of such Capital Stock, become a Restricted Subsidiary.

*“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.

*“Secured Creditors”* means, collectively, the Global Security Agent and the creditors and the agents under the Debt Documents.

*“Secured Liabilities”* means, collectively, all present and future obligations, contingent or otherwise, of the Company and its Subsidiaries to the noteholders, lenders and their agents or trustees under the Debt Documents, including any interest, fees and expenses accruing after the initiation of any insolvency proceeding (irrespective of whether such interest, fees and expenses are allowed as a claim in such proceeding).



“*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 Global Security Agent, the Trustee and/or any 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.

“*Senior Indebtedness*” of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) Trade Payables or (3) Indebtedness Incurred in violation of the Indenture.

“*Staged Acquisition Agreement*” means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire 50% or more 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.

“*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.

“*Stated Maturity*” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“*Subordinated Indebtedness*” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“*Subsidiary*” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% of the outstanding Voting Stock is owned, directly or indirectly, by such Person and which is ‘controlled’ and consolidated by such Person in accordance with GAAP; *provided, however*, that with respect to clause (ii) the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be 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 does not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“*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 does 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 United Kingdom, 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;
- (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, the United Kingdom or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or Moody’s;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with a bank or financial institution which is organized under the laws of the PRC or Hong Kong, or structured deposit products with a term not exceeding six months that are principal protected with any bank or financial institution organized under the laws of the PRC or Hong Kong.

“*Total Assets*” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which consolidated financial statements of the Company (which the Company shall use its 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)(u) 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 (including for the avoidance of doubt, factors or assignees under any accounts receivable financing of such trade creditors) created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

“*Transaction Date*” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“*Trust Company Investor*” means 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 PRC Restricted Subsidiary.

“*Unrestricted Subsidiary*” means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“*U.S. Government Obligations*” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of 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 and PRC income tax consequences of the purchase, ownership and disposition of 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**

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Payments of interest, principal or premium on the Notes will not be subject to taxation and no withholding will be required on the payment of interest, principal or premium to any holder of the Notes, as the case may be, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax. The Cayman Islands are not party to any double taxation treaties save for a double tax treaty entered into with United Kingdom in 2010.

No stamp duty is payable in respect of the issue of the Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

We have been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (1999 Revision). In accordance with the provision of section 6 of The Tax Concessions Law (1999 Revision), the Governor in Cabinet undertakes with our Company:

That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to us or our operations; and

In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of our Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1999 Revision).

These concessions shall be for a period of 20 years from November 27, 2007.

### **PRC Taxation**

#### ***Taxation on Interest and Capital Gains***

Under the CIT Law enacted by the National People's Congress in March 2007, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located within the PRC are considered "resident enterprises" for PRC tax purposes and will generally be subject to the CIT at the rate of 25% on their global income. The implementation rules of the CIT Law 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. The SAT promulgated the Circular on Identifying Chinese-Controlled Offshore Enterprises as Chinese Resident

Enterprises in Accordance with Criteria for Determining Place of Effective Management (關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知) in April 2009 which specifies certain criteria for the determination of the “de facto management bodies” for foreign enterprises that are controlled by PRC enterprises or PRC enterprise groups. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for enterprises established offshore by private individuals or foreign enterprises like us. Substantially all of our management is currently located in the PRC. If we are treated as a PRC resident enterprise for income tax purposes, we will be subject to income tax at the rate of 25% on our global taxable income.

If we were treated as a PRC resident enterprise, we would be obligated to withhold PRC income tax of 10% on payments of interest, and possibly premium, on the Notes to investors that are non-PRC resident enterprises, if the interest or premium is regarded as being derived from sources within the PRC. In the case of individual holders of the Notes, the aforesaid withholding tax rate will be 20%. If we fail to make proper withholdings, we may be subject to fines and other penalties. If we were treated as a PRC resident enterprise, any gain realized by such 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 (20% in the case of individuals). We currently take the position that we are not a PRC resident enterprise. However, as advised by Commerce & Finance Law Offices, our PRC legal counsel, there is uncertainty as to whether we will be treated as a PRC “resident enterprise” for the purpose of the CIT Law. PRC tax liability may be reduced by an applicable tax treaty.

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside the PRC, which is currently expected to be the case) of a Note.

## PLAN OF DISTRIBUTION

BNP Paribas, Citigroup Global Markets Limited, China CITIC Bank International Limited, Credit Suisse (Hong Kong) Limited, Haitong International Securities Company Limited, Merrill Lynch (Asia Pacific) Limited, Morgan Stanley & Co. International Plc and Standard Chartered Bank are acting as joint bookrunners of the offering and as the Initial Purchasers. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum (the “Purchase Agreement”), the Initial Purchasers have each, severally and not jointly, agreed to purchase, and we have agreed to sell to the Initial Purchasers, the principal amount of the Notes set forth opposite such Initial Purchaser’s name.

<b>Initial Purchaser</b>	<b>Principal Amount of Notes</b>
BNP Paribas . . . . .	US\$50,000,000
Citigroup Global Markets Limited . . . . .	US\$50,000,000
China CITIC Bank International Limited. . . . .	US\$50,000,000
Credit Suisse (Hong Kong) Limited . . . . .	US\$50,000,000
Haitong International Securities Company Limited . . . . .	US\$50,000,000
Merrill Lynch (Asia Pacific) Limited . . . . .	US\$50,000,000
Morgan Stanley & Co. International Plc . . . . .	US\$50,000,000
Standard Chartered Bank . . . . .	US\$50,000,000
<b>Total.</b> . . . .	<b>US\$400,000,000</b>

The Purchase Agreement will provide that the Company will pay the Initial Purchasers a customary commission. 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 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 outside the United States in reliance on Regulation S. See “Transfer Restrictions.” The price at which the Notes are offered may be changed at any time without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates. 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 that Initial Purchaser or its affiliate on behalf of the Company in such jurisdiction.

We have agreed that, during the period beginning on the date hereof to the date on which the Notes are issued, (both dates inclusive), we will not, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by us (other than (i) the Notes and the Subsidiary Guarantees and any Additional Notes (as defined in the Indenture) to be issued under the Indenture and (ii) any such debt securities offered to no more than two investors in any private placement). The Initial Purchasers in their sole discretion may consent to the offering and sales of debt securities by us at any time without notice.

The Notes will constitute a new class of securities with no established trading market. Approval in-principle has been received from 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, they 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.

Any of the Initial Purchasers (or its affiliates) may engage in over-allotment, stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Over-allotment involves sales in excess of the offering size, which creates a short position.



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 any of the Initial Purchasers (as stabilizing manager) 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 the Company 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 make any representation that any of the Initial Purchasers (as stabilizing manager) 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. Hence, purchasers who wish to trade Notes prior to the closing date 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 prior to the closing date should consult their own advisor.

The Initial Purchasers or their affiliates have, from time to time, engaged in transactions with and performed services for us in the ordinary course of business for which they have received customary fees and reimbursement of expenses and they may continue to do so in the future. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers and their affiliates, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral. In addition, the Initial Purchasers or any of their affiliates may acquire for their own account a portion of the Notes and be allocated the Notes for asset management and/or proprietary purposes but not with a view to distribution. 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.

The Initial Purchasers or their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of ours or of our subsidiaries or affiliates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of Notes to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of Notes).

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 us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

### ***Prohibition of Sales to EEA and UK Retail Investors***

The Notes may not be offered, sold or otherwise made available to any retail investor in the EEA or in the UK. For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) 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.

### ***United States***

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 and may only be offered or sold outside the United States in compliance with Regulation S under the Securities Act. In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the 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 FSMA by the Issuer;
- (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 Issuer 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 will not be offered or sold in Hong Kong, by means of any document, other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”) and any rules made thereunder; or (ii) in other circumstances which do not result in any such document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of being issued, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made thereunder.

## ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the “FIEL”), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for reoffering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

## ***Singapore***

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under 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 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***

This offering memorandum does not constitute a public offer of the Notes, whether by sale or by subscription, in the PRC. The Notes will not be offered or sold within the PRC by means of this offering memorandum or any other document except pursuant to the applicable laws and regulations of the PRC.

***Cayman Islands***

No Notes will be offered or sold to the public in the Cayman Islands.

***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

By purchasing the Notes, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
  - the Notes have not been registered under the Securities Act or any other applicable securities laws;
  - the Notes are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
  - the Notes are being offered and sold only outside of the United States, in offshore transactions in reliance on Regulation S under the Securities Act; and
  - unless so registered, the Notes 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 and that you are not acting on our behalf and you are purchasing the Notes 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 have made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase the Notes including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act.
5. You acknowledge that each Note will contain a legend substantially to the following effect:

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 (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION.
6. You acknowledge that we, the Initial Purchasers 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 Notes is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Notes 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**

We have been assigned a long-term corporate credit rating of “B+” with a negative outlook by S&P, a corporate family rating of “Ba3” with a stable outlook by Moody’s and a long-term foreign currency issuer default rating of “BB- “ with a stable outlook by Fitch. The Notes are expected to be rated “BB-” by Fitch. A rating is not a recommendation to buy, sell or hold securities, and we cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating 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 United States federal and New York law, Li & Partners as to matters of Hong Kong law, Commerce & Finance Law Offices as to matters of PRC law, Conyers Dill & Pearman as to matters of Cayman Islands law and Conyers Dill & Pearman as to matters of British Virgin Islands 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 Jingtian & Gongcheng as to matters of PRC law.

## **INDEPENDENT AUDITORS**

The consolidated financial statements of Central China Real Estate Limited as of and for the years ended December 31, 2018 and 2019, included in this offering memorandum, have been audited by KPMG, Certified Public Accountants, Hong Kong as stated in our annual reports for the years ended December 31, 2018 and 2019.



## GENERAL INFORMATION

### Consents

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands 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 June 8, 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

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 is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

For so long as any of the Notes is outstanding, copies of our published financial statements, if any, including our published financial statements set out in the section entitled “Index to Consolidated Financial Statements” in this offering memorandum, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the paying agents.

### Clearing Systems and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

	<u>ISIN</u>	<u>Common Code</u>
Notes. . . . .	XS2189387520	218938752

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

### Listing of the Notes

Approval in-principle has been received from 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) or any other subsidiary or associated company of the Company, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. 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 definitive Notes, we will appoint and maintain a paying agent in Singapore, where the definitive Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

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*Note:*

- <sup>(1)</sup> The audited consolidated financial statements as of and 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, including the page numbers and page references set forth in such reports. The audited consolidated financial statements have not been specifically prepared for the inclusion in this offering memorandum.

# Independent Auditor's Report

## 獨立核數師報告



### Independent auditor's report to the shareholders of Central China Real Estate Limited

(Incorporated in the Cayman Islands with limited liability)

#### OPINION

We have audited the consolidated financial statements of Central China Real Estate Limited ("the Company") and its subsidiaries ("the Group") set out on pages 241 to 454, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 致建業地產股份有限公司股東獨立核數師報告

(於開曼群島註冊成立的有限公司)

#### 意見

本核數師(「我們」)已審計列載於第241至454頁的建業地產股份有限公司(「貴公司」)及其附屬公司(統稱「貴集團」)的綜合財務報表，此綜合財務報表包括於2019年12月31日的綜合財務狀況表與截至該日止年度的綜合收益表、綜合全面收益表、綜合權益變動表及綜合現金流量表，以及綜合財務報表附註，包括主要會計政策概要。

我們認為，該等綜合財務報表已根據香港會計師公會(「香港會計師公會」)頒佈的《香港財務報告準則》(「《香港財務報告準則》」)真實而中肯地反映了貴集團於2019年12月31日的綜合財務狀況及截至該日止年度的綜合財務表現及綜合現金流量，並已遵照香港《公司條例》的披露規定妥為擬備。

#### 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》(「《香港審計準則》」)進行審計。我們在該等準則下承擔的責任已在本報告核數師就審計綜合財務報表承擔的責任部分中作進一步闡述。根據香港會計師公會頒佈的《專業會計師道德守則》(「守則」)以及與我們對開曼群島綜合財務報表的審計相關的道德要求，我們獨立於貴集團，並已履行該等規定及守則中的其他道德責任。我們相信，我們所獲得的審計憑證能充足及適當地為我們的審計意見提供基礎。

# Independent Auditor's Report (Continued)

## 獨立核數師報告 (續)

### 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.

#### Revenue from the sale of properties recognised at a point in time

Refer to note 2 to the consolidated financial statements and the accounting policies in note 1(y).

#### The Key Audit Matter 關鍵審計事項

The Group is an integrated property developer in Mainland China focusing on residential property development in Henan Province.

貴集團為中國內地的綜合物業發展商，專注河南省的住宅物業開發之業務。

Revenue from the sale of properties recognised at a point in time for the year ended 31 December 2019 totalled RMB20,627 million, which accounted for 67.0% of the Group's total revenue for the year.

截至2019年12月31日止年度於某一時間點確認的物業銷售收益合共人民幣20,627百萬元，佔貴集團全年收益總額之67.0%。

Revenue arising from the sale of properties is recognised at a point in time when customer obtains the ability to direct the use of the property and substantially all of the remaining benefits of the property, unless at the time of entering into the contract, the sales and purchase agreement satisfied the criteria for recognising revenue over time by containing an enforceable right to payment for performance completed to date.

物業銷售收益於客戶有能力主導物業使用並獲得物業的絕大部分餘下利益的時間點予以確認，除非訂立合約時，買賣協議符合隨時間確認收益的標準，方式為納入就至今已履約付款的可強制執行權利。

### 關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對本期綜合財務報表的審計最為重要的事項。該等事項是在我們審計整體綜合財務報表及出具意見時進行處理的。我們不會對該等事項提供單獨的意見。

#### 於某一時間點確認的物業銷售收益

參閱綜合財務報表附註2及附註1(y)所載會計政策。

#### How the matter was addressed in our audit 我們的審計如何處理該事項

Our audit procedures to assess revenue from the sale of properties recognised at a point in time included the following:

我們用以評核於某一時間點確認的物業銷售收益的審計程序包括以下程序：

- assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue on the sale of properties; 評核就物業銷售的收益確認進行的主要內部控制，在設計、實施及運作上的有效性；
- selecting property sale transactions, on a sample basis, from the total property sales recorded for the year (with a particular emphasis on property sales close to the financial reporting date) and inspecting the underlying documentation in respect of the related revenue, which included signed sales and purchase agreements, property completion certifications, notice of delivery and records of proceeds received, to assess the amount recorded and assess whether the related revenue had been properly recognised in the appropriate accounting period; 從年內總物業銷售中抽選物業銷售交易樣本（尤其側重接近財務報告日期的物業銷售），並檢查有關收益之相關文件，包括已簽署的買賣協議、物業竣工認證、交付通知及已收款項記錄，以評核有記錄的金額，並評核有關收益是否妥善於合適的會計期間予以確認；

# Independent Auditor's Report (Continued)

## 獨立核數師報告 (續)

### The Key Audit Matter

#### 關鍵審計事項

Payments received in respect of pre-sale of properties prior to the date of revenue recognition are included in the consolidated statement of financial position as contract liabilities.

收益確認日期前就物業預售已收的款項於綜合財務狀況表列作合約負債。

We identified revenue from the sale of properties recognised at a point in time as a key audit matter because revenue is one of the key performance indicators of the Group and is significant to the consolidated financial statements, both of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet expectations or targets.

我們把於某一時間點確認的物業銷售收益列為關鍵審計事項，因為收益是貴集團的關鍵績效指標之一，且基於其對綜合財務報表的重要性，兩者均存有固有風險，收益可能會記錄在不正確的期間，或可能因符合預期或目標而受到操控。

### How the matter was addressed in our audit

#### 我們的審計如何處理該事項

- assessing whether the proceeds from sales and pre-sales of property had been received by comparing the amounts receivable for a sample of signed sales and purchase agreements with bank statements and assessing whether the related revenue should have been recorded in the current period or should have been deferred as contract liabilities from pre-sale of properties;  
評核物業銷售及預售所得款項是否已經收取，方法是將已簽署買賣協議樣本的應收款項與銀行結單作比較，並評核有關收益應否於本期記賬或是將之遞延為預售物業合約負債；
- scrutinising all manual journal entries raised during the year relating to revenue and inspecting relevant underlying documentation for journal entries which were considered to be material or unusual items that meet other specific risk-based criteria.  
查核年內與收益有關的所有手工分錄，檢查被視為屬重要或有符合其他特定風險基礎條件的不尋常項目的分錄之相關文件。



# Independent Auditor's Report (Continued)

## 獨立核數師報告 (續)

### Revenue from the sale of properties recognised over time

Refer to note 2 to the consolidated financial statements and the accounting policies in note 1(y).

### 於一段時間內確認的物業銷售收益

參閱綜合財務報表附註2及附註1(y)所載會計政策。

### The Key Audit Matter

#### 關鍵審計事項

The Group is an integrated property developer in Mainland China focusing on residential property development in Henan Province.

貴集團為中國內地的綜合物業發展商，專注河南省的住宅物業開發之業務。

Revenue from the sale of properties recognised over time for the year ended 31 December 2019 totalled RMB8,534 million, which accounted for 27.7% of the Group's total revenue for the year.

截至2019年12月31日止年度於一段時間內確認的物業銷售收益合共人民幣8,534百萬元，佔貴集團全年收益總額之27.7%。

Revenue arising from the sale of properties is recognised over time when the Group's performance under a sales and purchase agreement does 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.

貴集團於買賣協議項下的履約並無創造對貴集團而言具替代用途的資產，而貴集團對於迄今已完成的履約付款具有可強制執行權利時即於一段時間內確認物業銷售收益。

The Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the reporting date, using cost-to-cost method based on the proportion of the Group's actual costs incurred relative to the estimated total costs.

基於已產生的貴集團實際成本相對估計總成本的比例，貴集團使用成本比例法，通過衡量於報告日期履約責任的完成進度確認收益。

### How the matter was addressed in our audit

#### 我們的審計如何處理該事項

Our audit procedures to assess revenue from the sale of properties recognised over time included the following: 我們用以評核於一段時間內確認的物業銷售收益的審計程序包括以下程序：

- assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue on the sale of properties; 評核就物業銷售的收益確認進行的主要內部控制，在設計、實施及運作上的有效性；
- inspecting the key terms of sales and purchase agreements, on a sample basis, to assess right to payment based on the contract terms; 抽樣檢查買賣協議的主要條款，以評估根據合約條款收取付款的權利；
- obtaining the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment; 獲取貴集團法律顧問的意見，特別是法律顧問對適用法律的詮釋及其對評估強制執行付款權利的意見；
- assessing the competence, experience and objectivity of the legal counsel engaged by the management; 評估管理層所委聘法律顧問的資質、經驗及客觀性；

# Independent Auditor's Report (Continued)

## 獨立核數師報告 (續)

### The Key Audit Matter

#### 關鍵審計事項

Payments received in respect of pre-sale of properties prior to the date of revenue recognition are included in the consolidated statement of financial position as contract liabilities.

收益確認日期前就物業預售已收的款項於綜合財務狀況表列作合約負債。

We identified revenue from the sale of properties recognised over time as a key audit matter because revenue is one of the key performance indicators of the Group, is significant to the consolidated financial statements and involves significant accounting judgement and estimates to assess whether the Group has an enforceable right to payment for performance completed to date and to measure the progress towards complete satisfaction of the performance obligation, all of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet expectations or targets.

我們把於一段時間內確認的物業銷售收益列為關鍵審計事項，因為收益是貴集團的關鍵績效指標之一，對綜合財務報表屬重大及評估貴集團對於迄今已完成的履約付款是否具有可強制執行權利及衡量履約責任的完成進度時涉及重大會計判斷及估計，兩者均存有固有風險，收益可能會記錄在不正確的期間，或可能因符合預期或目標而受到操控。

### How the matter was addressed in our audit

#### 我們的審計如何處理該事項

- selecting property sale transactions, on a sample basis, from the total property sales recorded for the year and inspecting the underlying documentation in respect of the related revenue, which included signed sales and purchase agreements and records of proceeds received, to assess whether the proceeds from pre-sales of property had been received in accordance with the respective sales and purchase agreements;  
從年內總物業銷售中抽選物業銷售交易樣本，並檢查有關收益之相關文件，包括已簽署的買賣協議及已收所得款項記錄，以評核預售物業所得款項是否已根據各買賣協議收取；
- comparing, on a sample basis, the most recent budget forecasts for development projects with the relevant underlying contracts;  
抽樣將最近期的發展項目預算預測與相關合約作比較；
- discussing with management, on a sample basis, the development progress of the projects and challenging management's development budgets reflected in the latest forecasts with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;  
抽樣與管理層討論項目發展進度，並參照貴集團近期發展的竣工項目之已簽署建築合約及／或單位建築成本，查問管理層就最近期預測反映的發展預算；
- selecting samples from the total actual costs incurred up to the reporting period end to inspect the supporting documents including underlying contracts, supplier invoices, bank slips and the survey reports from external supervising engineers, where applicable;  
選取截至報告期末產生的總實際成本樣本，以核查支持文件，包括有關合約、供應商發票、銀行存單及外部監察工程師的調查報告（如適用）；

## Independent Auditor's Report *(Continued)*

### 獨立核數師報告 (續)

#### The Key Audit Matter

##### 關鍵審計事項

#### How the matter was addressed in our audit

##### 我們的審計如何處理該事項

- checking the mathematical accuracy of the calculation of cost allocation and completion progress of the property projects;  
檢查計算成本分配的算術準確性及物業項目的完成進度；
- conducting site visits, on a sample basis, to property development projects for which revenue had been recognised in the current year and discussing with site management to observe the completion status; and  
抽樣現場視察本年度已確認收益涉及的物業發展項目，與工地管理人員進行討論及觀察完工進度；及
- scrutinising all manual journal entries raised during the year relating to revenue and inspecting relevant underlying documentation for journal entries which were considered to be material or unusual items that meet other specific risk-based criteria.  
查核年內與收益有關的所有手工分錄，檢查被視為屬重要或有符合其他特定風險基礎條件的不尋常項目的分錄之相關文件。

# Independent Auditor's Report (Continued)

## 獨立核數師報告 (續)

### Assessing the net realisable value of properties for sale

Refer to note 19 to the consolidated financial statements and the accounting policies in note 1(o).

### 評核待售物業的可變現淨值

參閱綜合財務報表附註19及附註1(o)所載會計政策。

### The Key Audit Matter

#### 關鍵審計事項

As at 31 December 2019, the Group held a number of property development projects for sale located in various cities in Henan Province, including properties held for future development, properties under development for sale and completed properties held for sale, which totalled RMB69,759 million, which represented 48% of the Group's total assets as at that date.

於2019年12月31日，貴集團持有多個位於河南省不同城市的物業發展項目以供銷售，包括持作未來開發的物業、在建待售物業以及持作待售的已竣工物業，涉及總額人民幣69,759百萬元，相當於貴集團於該日總資產之48%。

Properties for sale are stated at the lower of cost and net realisable value. The calculation of the net realisable value of each property for sale at the financial reporting date is performed by management. 待售物業以成本或可變現淨值（以較低者為準）列值。計算於財務報告日每項待售物業的可變現淨值由管理層負責。

The calculation of net realisable value of these properties involves significant management judgement and estimation in preparing and updating project feasibility studies and estimations of the future costs to complete each property development project as well as in assessing the expected selling prices (by reference to recent pre-sale/sales prices of the properties or the prices of comparable properties in nearby locations) and the estimated future selling costs (including price discounts which may be required to stimulate sales).

計算該等物業的可變現淨值涉及重大的管理層判斷及估算，以編製及更新項目可行性研究、估算完成每項物業發展項目的未來成本以及評核預計售價（參照物業近期的預售／銷售價格或鄰近位置可比物業的價格）及未來估計銷售成本（包括為提升銷售所需作出的價格折扣）。

### How the matter was addressed in our audit

#### 我們的審計如何處理該事項

Our audit procedures to assess the net realisable value of properties held for sale included the following:

我們用以評核持作待售物業的可變現淨值的審計程序包括以下程序：

- assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for property developments;  
評核就編製及監察物業發展的預算管理、建築及其他成本的預測進行的主要內部控制，在設計、實施及運作上的有效性；
- comparing, on a sample basis, the most recent budget forecasts for development projects with the relevant underlying contracts;  
抽樣將最近期的發展項目預算預測與相關合約作比較；
- conducting site visits, on a sample basis, to property development projects at various developing stages and discussing with site management to observe the completion status;  
抽樣現場視察不同發展階段的物業開發項目，與工地管理人員進行討論及觀察完工進度；
- for those properties held for future development and properties under development for sale, discussing with management, on a sample basis, the development progress and challenging management's development budgets reflected in the latest forecasts with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;  
就持作未來開發的物業及在建待售物業而言，抽樣與管理層討論發展進度，並參照貴集團近期發展的竣工項目之已簽署建築合約及／或單位建築成本，查問管理層就最近期預測反映的發展預算；

# Independent Auditor's Report (Continued)

## 獨立核數師報告 (續)

### The Key Audit Matter

#### 關鍵審計事項

We identified the assessment of the net realisable value of properties for sale as a key audit matter because of the inherent risks involved in estimating the net realisable values, particularly in light of the current economic circumstances and various property market cooling measures implemented by local governments in various cities across Mainland China. 我們把評核待售物業的可變現淨值列為關鍵審計事項，因為估算可變現淨值涉及固有風險，特別是現時的經濟狀況以及中國內地多個城市的地方政府針對物業市場實施不同的降溫措施。

### How the matter was addressed in our audit

#### 我們的審計如何處理該事項

- discussing with management and challenging the key estimates and assumptions adopted in their assessment of the net realisable values of properties for sale, on a sample basis by: (1) comparing expected selling prices with, where available, recent pre-sale/sales prices of the properties or the prices of comparable properties in nearby locations and the sales budget plans maintained by the management; and (2) comparing estimated future selling costs to historical statistics and market available data;  
抽樣與管理層進行討論，並查問彼等評核待售物業可變現淨值所採納的關鍵估計及假設，方法為：(1)將預計售價與物業近期的預售／銷售價格（如有）或鄰近位置可比物業之價格以及管理層持有的銷售預算計劃作比較；及(2)將估計未來銷售成本與過往統計數據及市場可得數據作比較；
- checking the mathematical accuracy of the calculations made by management in arriving at the year-end assessment of net realisable values of properties for sale;  
核實管理層於年末評核待售物業的可變現淨值所作計算的算術準確性；
- performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for properties for sale to be materially misstated and considering the likelihood of such a movement in those key estimates arising.  
進行敏感性分析，以確定待售物業發生嚴重錯誤陳述而需對該等估計（不論是個別或共同）所作變動的幅度，並考慮該等關鍵估計產生變動的可能性。

## Independent Auditor's Report *(Continued)*

### 獨立核數師報告 (續)

#### INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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.

#### 綜合財務報表及其核數師報告以外的信息

董事需對其他信息負責。其他信息包括刊載於年報內的全部信息，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表的意見並不涵蓋其他信息，我們亦不對該等其他信息發表任何形式的鑒證結論。

結合我們對綜合財務報表的審計，我們的責任是閱讀其他信息，在此過程中，考慮其他信息是否與綜合財務報表或我們在審計過程中所了解的情況存在重大抵觸或者似乎存在重大錯誤陳述的情況。

基於我們已執行的工作，如果我們認為其他信息存在重大錯誤陳述，我們需要報告該事實。在這方面，我們沒有任何報告。

#### 董事就綜合財務報表須承擔的責任

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綜合財務報表，並對其認為為使綜合財務報表的擬備不存在由於欺詐或錯誤而導致的重大錯誤陳述所需的內部控制負責。



## Independent Auditor's Report (Continued)

### 獨立核數師報告 (續)

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

在擬備綜合財務報表時，董事負責評估貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將貴集團清盤或停止經營，或別無其他實際的替代方案。

審核委員會協助董事履行監督貴集團的財務報告過程的責任。

#### 核數師就審計綜合財務報表承擔的責任

我們的目標，是對綜合財務報表整體是否不存在由於欺詐或錯誤而導致的重大錯誤陳述取得合理保證，並出具包括我們意見的核數師報告。本報告僅向整體股東呈報，除此以外，不可作其他用途。我們概不就本報告的內容，對任何其他人士負責或承擔法律責任。

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，如果合理預期彼等單獨或匯總起來可能影響綜合財務報表使用者依賴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。

## Independent Auditor's Report (Continued)

### 獨立核數師報告 (續)

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.

在根據《香港審計準則》進行審計的過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審計程序以應對該等風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審計相關的內部控制，以設計適當的審計程序，但目的並非對貴集團內部控制的有效性發表意見。
- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對貴集團的持續經營能力產生重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審計憑證。然而，未來事項或情況可能導致貴集團不能持續經營。

## Independent Auditor's Report (Continued)

### 獨立核數師報告 (續)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is *Tse Wong Pui*.

*Certified Public Accountants*

8th Floor, Prince's Building  
10 Chater Road  
Central, Hong Kong

23 April 2020

- 評價綜合財務報表的整體列報方式、結構和內容，包括披露，以及綜合財務報表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，以便對綜合財務報表發表意見。我們負責貴集團審計的方向、監督和執行。我們為審計意見承擔全部責任。

除其他事項外，我們與審核委員會溝通了計劃的審計範圍、時間安排、重大審計發現等，包括我們在審計中識別出內部控制的任何重大缺陷。

我們還向審核委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與彼等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。

從與審核委員會溝通的事項中，我們確定哪些事項對本期綜合財務報表的審計最為重要，因而構成關鍵審計事項。我們在核數師報告中描述該等事項，除非法律法規不允許公開披露該等事項，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謝旺培。

*執業會計師*

香港中環  
遮打道10號  
太子大廈8樓

2020年4月23日

# Consolidated Income Statement

## 綜合收益表

for the year ended 31 December 2019 截至2019年12月31日止年度  
(Expressed in Renminbi) (以人民幣列賬)

			2019 2019年	2018 2018年 (Note) (附註)
		Note 附註	RMB'000 人民幣千元	RMB'000 人民幣千元
<b>Revenue</b>	<b>收益</b>	2	<b>30,766,698</b>	14,783,480
Cost of sales	銷售成本		<b>(22,761,356)</b>	(9,692,377)
<b>Gross profit</b>	<b>毛利</b>		<b>8,005,342</b>	5,091,103
Other revenue	其他收益	3	<b>262,766</b>	234,854
Other net income	其他收入淨額	3	<b>799,526</b>	64,192
Selling and marketing expenses	銷售及市場推廣開支		<b>(1,901,334)</b>	(1,188,393)
General and administrative expenses	一般及行政開支		<b>(1,721,783)</b>	(1,552,404)
Impairment losses on trade and other receivables, including contract assets	貿易及其他應收款項 (包括合約資產)減值虧損		<b>(169,642)</b>	(54,623)
Finance costs	融資成本	4(a)	<b>5,274,875</b>	2,594,729
Share of profits less losses of associates	應佔聯營公司溢利減虧損	15	<b>(33,918)</b>	(17,905)
Share of profits less losses of joint ventures	應佔合營企業溢利減虧損	16	<b>177,868</b>	15,638
<b>Profit before change in fair value of investment property and income tax</b>	<b>除投資物業公平值變動及所得稅前溢利</b>		<b>5,023,576</b>	2,366,310
Net valuation gain on investment property	投資物業估值收益淨額	11	<b>92,773</b>	605,673
<b>Profit before taxation</b>	<b>除稅前溢利</b>	4	<b>5,116,349</b>	2,971,983
Income tax	所得稅	5(a)	<b>(2,700,827)</b>	(1,556,860)
<b>Profit for the year</b>	<b>年度溢利</b>		<b>2,415,522</b>	1,415,123

## Consolidated Income Statement (Continued)

### 綜合收益表 (續)

for the year ended 31 December 2019 截至2019年12月31日止年度

(Expressed in Renminbi) (以人民幣列賬)

		2019 2019年	2018 2018年 (Note) (附註)
	Note 附註	RMB'000 人民幣千元	RMB'000 人民幣千元
<b>Attributable to:</b>	<b>應佔：</b>		
Equity shareholders of the Company	本公司權益持有人	<b>2,015,064</b>	1,154,262
Non-controlling interests	非控股權益	<b>400,458</b>	260,861
<b>Profit for the year</b>	<b>年度溢利</b>	<b>2,415,522</b>	1,415,123
<b>Earnings per share</b>	<b>每股盈利</b>		
	8		
– Basic (RMB cents)	– 基本 (人民幣分)	<b>73.75</b>	44.30
– Diluted (RMB cents)	– 攤薄 (人民幣分)	<b>72.34</b>	43.51

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

附註：

本集團於2019年1月1日採用經修訂的追溯法首次應用香港財務報告準則第16號。根據此方法，比較資料不予重列。見附註1(c)。

The notes on pages 251 to 454 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 33(c).

第251頁至454頁的附註組成本財務報表的一部分。與年度溢利有關的應付本公司權益持有人股息的詳情載於附註33(c)。

# Consolidated Statement of Comprehensive Income

## 綜合全面收益表

for the year ended 31 December 2019 截至2019年12月31日止年度  
(Expressed in Renminbi) (以人民幣列賬)

		2019 2019年	2018 2018年 (Note) (附註)
	Note 附註	RMB'000 人民幣千元	RMB'000 人民幣千元
<b>Profit for the year</b>	年度溢利	<b>2,415,522</b>	1,415,123
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>	年內其他全面收益 (就稅項及重新分類 作出調整後)		
	9		
<i>Items that will not be reclassified to profit or loss:</i>	不會重新分類至損益的項目：		
Equity investments at fair value through other comprehensive income	按公平值計入其他全面收益的股本投資		
– net movement in fair value reserve (non-recycling)	– 公平值儲備淨變動 (不可轉回)	<b>(59,422)</b>	64,627
<i>Items that may be reclassified subsequently to profit or loss:</i>	其後可能重新分類至損益的項目：		
Exchange differences on:	匯兌差額：		
– Translation of financial statements to the presentation currency	– 折算財務報表至呈列貨幣	<b>(199,011)</b>	(358,273)
– Arising on a monetary item that forms part of net investment in foreign operations	– 產生自部分海外業務投資淨額的貨幣項目	<b>(114,363)</b>	(338,350)
Cash flow hedge: net movement in the hedging reserve	現金流量對沖： 對沖儲備之淨變動	<b>(529)</b>	529
<b>Other comprehensive income for the year</b>	年內其他全面收益	<b>(373,325)</b>	(631,467)
<b>Total comprehensive income for the year</b>	年內全面收益總額	<b>2,042,197</b>	783,656
<b>Attributable to:</b>	應佔：		
Equity shareholders of the Company	本公司權益持有人	<b>1,642,817</b>	524,555
Non-controlling interests	非控股權益	<b>399,380</b>	259,101
<b>Total comprehensive income for the year</b>	年內全面收益總額	<b>2,042,197</b>	783,656

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 251 to 454 form part of these financial statements.

附註：

本集團於2019年1月1日採用經修訂的追溯法首次應用香港財務報告準則第16號。根據此方法，比較資料不予重列。見附註1(c)。

第251頁至454頁附註構成該等財務報表的一部分。



# Consolidated Statement of Financial Position

## 綜合財務狀況表

at 31 December 2019 於2019年12月31日  
(Expressed in Renminbi) (以人民幣列賬)

			2019 2019年	2018 2018年 (Note) (附註)
		Note 附註	RMB'000 人民幣千元	RMB'000 人民幣千元
<b>Non-current assets</b>	<b>非流動資產</b>			
Property, plant and equipment	物業、廠房及設備	10	5,343,435	4,808,494
Investment property	投資物業	11	3,212,830	2,916,000
Intangible assets	無形資產	12	—	518,008
Biological assets	生物資產	13	245,349	203,946
Interests in associates	聯營公司權益	15	310,518	449,913
Interests in joint ventures	合營企業權益	16	9,533,912	9,915,331
Other financial assets	其他金融資產	17	1,425,571	651,865
Deferred tax assets	遞延稅項資產	32(b)	412,877	248,318
			<b>20,484,492</b>	<b>19,711,875</b>
<b>Current assets</b>	<b>流動資產</b>			
Trading securities	交易性證券	18	70,596	82,775
Biological assets	生物資產	13	42,643	32,778
Inventories and other contract costs	存貨及其他合約成本	19	69,992,554	50,315,979
Contract assets	合約資產	20	214,828	137,691
Trade and other receivables	貿易及其他應收款項	21	4,435,453	2,577,140
Deposits and prepayments	按金及預付款項	22	15,146,290	9,161,824
Tax recoverable	可收回稅項	32(a)	2,795,431	2,160,457
Restricted bank deposits	受限制銀行存款	23	8,077,443	3,579,597
Cash and cash equivalents	現金及現金等價物	24	22,707,659	14,202,259
			<b>123,482,897</b>	<b>82,250,500</b>
<b>Current liabilities</b>	<b>流動負債</b>			
Bank loans	銀行貸款	25	(3,734,424)	(1,756,130)
Other loans	其他貸款	26	(2,437,022)	(593,150)
Trade and other payables	貿易及其他應付款項	27	(43,615,817)	(28,924,187)
Contract liabilities	合約負債	20	(52,954,902)	(40,829,626)
Corporate bonds	公司債券	29	(1,489,608)	(2,996,760)
Senior notes	優先票據	28	(4,857,923)	—
Lease liabilities	租賃負債	30	(54,268)	—
Taxation payable	應付稅項	32(a)	(1,153,501)	(833,264)
			<b>(110,297,465)</b>	<b>(75,933,117)</b>
<b>Net current assets</b>	<b>流動資產淨值</b>		<b>13,185,432</b>	<b>6,317,383</b>
<b>Total assets less current liabilities</b>	<b>總資產減流動負債</b>		<b>33,669,924</b>	<b>26,029,258</b>

# Consolidated Statement of Financial Position (Continued)

## 綜合財務狀況表 (續)

at 31 December 2019 於2019年12月31日

(Expressed in Renminbi) (以人民幣列賬)

			2019 2019年	2018 2018年 (Note) (附註)
		Note 附註	RMB'000 人民幣千元	RMB'000 人民幣千元
<b>Non-current liabilities</b>	<b>非流動負債</b>			
Bank loans	銀行貸款	25	(3,504,035)	(4,074,351)
Other loans	其他貸款	26	(850,325)	(240,030)
Corporate bonds	公司債券	29	(1,499,870)	–
Senior notes	優先票據	28	(13,117,418)	(10,190,829)
Lease liabilities	租賃負債	30	(481,508)	–
Deferred tax liabilities	遞延稅項負債	32(b)	(1,614,447)	(1,254,264)
			<b>(21,067,603)</b>	<b>(15,759,474)</b>
<b>NET ASSETS</b>	<b>資產淨值</b>		<b>12,602,321</b>	<b>10,269,784</b>
<b>CAPITAL AND RESERVES</b>	<b>資本與儲備</b>			
Share capital	股本	33(a)	240,662	239,958
Reserves	儲備		9,477,363	8,597,132
<b>Total equity attributable to equity shareholders of the Company</b>	<b>本公司權益持有人應佔權益總額</b>		<b>9,718,025</b>	<b>8,837,090</b>
<b>Non-controlling interests</b>	<b>非控股權益</b>		<b>2,884,296</b>	<b>1,432,694</b>
<b>TOTAL EQUITY</b>	<b>總權益</b>		<b>12,602,321</b>	<b>10,269,784</b>

Approved and authorised for issue by the board of directors on 23 April 2020

於2020年4月23日獲董事會批准及授權刊發

**Wu Po Sum**  
胡葆森  
Executive Director  
執行董事

**Wang Jun**  
王俊  
Executive Director  
執行董事

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 251 to 454 form part of these financial statements.

附註：

本集團於2019年1月1日採用經修訂的追溯法首次應用香港財務報告準則第16號。根據此方法，比較資料不予重列。見附註1(c)。

第251頁至454頁附註構成該等財務報表的一部分。

# Consolidated Statement of Changes in Equity

## 綜合權益變動表

for the year ended 31 December 2019 截至2019年12月31日止年度

(Expressed in Renminbi) (以人民幣列賬)

		Attributable to equity shareholders of the Company 本公司權益持有人應佔												
	Note 附註	Share capital	Share premium	Statutory reserve fund	Other capital reserve	Exchange reserve	Share-based compensation reserve 以股份支付款 酬金儲備	Property revaluation reserve 物業重估儲備	Hedging reserve 對沖儲備	Fair value reserve (non-recycling) 公平值儲備 (不可轉回)	Retained profits 保留溢利 (note) (附註)	Total	Non- controlling interests	Total equity
		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	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	RMB' 000 人民幣千元	RMB' 000 人民幣千元	RMB' 000 人民幣千元
Balance at 1 January 2019	附2019年1月1日之結餘	239,958	2,489,835	2,555,359	460,330	(793,351)	69,989	6,479	529	89,379	3,718,583	8,837,090	1,432,694	10,269,784
Changes in equity for 2019:	2019年之權益變動:													
Profit for the year	年度溢利	-	-	-	-	-	-	-	-	-	2,015,064	2,015,064	400,458	2,415,522
Other comprehensive income	其他全面收益	-	-	-	-	(313,374)	-	-	(529)	(58,344)	-	(372,247)	(1,078)	(373,325)
Total comprehensive income	全面收益總額	-	-	-	-	(313,374)	-	-	(529)	(58,344)	2,015,064	1,642,817	399,380	2,042,197
Dividend approved in respect of the previous year	過往年度派派的股息	33(c)	-	-	-	-	-	-	-	-	(326,848)	(326,848)	-	(326,848)
Dividend declared in respect of the current year	本年度宣派的股息	33(c)	-	-	-	-	-	-	-	-	(382,798)	(382,798)	-	(382,798)
Dividend paid to non-controlling interests	已付非控股權益股息		-	-	-	-	-	-	-	-	-	-	(182,072)	(182,072)
Appropriation to statutory reserve fund	轉撥至法定儲備金	33(b)(i)	-	-	535,855	-	-	-	-	-	(535,855)	-	-	-
Capital contribution from non-controlling interests	非控股權益注資		-	-	-	-	-	-	-	-	-	-	272,009	272,009
Shares issued under share option scheme	根據購股權計劃發行股份	33(a)(i)	704	19,445	-	-	(4,717)	-	-	-	-	15,432	-	15,432
Equity settled share-based payment	以權益結算的股份支付款項		-	-	-	-	62,690	-	-	-	-	62,690	-	62,690
Disposals of subsidiaries	出售附屬公司	38(b)(i)	-	-	-	-	-	-	-	-	-	-	(97,953)	(97,953)
Disposals of partial interest in subsidiaries	出售附屬公司部分權益		-	-	-	3,060	-	-	-	-	-	3,060	108,502	111,562
Acquisitions of additional interests in subsidiaries	增購附屬公司權益		-	-	-	(133,418)	-	-	-	-	-	(133,418)	(40,188)	(173,606)
Acquisitions of subsidiaries	收購附屬公司	38(a)(i)	-	-	-	-	-	-	-	-	-	-	991,924	991,924
		704	19,445	535,855	(130,358)	-	57,973	-	-	-	(1,245,501)	(761,882)	1,052,222	290,340
Balance at 31 December 2019	附2019年12月31日之結餘	240,662	2,509,280	3,091,214	329,972	(1,106,725)	127,962	6,479	-	31,035	4,488,146	9,718,025	2,884,296	12,602,321

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

附註:

本集團於2019年1月1日採用經修訂的追溯法首次應用香港財務報告準則第16號。根據此方法，比較資料不予重列。見附註1(c)。

# Consolidated Statement of Changes in Equity (Continued)

## 綜合權益變動表 (續)

for the year ended 31 December 2019 截至2019年12月31日止年度

(Expressed in Renminbi) (以人民幣列賬)

		Attributable to equity shareholders of the Company 本公司權益持有人應佔												
Note 附註		Share capital (Note 33(a)) (附註33(a))	Share premium (Note 33(b)(i)) (附註33(b)(i))	Statutory reserve fund (Note 33(b)(ii)) (附註33(b)(ii))	Other capital reserve (Note 33(b)(iii)) (附註33(b)(iii))	Exchange reserve (Note 33(b)(iv)) (附註33(b)(iv))	Share-based compensation reserve (Note 33(b)(v)) (附註33(b)(v))	Property revaluation reserve (Note 33(b)(vi)) (附註33(b)(vi))	Hedging reserve (Note 33(b)(vii)) (附註33(b)(vii))	Fair value reserve (non-recycling) (不可轉回) (Note 33(b)(viii)) (附註33(b)(viii))	Retained profits (保留溢利)	Total (總額)	Non-controlling interests (非控股權益)	Total equity (權益總額)
		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	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	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
<b>Balance at 1 January 2018</b>	<b>於2018年1月1日之結餘</b>	216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	-	24,752	3,217,917	7,849,966	792,237	8,642,203
<b>Changes in equity for 2018:</b>	<b>2018年之權益變動:</b>													
Profit for the year	年度溢利	-	-	-	-	-	-	-	-	-	1,154,262	1,154,262	260,861	1,415,123
Other comprehensive income	其他全面收益	-	-	-	-	(694,863)	-	-	529	64,627	-	(629,707)	(1,760)	(631,467)
<b>Total comprehensive income</b>	<b>全面收益總額</b>	-	-	-	-	(694,863)	-	-	529	64,627	1,154,262	524,555	259,101	783,656
Dividend approved in respect of the previous year	過往年度批准的股息	33(c)	-	-	-	-	-	-	-	-	(243,915)	(243,915)	-	(243,915)
Dividend declared in respect of the current year	本年度宣派的股息	33(c)	-	-	-	-	-	-	-	-	(165,000)	(165,000)	-	(165,000)
Dividend paid to non-controlling interests	已付非控股權益股息	-	-	-	-	-	-	-	-	-	-	-	(85,130)	(85,130)
Appropriation to statutory reserve fund	轉撥至法定儲備金	33(b)(i)	-	-	244,681	-	-	-	-	-	(244,681)	-	-	-
Capital contribution from non-controlling interests	非控股權益注資	-	-	-	-	-	-	-	-	-	-	-	65,226	65,226
Issue of ordinary shares	發行普通股股份	33(a)(i)	23,042	809,114	-	-	-	-	-	-	-	832,156	-	832,156
Equity settled share-based payment	以權益結算的股份支付款項	-	-	-	-	-	43,059	-	-	-	-	43,059	-	43,059
Acquisitions of additional interests in subsidiaries	收購附屬公司權益	-	-	-	(3,731)	-	-	-	-	-	-	(3,731)	(9,745)	(13,476)
Acquisitions of subsidiaries	收購附屬公司	33(a)(i)	-	-	-	-	-	-	-	-	-	-	411,005	411,005
		23,042	809,114	244,681	(3,731)	-	43,059	-	-	-	(653,596)	462,569	381,356	843,925
<b>Balance at 31 December 2018</b>	<b>於2018年12月31日之結餘</b>	239,958	2,489,835	2,555,359	460,330	(793,351)	69,989	6,479	529	89,379	3,718,583	8,837,090	1,432,694	10,269,784

The notes on pages 251 to 454 form part of these financial statements.

第251頁至454頁附註構成該等財務報表的一部分。

# Consolidated Cash Flow Statement

## 綜合現金流量表

for the year ended 31 December 2019 截至2019年12月31日止年度  
(Expressed in Renminbi) (以人民幣列賬)

			2019 2019年	2018 2018年 (Note) (附註)
		Note 附註	RMB'000 人民幣千元	RMB'000 人民幣千元
<b>Operating activities</b>	<b>經營活動</b>			
Profit before taxation	除稅前溢利		<b>5,116,349</b>	2,971,983
Adjustments for:	經調整：			
Interest income	利息收入	3	<b>(249,780)</b>	(219,138)
Depreciation and amortisation	折舊及攤銷	4(c)	<b>298,245</b>	268,459
Equity settled share-based payment expenses	以權益結算的股份支付費用	4(b)	<b>62,690</b>	43,059
Dividend income from equity securities	股本證券股息收入	3	<b>(6,149)</b>	(5,155)
Net increase in fair value of investment properties	投資物業公平值增加淨額	11	<b>(92,773)</b>	(605,673)
Net loss/(gain) on disposals of property, plant and equipment	出售物業、廠房及設備虧損／(收益)淨額	3	<b>4,425</b>	(19,383)
Share of profits less losses of associates	應佔聯營公司溢利減虧損	15	<b>33,918</b>	17,905
Share of profits less losses of joint ventures	應佔合營企業溢利減虧損	16	<b>(177,868)</b>	(15,638)
Finance costs	融資成本	4(a)	<b>395,249</b>	226,152
Net gain on disposals of subsidiaries	出售附屬公司收益淨額	3	<b>(68,138)</b>	—
Net (gain)/loss on disposal of a joint venture	出售合營企業(收益)／虧損淨額	3	<b>(441,240)</b>	17,292
Net fair value gain on deemed disposals of joint ventures and associates	視為出售合營企業及聯營公司公平值收益淨額	3	<b>(445,144)</b>	(91,432)
Net exchange loss	匯兌虧損淨額	3	<b>49,204</b>	37,652
<b>Operating profit before changes in working capital carried forward</b>	<b>已結轉營運資金變動前經營溢利</b>		<b>4,478,988</b>	2,626,083

# Consolidated Cash Flow Statement (Continued)

## 綜合現金流量表 (續)

for the year ended 31 December 2019 截至2019年12月31日止年度

(Expressed in Renminbi) (以人民幣列賬)

		Note	2019 2019年 RMB'000 人民幣千元	2018 2018年 (Note) (附註) RMB'000 人民幣千元
<b>Operating profit before changes in working capital carried forward</b>	<b>已結轉營運資金變動前經營溢利</b>		<b>4,478,988</b>	2,626,083
Decrease in trading securities	交易性證券減少		<b>12,179</b>	14,330
Increase in biological assets	生物資產增加		<b>(51,268)</b>	(236,724)
Increase in inventories and other contract costs	存貨及其他合約成本增加		<b>(12,486,714)</b>	(20,513,456)
Increase in contract assets (Increase)/decrease in trade and other receivables	合約資產增加 貿易及其他應收款項 (增加)/減少		<b>(77,137)</b>	(137,691)
Increase in deposits and prepayments	按金及預付款項增加		<b>(2,273,934)</b>	1,321,305
Increase in restricted bank deposits	受限制銀行存款增加		<b>(3,690,188)</b>	(2,306,909)
Increase in trade and other payables	貿易及其他應付款項增加		<b>(3,772,210)</b>	(1,429,837)
Increase in contract liabilities and receipts in advance	合約負債及預收款項增加		<b>14,297,021</b>	3,852,505
			<b>6,816,868</b>	23,041,213
<b>Cash generated from operations</b>	<b>經營所得現金</b>		<b>3,253,605</b>	6,230,819
PRC tax paid	已付中國稅項		<b>(2,702,367)</b>	(2,127,876)
<b>Net cash generated from operating activities</b>	<b>經營活動所得現金淨額</b>		<b>551,238</b>	4,102,943
<b>Investing activities</b>	<b>投資活動</b>			
Payment for purchase of property, plant and equipment and intangible assets	購置物業、廠房及設備及無形資產付款		<b>(1,431,706)</b>	(922,228)
Proceeds from disposals of property, plant and equipment	出售物業、廠房及設備所得款項		<b>481</b>	21,395
Net cash paid upon acquisitions of subsidiaries	收購附屬公司已付現金淨額	38(a)(i)	<b>(2,393,196)</b>	(507,948)
Net cash inflow upon disposals of subsidiaries	出售附屬公司的現金流入淨額	38(b)(i)	<b>47,779</b>	—
Disposals of joint ventures	出售合營企業		<b>—</b>	52,846
Investments in joint ventures	於合營企業投資		<b>(898,000)</b>	(882,803)
Advances to joint ventures	墊款予合營企業		<b>(4,743,441)</b>	(2,996,652)
Repayment from joint ventures	合營企業還款		<b>4,712,803</b>	1,344,285
Investment in associates	於聯營公司投資		<b>(67,320)</b>	(100,914)
Advances to associates	墊款予聯營公司		<b>(209,969)</b>	(46,141)
Repayment from associates	聯營公司還款		<b>23,887</b>	212,493
Payment for investment in other financial assets	投資其他金融資產之付款		<b>(511,474)</b>	—
Dividend received from joint ventures	來自合營企業的已收股息		<b>123,595</b>	385,905
Dividend received from equity securities	來自股本證券的已收股息		<b>6,149</b>	5,155
Interest received	已收利息		<b>245,979</b>	210,427
Others	其他		<b>—</b>	(13,477)
<b>Net cash used in investing activities</b>	<b>投資活動所用現金淨額</b>		<b>(5,094,433)</b>	(3,237,657)



# Consolidated Cash Flow Statement (Continued)

## 綜合現金流量表 (續)

for the year ended 31 December 2019 截至2019年12月31日止年度

(Expressed in Renminbi) (以人民幣列賬)

			2019 2019年	2018 2018年 (Note) (附註)
		Note 附註	RMB'000 人民幣千元	RMB'000 人民幣千元
<b>Financing activities</b>	<b>融資活動</b>			
Proceeds from new bank loans	新增銀行借款所得款項	24(b)	6,929,744	2,629,500
Repayment of bank loans	償還銀行借款	24(b)	(3,623,255)	(1,201,671)
Payment of guarantee deposits for bank loans	銀行借款擔保金付款	23	(697,620)	—
Proceeds from other loans and borrowings	其他借款及借貸所得款項	24(b)	7,864,893	653,180
Repayment of other loans and borrowings	償還其他借款及借貸	24(b)	(2,632,506)	(120,000)
Net proceeds from issue of senior notes	發行優先票據所得款項淨額	24(b)	8,528,958	4,967,851
Redemption and repayment of senior notes	贖回及償還優先票據	24(b)	(1,397,474)	(4,110,979)
Proceeds from resale and issue of corporate bonds	轉售及發行公司債券所得款項	24(b)	2,759,417	—
Repayment of corporate bonds	償還公司債券	24(b)	(2,771,609)	—
Proceeds from shares issued under share option scheme	根據購股權計劃發行股份所得款項	33(a)	15,432	—
Issue of ordinary shares	發行普通股股份	33(a)	—	832,156
Interest paid	已付利息	24(b)	(2,248,484)	(1,195,384)
Net cash inflow from settlement of derivative financial instruments	結算衍生金融工具的現金流入淨額	24(b)	53,671	—
Dividend paid	已付股息		(709,646)	(408,915)
Dividend paid to non-controlling interests	已付非控股權益股息		(182,072)	(85,130)
Acquisitions of additional interests in subsidiaries	增購附屬公司權益		(173,606)	—
Cash inflow upon disposal of partial interest in subsidiaries	出售附屬公司部分權益的現金流入		111,562	—
Capital contribution and advance from non-controlling interests	非控股權益注資及墊資		1,208,204	65,225
Capital element of lease rentals paid	已付租賃租金的資本部分		(15,125)	—
Interest element of lease rentals paid	已付租賃租金的利息部分		(28,864)	—
<b>Net cash generated from financing activities</b>	<b>融資活動所得現金淨額</b>		<b>12,991,620</b>	<b>2,025,833</b>
<b>Net increase in cash and cash equivalents</b>	<b>現金及現金等價物增加淨額</b>		<b>8,448,425</b>	<b>2,891,119</b>
<b>Cash and cash equivalents at 1 January</b>	<b>於1月1日的現金及現金等價物</b>		<b>14,202,259</b>	<b>11,283,853</b>
<b>Effect of foreign exchange rate changes</b>	<b>外匯匯率變動影響</b>		<b>56,975</b>	<b>27,287</b>
<b>Cash and cash equivalents at 31 December</b>	<b>於12月31日的現金及現金等價物</b>		<b>22,707,659</b>	<b>14,202,259</b>

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

The notes on pages 251 to 454 form part of these financial statements.

附註：

本集團於2019年1月1日採用經修訂的追溯法首次應用香港財務報告準則第16號。根據此方法，比較資料不予重列。見附註1(c)。

第251頁至454頁附註構成該等財務報表的一部分。

# Notes to the Financial Statements

## 財務報表附註

(Expressed in Renminbi) (以人民幣列賬)

Central China Real Estate Limited ("the Company") is a limited liability company incorporated in the Cayman Islands on 15 November 2007. Its principal place of business is at Room 7701B-7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal activity of the Company is investment holding and its subsidiaries are principally engaged in property development in Henan Province in the People's Republic of China ("the PRC").

### 1 SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

建業地產股份有限公司(「本公司」)為一家於2007年11月15日在開曼群島註冊成立的有限公司，主要營業地點位於香港九龍柯士甸道西1號環球貿易廣場77樓7701B-7702A室，而註冊辦事處位於Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands。本公司主要活動為投資控股，其附屬公司主要於中華人民共和國(「中國」)河南省從事房地產開發。

### 1 重要會計政策

#### (a) 合規聲明

本財務報表乃按照香港會計師公會(「香港會計師公會」)頒佈的所有適用香港財務報告準則(「香港財務報告準則」，包括所有適用的個別香港財務報告準則、香港會計準則(「香港會計準則」)及詮釋)、香港公認會計原則以及香港《公司條例》的披露要求而編製。本財務報表亦符合香港聯合交易所有限公司證券上市規則的適用披露條文。本集團採納的重要會計政策於下文披露。

香港會計師公會已頒佈若干新訂及經修訂香港財務報告準則，於本集團當前會計期間首次生效或供提前採納。附註1(c)載有因首次應用此等變化而引致的任何會計政策變動的資料(僅限於此等財務報表所反映現行及過往會計期間與本集團相關者)。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) Basis of preparation and functional and presentation currency

- (i) The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in associates and joint ventures. The consolidated financial statements are presented in Renminbi (“RMB”) rounded to the nearest thousand, while the Company’s functional currency is the Hong Kong dollar (“HK\$”).
- (ii) The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:
  - investment property, including interests in leasehold land and buildings held as investment property where the Group is the registered owner of the property interest (see note 1(i));
  - investments in debt and equity securities (see note 1(f)); and
  - derivative financial instruments (see note 1(g)).

### 1 重要會計政策 (續)

#### (b) 編製基準以及功能及呈列貨幣

- (i) 截至2019年12月31日止年度的綜合財務報表涉及本公司及其附屬公司(合稱「本集團」)及本集團於聯營公司及合營企業的權益。綜合財務報表以人民幣(「人民幣」)呈列,並約整至最接近的千位數,而本公司的功能貨幣為港元(「港元」)。
- (ii) 本財務報表編製中所採用的計量法為歷史成本法,惟下文會計政策所述按公平值列賬的資產及負債除外:
  - 投資物業,包括於租賃土地及持作投資物業的建築物中的權益,其中本集團為物業權益的登記擁有人(見附註1(i));
  - 債務及股本證券投資(見附註1(f));及
  - 衍生金融工具(見附註1(g))。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (b) Basis of preparation and functional and presentation currency *(continued)*

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 40.

#### (c) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

### 1 重要會計政策 (續)

#### (b) 編製基準以及功能及呈列貨幣 (續)

管理層編製符合香港財務報告準則的財務報表時，須作出可影響會計政策應用及資產、負債和收支呈報金額的判斷、估計及假設。該等估計及相關假設乃根據過往經驗及管理層因應當時情況認為合理的各種其他因素作出，而所得結果會成為判斷無法從其他資料即時獲得之資產及負債賬面值的依據。實際結果可能有別於相關估計。

管理層會持續檢討各項估計及相關假設。倘若會計估計的修訂僅影響作出修訂的期間，則有關修訂會在該期間確認；倘若修訂會影響現時及未來期間，則會在作出修訂的期間及未來期間確認。

有關管理層在採用香港財務報告準則時所作出對財務報表有重大影響的判斷及估計不確定性主要來源之討論載於附註40。

#### (c) 會計政策變更

香港會計師公會已頒佈新的香港財務報告準則，香港財務報告準則第16號租賃以及香港財務報告準則的多項修訂，而該等修訂首次於本集團的本會計期間生效。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Changes in accounting policies (continued)

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

#### **HKFRS 16, Leases**

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases – incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

### 1 重要會計政策 (續)

#### (c) 會計政策變更 (續)

除香港財務報告準則第16號租賃外，採納該等修訂未有對本集團於本期及過往期間的業績及財務狀況的編製和呈列方式構成重大影響。本集團並未採用任何於本期會計期間尚未生效的新準則或詮釋。

#### **香港財務報告準則第16號，租賃**

香港財務報告準則第16號取代香港會計準則第17號租賃及相關詮釋、香港（國際財務報告詮釋委員會）第4號釐定安排是否包括租賃、香港（常設詮釋委員會）第15號經營租賃－優惠及香港（常設詮釋委員會）第27號評估涉及租賃法律形式交易的內容。該準則引入單一的承租人會計模型，其要求承租人確認所有租賃的使用權資產及租賃負債，惟租賃期限為12個月或以下（「短期租賃」）及資產價值較低的租賃除外。該準則轉承香港會計準則第17號的出租人會計處理規定，大致上維持不變。

香港財務報告準則第16號亦引入其他定性及定量披露規定，旨在使財務報表使用者能評估租賃對實體的財務狀況、財務表現及現金流量的影響。

本集團已自2019年1月1日起首次應用香港財務報告準則第16號。本集團已選用經修訂追溯法，並因而確認首次應用的累積影響作為對於2019年1月1日權益期初餘額的調整。比較資料未予重列且繼續根據香港會計準則第17號呈報。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (c) Changes in accounting policies *(continued)*

##### *HKFRS 16, Leases (continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

##### *a. New definition of a lease*

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

### 1 重要會計政策 (續)

#### (c) 會計政策變更 (續)

##### *香港財務報告準則第16號，租賃 (續)*

有關過往會計政策變動的性質和影響及所採用的過渡性選擇的進一步詳情載列如下：

##### *a. 租賃的新定義*

租賃定義的變動主要與控制權的概念有關。香港財務報告準則第16號根據客戶是否在某一時段內控制已識別資產的使用（其可由指定使用量釐定）而對租賃作出定義。當客戶有權指示可識別資產的用途以及從該用途中獲得絕大部分經濟利益時，即表示擁有控制權。

香港財務報告準則第16號內租賃的新定義僅適用於本集團於2019年1月1日或之後訂立或變更的合約。就於2019年1月1日之前訂立的合約而言，本集團已採用過渡性可行的權宜方法以豁免屬租賃或包含租賃的現有安排的過往評估。因此，先前根據香港會計準則第17號評估為租賃的合約繼續根據香港財務報告準則第16號入賬列為租賃，而先前評估為非租賃服務安排的合約則繼續入賬列為未生效合約。



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Changes in accounting policies (continued)

##### HKFRS 16, Leases (continued)

##### b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 35(b). For an explanation of how the Group applies lessee accounting, see note 1(l)(i).

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 7.32%.

### 1 重要會計政策 (續)

#### (c) 會計政策變更 (續)

##### 香港財務報告準則第16號，租賃 (續)

##### b. 承租人會計處理方法及過渡影響

香港財務報告準則第16號剔除先前香港會計準則第17號要求承租人將租賃分類為經營租賃或融資租賃的規定。取而代之，倘本集團為承租人，則須將所有租賃資本化，包括先前根據香港會計準則第17號分類為經營租賃的租賃，惟短期租賃及低價值資產租賃除外。就本集團而言，該等新資本化的租賃主要與附註35(b)披露的物業、廠房及設備有關。有關本集團如何應用承租人會計處理的解釋，請參見附註1(l)(i)。

於過渡至香港財務報告準則第16號之日期（即2019年1月1日），本集團釐定餘下租期及按餘下租賃付款的現值計量先前分類為經營租賃的租賃負債，並於2019年1月1日使用相關增量借款利率貼現計算。用於釐定餘下租賃付款現值的增量借款利率之加權平均數為7.32%。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Changes in accounting policies (continued)

##### HKFRS 16, Leases (continued)

##### b. Lessee accounting and transitional impact (continued)

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

### 1 重要會計政策 (續)

#### (c) 會計政策變更 (續)

##### 香港財務報告準則第16號，租賃 (續)

##### b. 承租人會計處理方法及過渡 影響 (續)

為簡化香港財務報告準則第16號的過渡，本集團於首次應用香港財務報告準則第16號當日已應用下列確認豁免及可行的權宜方法：

- (i) 對於就餘下租期於香港財務報告準則第16號獲首次應用當日起計12個月內結束（即租期於2019年12月31日或之前結束）的租賃確認租賃負債及使用權資產，本集團選擇不應應用香港財務報告準則第16號的規定；
- (ii) 當計量於香港財務報告準則第16號獲首次應用當日的租賃負債時，本集團對具有合理相似特徵的租賃組合（例如於類似經濟環境中屬類似相關資產類別且剩餘租賃期相若的租賃）應用單一折現率；及
- (iii) 當計量於香港財務報告準則第16號獲首次應用當日的使用權資產時，本集團依賴先前於2018年12月31日對繁重合約條文作出的評估，作為減值審查的替代方法。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Changes in accounting policies (continued)

##### HKFRS 16, Leases (continued)

#### b. Lessee accounting and transitional impact (continued)

The following table reconciles the operating lease commitments as disclosed in note 35(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

		1 January 2019 2019年1月1日 RMB'000 人民幣千元
Operating lease commitments at 31 December 2018	於2018年12月31日的經營租賃承擔	636,695
Less: commitments relating to leases exempt from capitalisation:	減：獲豁免資本化的租賃相關承擔	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	– 短期租賃及餘下租賃期於2019年12月31日或之前屆滿的其他租賃	(784)
		635,911
Less: total future interest expenses	減：未來利息開支總額	(276,261)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	按2019年1月1日增量借款利率貼現計算的餘下租賃付款現值	359,650
Add: finance lease liabilities recognised as at 31 December 2018	加：於2018年12月31日確認的融資租賃承擔	–
Total lease liabilities recognised at 1 January 2019	於2019年1月1日確認的租賃負債總額	359,650

### 1 重要會計政策 (續)

#### (c) 會計政策變更 (續)

##### 香港財務報告準則第16號，租賃 (續)

#### b. 承租人會計處理方法及過渡影響 (續)

下表載列附註35(b)所披露於2018年12月31日的經營租賃承擔與於2019年1月1日所確認的租賃負債期初結餘之對賬：

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (c) Changes in accounting policies *(continued)*

##### *HKFRS 16, Leases (continued)*

##### *b. Lessee accounting and transitional impact (continued)*

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of “obligations under finance leases”, these amounts are included within “lease liabilities”, and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

### 1 重要會計政策 (續)

#### (c) 會計政策變更 (續)

##### 香港財務報告準則第16號，租賃 (續)

##### *b. 承租人會計處理方法及過渡 影響 (續)*

與先前分類為經營租賃之租賃有關的使用權資產已按相等於餘下租賃負債已確認金額之金額確認，並按於2018年12月31日的財務狀況表確認的租賃有關的任何預付或應計租賃付款金額進行調整。

就採納香港財務報告準則第16號對先前分類為融資租賃的租賃影響而言，除更改結餘分類外，本集團毋須於首次應用香港財務報告準則第16號當日作出任何調整。因此，該等金額並非「融資租賃承擔」，而是計入「租賃負債」，而相應租賃資產的折舊賬面值被確認為使用權資產。對期初權益結餘並無影響。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Changes in accounting policies (continued)

##### HKFRS 16, Leases (continued)

#### b. Lessee accounting and transitional impact (continued)

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

		Carrying amount at 31 December 2018 於2018年12月31日的賬面值 RMB'000 人民幣千元	Capitalisation of operating lease contracts 經營租賃合約資本化 RMB'000 人民幣千元	Carrying amount at 1 January 2019 於2019年1月1日的賬面值 RMB'000 人民幣千元
<b>Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:</b>		<b>綜合財務狀況表中受採納香港財務報告準則第16號影響的項目：</b>		
Property, plant and equipment	物業、廠房及設備	4,808,494	376,979	5,185,473
<b>Total non-current assets</b>	<b>非流動資產總額</b>	<b>19,711,875</b>	<b>376,979</b>	<b>20,088,854</b>
Deposits and prepayments	按金及預付款項	9,161,824	(17,329)	9,144,495
<b>Current assets</b>	<b>流動資產</b>	<b>82,250,500</b>	<b>(17,329)</b>	<b>82,233,171</b>
Lease liabilities (current)	租賃負債(流動)	—	(30,715)	(30,715)
<b>Current liabilities</b>	<b>流動負債</b>	<b>(75,933,117)</b>	<b>(30,715)</b>	<b>(75,963,832)</b>
<b>Net current assets</b>	<b>流動資產淨值</b>	<b>6,317,383</b>	<b>(48,044)</b>	<b>6,269,339</b>
<b>Total assets less current liabilities</b>	<b>總資產減流動負債</b>	<b>26,029,258</b>	<b>328,935</b>	<b>26,358,193</b>
Lease liabilities (non-current)	租賃負債(非流動)	—	(328,935)	(328,935)
<b>Total non-current liabilities</b>	<b>非流動負債總額</b>	<b>(15,759,474)</b>	<b>(328,935)</b>	<b>(16,088,409)</b>
<b>Net assets</b>	<b>資產淨值</b>	<b>10,269,784</b>	<b>—</b>	<b>10,269,784</b>

### 1 重要會計政策 (續)

#### (c) 會計政策變更 (續)

##### 香港財務報告準則第16號，租賃 (續)

#### b. 承租人會計處理方法及過渡影響 (續)

下表概述採用香港財務報告準則第16號對本集團綜合財務狀況表之影響：

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Changes in accounting policies (continued)

##### HKFRS 16, Leases (continued)

##### c. *Impact on the financial result and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated income statement, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 24(b)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 24(c)).

### 1 重要會計政策 (續)

#### (c) 會計政策變更 (續)

##### 香港財務報告準則第16號，租賃 (續)

##### c. *對本集團財務業績及現金流的影響*

於初始確認於2019年1月1日的使用權資產及租賃負債後，本集團（作為承租人）須確認租賃負債尚未償還餘額的累計利息開支及使用權資產折舊，而非根據先前政策於租期內按直線基準確認經營租賃項下應計租金開支。相比倘於年內應用香港會計準則第17號的結果，此舉對本集團綜合收益表所呈報的經營溢利產生正面影響。

於現金流量表中，本集團（作為承租人）須將資本化租賃項下已付租金分為資本部分及利息部分（見附註24(b)）。該等部分分類為融資現金流出（與先前根據香港會計準則第17號分類為融資租賃的租賃的處理方式相似），而非如同香港會計準則第17號項下的經營租賃一般分類為經營現金流出。因此，儘管不會影響現金流量總額，採納香港財務報告準則第16號導致現金流量表中現金流量的呈列方式出現重大變動（見附註24(c)）。



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Changes in accounting policies (continued)

##### HKFRS 16, Leases (continued)

#### c. Impact on the financial result and cash flows of the Group (continued)

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS17.

### 1 重要會計政策 (續)

#### (c) 會計政策變更 (續)

##### 香港財務報告準則第16號·租賃 (續)

#### c. 對本集團財務業績及現金流的影響 (續)

下表顯示採納香港財務報告準則第16號對本集團截至2019年12月31日止年度財務業績及現金流量的估計影響，方式為調整該等綜合財務報表中根據香港財務報告準則第16號所呈報金額以計算倘於2019年繼續應用已被取代的香港會計準則第17號（而非香港財務報告準則第16號）則根據該準則本應確認的估計假定金額，並將該等2019年假定金額與根據香港會計準則第17號編製的2018年實際相關金額進行比較。

		2019 2019年			2018 2018年	
		Amounts reported under HKFRS 16 (A)	Add back: HKFRS 16 depreciation and interest expense (B)	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C)	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C)	Compared to amounts reported for 2018 under HKAS 17
		按香港財務報告準則第16號列報的金額 (A)	加回：香港財務報告準則第16號折舊及利息開支 (B)	扣除：香港會計準則第17號下經營租賃的相關估計金額（附註1） (C)	香港會計準則第17號下的2019年假定金額 (D=A+B-C)	比較香港會計準則第17號下的2018年呈報金額
		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
Financial result for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:		受採納香港財務報告準則第16號影響的截至2019年12月31日止年度的財務業績：				
Profit from operations	經營所得溢利	5,274,875	28,918	(43,989)	5,259,804	2,594,729
Finance costs	融資成本	(395,249)	28,864	-	(366,385)	(226,152)
Profit before taxation	除稅前溢利	5,116,349	57,782	(43,989)	5,130,142	2,971,983
Profit for the year	年度溢利	2,415,522	57,782	(43,989)	2,429,315	1,415,123

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Changes in accounting policies (continued)

##### HKFRS 16, Leases (continued)

c. Impact on the financial result and cash flows of the Group (continued)

### 1 重要會計政策 (續)

#### (c) 會計政策變更 (續)

香港財務報告準則第16號，租賃 (續)

c. 對本集團財務業績及現金流的影響 (續)

		2019 2019年		2018 2018年
		Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (A)	Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B)	Compared to amounts reported for 2018 under HKAS 17
		香港會計準則第17號下經營租賃的相關估計金額 (附註1及2) (A)	香港會計準則第17號下的2019年假定金額 (C=A+B)	比較香港會計準則第17號下的2018年呈報金額
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Line items in the condensed consolidated cash flow statement for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:	受採納香港財務報告準則第16號影響的截至2019年12月31日止年度的簡明綜合現金流量表項目：			
Cash generated from operations	經營所得現金	3,253,605	(43,989)	3,209,616
Net cash generated from operating activities	經營活動所得現金淨額	551,238	(43,989)	507,249
Capital element of lease rentals paid	已付租賃租金的資本部分	(15,125)	15,125	-
Interest element of lease rentals paid	已付租賃租金的利息部分	(28,864)	28,864	-
Net cash generated from financing activities	融資活動產生的現金淨額	12,991,620	43,989	13,035,609

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Changes in accounting policies (continued)

##### HKFRS 16, Leases (continued)

#### c. Impact on the financial result and cash flows of the Group (continued)

Note 1: The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

#### d. Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation (“leasehold investment properties”). The adoption of HKFRS 16 does not have a significant impact on the Group’s financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018.

Consequently, these leasehold investment properties continue to be carried at fair value.

### 1 重要會計政策 (續)

#### (c) 會計政策變更 (續)

##### 香港財務報告準則第16號，租賃 (續)

#### c. 對本集團財務業績及現金流的影響 (續)

附註1：「經營租賃相關估計金額」為於2019年繼續應用香港會計準則第17號情況下本應分類為經營租賃的租賃有關的2019年現金流量估計金額。該估計乃假設租金與現金流量之間並無差異，且倘於2019年繼續應用香港會計準則第17號，則於2019年訂立的所有新租賃根據香港會計準則第17號本應分類為經營租賃。任何潛在稅項影響淨額忽略不計。

附註2：在該影響表格中，該等現金流出由融資重新分類至經營，以計算於繼續應用香港會計準則第17號情況下經營活動所得現金淨額及融資活動所用現金淨額的假定金額。

#### d. 租賃投資物業

根據香港財務報告準則第16號，倘租賃物業乃為賺取租金收入及／或為資本增值而持有，則本集團須將所有該等租賃物業以投資物業入賬（「租賃投資物業」）。由於本集團先前選擇應用香港會計準則第40號投資物業對其所有於2018年12月31日為投資目的而持有之租賃物業進行會計處理，因此採納香港財務報告準則第16號對本集團財務報表並無重大影響。

故此，該等租賃投資物業繼續以公平值列賬。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (c) Changes in accounting policies (continued)

##### HKFRS 16, Leases (continued)

##### e. Lessor accounting

In addition to leasing out the investment property referred to in paragraph d. above, the Group leases out a number of properties as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

#### (d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

### 1 重要會計政策 (續)

#### (c) 會計政策變更 (續)

##### 香港財務報告準則第16號，租賃 (續)

##### e. 出租人會計處理

除出租上文d段提述的投資物業外，本集團作為經營租賃的出租人出租多個物業。本集團作為出租人適用的會計政策與香港會計準則第17號項下相關規定大致維持不變。

根據香港財務報告準則第16號，當本集團作為轉租安排的中間出租人時，本集團須參考首次租賃所產生的使用權資產（而非參考相關資產）後將轉租租賃分類為融資租賃或經營租賃。採用香港財務報告準則第16號並無就此對本集團的財務報表造成重大影響。

#### (d) 附屬公司及非控股權益

附屬公司是指本集團控制的實體。當本集團承受或享有參與實體所得的可變回報，且有能力透過其對實體的權力影響該等回報時，則本集團控制該實體。於評估本集團是否擁有有關權力時，僅會考慮本集團及其他各方的實質權利。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Subsidiaries and non-controlling interests (continued)

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-Group balances, transactions and cash flows and any unrealised profits arising from intra-Group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-Group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(t) or (u) depending on the nature of the liability.

### 1 重要會計政策 (續)

#### (d) 附屬公司及非控股權益 (續)

於附屬公司的投資會自控制權開始當日至控制權結束當日期間合併計入綜合財務報表。集團內公司間的結餘、交易和現金流量以及集團內公司間交易所產生的任何未變現溢利，在編製綜合財務報表時均全數抵銷。集團內公司間交易所產生的未變現虧損則僅在無減值跡象的情況下以抵銷未變現收益的相同方法抵銷。

非控股權益為並非本公司直接或間接應佔的附屬公司權益，而本集團並未就此與相關權益持有人協定任何額外條款，以致本集團整體須為該等符合金融負債定義的權益承擔合約責任。對於每項企業合併，本集團可以選擇以公平值或者以其在附屬公司可識別淨資產的所佔非控股權益比例計量任何非控股權益。

非控股權益於綜合財務狀況表的權益項下與本公司權益持有人應佔權益分開呈列。非控股權益應佔本集團業績會在綜合收益表及綜合全面收益表內作為年內分配予非控股權益與本公司權益持有人的溢利或虧損總額及全面收入總額入賬。非控股權益持有人提供的借款及對該等持有人應負的其他訂約責任根據附註1(t)或(u)，視乎負債的性質而定，在綜合財務狀況表呈列為金融負債。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (d) Subsidiaries and non-controlling interests *(continued)*

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment losses (see note 1(m)).

#### (e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

### 1 重要會計政策 (續)

#### (d) 附屬公司及非控股權益 (續)

本集團於附屬公司的權益變動如不導致本集團對其喪失控制權，將作股權交易核算。本集團於綜合權益內持有的控股權益及非控股權益款項應予調整，以反映相關權益的變動。但對商譽並無作出調整，亦無確認任何損益。

當本集團失去對附屬公司控制權時，將視為出售於該附屬公司的全部權益進行會計處理，產生的盈虧則於損益確認。前附屬公司任何留存權益按其喪失控制權當日之公平值確認，而該款額將被列作金融資產首次確認之公平值（見附註1(f)），或（如適用）首次確認於聯營公司或合營企業之投資成本（見附註1(e)）。

於本公司之財務狀況表中，於附屬公司之投資乃按成本減減值虧損列賬（見附註1(m)）。

#### (e) 聯營公司及合營企業

聯營公司指本集團或本公司對其管理有重大影響力（包括參與財務及經營決策）但並無控制權或共同控制權的公司。

合營企業為一項安排，據此，本集團或本公司與其他各方訂約同意共同享有安排之控制權，並擁有安排中淨資產的權利。



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(m)(iii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 1(m)(i))).

### 1 重要會計政策 (續)

#### (e) 聯營公司及合營企業 (續)

於聯營公司或合營企業的投資按權益法於綜合財務報表入賬。根據權益法，投資首先按成本入賬，並就本集團分佔投資對象可識別資產淨值的收購日公平值超出投資成本的任何差額（如有）作出調整。投資成本包括購買價、收購該投資的直接應佔其他成本，及構成本集團權益投資一部分的於該聯營公司或合營企業的任何直接投資。其後，就本集團應佔該投資對象的資產淨值在收購後的變動及任何與投資有關的減值損失對投資作出調整（見附註1(m)(iii)）。於收購日超出成本的任何差額、年內本集團於收購後、除稅後應佔投資對象業績及任何減值損失應於綜合收益表內確認，而本集團於收購後應佔投資對象除稅後的其他全面收入項目則於綜合全面收益表內確認。

當本集團應佔虧損超出所持聯營公司或合營企業的權益，本集團的權益會減至零，且毋須繼續確認其他虧損，惟本集團已承擔法律或推定責任或須代表該投資對象支付費用則除外。就此而言，在將預期信貸虧損模型應用於其他此類長期權益（倘適用）（見附註1(m)(i)）之後，本集團的權益為根據權益法計算的投資賬面值連同本集團於該聯營公司或合營企業之淨投資的任何其他長期權益部分。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (e) Associates and joint ventures (continued)

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position investments in associates and joint ventures are stated at cost less impairment losses (see note 1(m)).

#### (f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

### 1 重要會計政策 (續)

#### (e) 聯營公司及合營企業 (續)

本集團與其聯營公司及合營企業交易所產生的未變現溢利及虧損，按本集團所持投資對象的權益抵銷，惟倘所轉讓資產的未變現虧損出現減值跡象，則即時於損益中確認。

倘於聯營公司之投資變為於合營企業之投資或出現相反情況，則不會重新計量保留權益。反之，該投資繼續根據權益法入賬。

若屬其他情況，當本集團不再對聯營公司有重大影響力或不再對合營企業有共同控制權時，按出售有關投資對象的全部權益列賬，由此產生的收益或虧損在損益內確認。在喪失重大影響力或共同控制權當日所保留於前投資對象的權益按公平值確認及此筆金額在初始確認金融資產（見附註1(f)）時當作公平值。

於本公司的財務狀況表中，於聯營公司及合營企業的投資以成本減減值虧損列賬（見附註1(m)）。

#### (f) 其他債務及股本證券投資

本集團於債務及股本證券投資（於附屬公司、聯營公司及合營企業的投資除外）政策載列於下文。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Other investments in debt and equity securities (continued)

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 34(f). These investments are subsequently accounted for as follows, depending on their classification.

##### (i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(y)(vi)).

### 1 重要會計政策 (續)

#### (f) 其他債務及股本證券投資 (續)

本集團在承諾購入／出售投資當日確認／終止確認債務及股本證券投資。投資初步按公平值加直接應佔交易成本列報，惟按公平值計入損益（按公平值計入損益）列賬之投資除外，該等投資之交易成本直接於損益內確認。有關本集團釐定金融工具公平值的方法的詮釋，見附註34(f)。該等投資隨後根據其分類按以下方法入賬。

##### (i) 除股本投資以外的投資

本集團持有的非股本投資歸入以下其中一個計量類別：

- 按攤銷成本，倘持有投資的目的為收取合約現金流量，即純粹為支付本金及利息。投資所得利息收入乃使用實際利率法計算（見附註1(y)(vi)）。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (f) Other investments in debt and equity securities *(continued)*

##### (i) Investments other than equity investments *(continued)*

- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

### 1 重要會計政策 (續)

#### (f) 其他債務及股本證券投資 (續)

##### (i) 除股本投資以外的投資 (續)

- 按公平值計入其他全面收益 (按公平值計入其他全面收益) (可轉回)，倘投資的合約現金流量僅包括本金及利息付款，且投資乃於其目的為同時收取合約現金流量及出售的業務模式中持有。公平值變動於其他全面收益確認，惟預期信貸虧損、利息收入 (使用實際利率法計算) 及匯兌收益及虧損於損益確認。當投資被取消確認，於其他全面收益累計的金額從權益轉回至損益。
- 按公平值計入損益 (按公平值計入損益)，倘投資不符合按攤銷成本計量或按公平值計入其他全面收益 (可轉回) 的標準。投資的公平值變動 (包括利息) 於損益確認。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Other investments in debt and equity securities (continued)

##### (ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(y)(v).

#### (g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(h)).

### 1 重要會計政策 (續)

#### (f) 其他債務及股本證券投資 (續)

##### (ii) 股本投資

除非該股本投資並非以買賣目的持有，且在初始確認該等投資時，本集團不可撤銷地選擇指定該項投資按公平值計入其他全面收益（不可轉回）計量，以便隨後的公平值變動於其他全面收益中確認，否則權益證券投資被劃歸為按公平值計入損益。本集團對每個金融工具單獨進行選擇分類，但該選擇分類僅在該項投資符合發行人角度下的權益定義方能進行。倘若進行上述選擇，其他全面收益中的累計金額將保留於公平值儲備中（不可轉回），直至出售該項投資。在出售該項投資時，公平值儲備（不可轉回）中的累計金額將轉入保留溢利，不會通過損益轉回。權益證券投資的股息無論是否按公平值計入損益或按公平值計入其他全面收益計量進行分類，均根據附註1(y)(v)所載的政策於損益中確認為其他收入。

#### (g) 衍生金融工具

衍生金融工具以公平值進行初始確認。公平值於各報告期末重新計量。公平值重新計量的損益即時於損益內確認，但若該衍生工具符合現金流量對沖會計法，在此情況下，確認任何由此產生的收益或虧損取決於正被對沖的項目的性質（見附註1(h)）。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (h) Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from variable rate borrowings (cash flow hedges).

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

### 1 重要會計政策 (續)

#### (h) 現金流量對沖

本集團將若干衍生工具指定為對沖工具，以對沖因浮息借款產生的極有可能預測交易相關的現金流量變動（現金流量對沖）。

倘衍生金融工具在現金流量對沖時被指定為對沖工具，則衍生金融工具的任何收益或虧損的實際部分於其他全面收益中確認，並於對沖儲備中單獨累計為權益。任何收益或虧損的實際部分將即時於損益確認。

倘其後對沖預測交易導致確認存貨等非金融資產，則相關收益或虧損將自權益重新分類，以計入非金融資產的初始成本。

就所有其他對沖預測交易而言，對沖儲備中累計的金額於對沖現金流量影響損益的相同期間（如產生預計出售或確認利息開支時）自權益重新分類至損益。

倘對沖不再符合對沖會計的標準（包括對沖工具到期或被出售、終止或行使時），則對沖會計將被提前中止。當對沖會計中止，但預期仍然會發生對沖預測交易時，對沖儲備中累計的金額仍列作權益，直至交易發生及根據上述政策確認。倘預期不再進行對沖交易，則對沖儲備中累計的金額將即時自權益重新分類至損益。



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(y)(iii).

In the comparative period, when the Group held a property interest under an operating lease and used the property to earn rental income and/or for capital appreciation, the Group could elect on a property-by-property basis to classify and account for such interest as an investment property. Any such property interest which had been classified as an investment property was accounted for as if it were held under a finance lease (see note 1(l)), and the same accounting policies were applied to that interest as were applied to other investment properties leased under finance leases. Lease payments were accounted for as described in note 1(l).

### 1 重要會計政策 (續)

#### (i) 投資物業

投資物業為擁有或根據租賃權益（見附註1(l)）持有用作賺取租金收入及／或資本增值的土地及／或樓宇，包括所持有的當前未定其未來用途的土地及建造或開發作未來投資物業的物業。

投資物業按公平值列賬，惟於報告期末該等物業仍處於在建或開發過程中且當時無法準確計量其公平值除外。投資物業的公平值增減或報廢或出售所產生的任何收益或虧損均於損益中確認。投資物業的租金收入根據附註1(y)(iii)所述方式計算。

於比較期間，倘本集團根據經營租約持有物業權益並使用該物業賺取租金收入及／或資本增值，則本集團可選擇按逐項物業基準分類並將有關權益入賬列作投資物業。任何已列為投資物業的物業權益均被視為按融資租約（見附註1(l)）持有入賬，所應用的會計政策與根據融資租約租用的其他投資物業相同。租金付款按附註1(l)所述方式計算。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (j) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(m)):

- interests in leasehold land hold for own use;
- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and
- other items of plant and equipment, including right-of use assets arising from leases of underlying plant and equipment (see note 1(l)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(aa)).

A self-constructed items of property, plant and equipment is classified as construction in progress and transferred to property, plant and equipment when it is ready for its intended use. No depreciation is provided against construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

### 1 重要會計政策 (續)

#### (j) 物業、廠房及設備

以下物業、廠房及設備項目以成本減累計折舊及減值虧損(見附註1(m))列賬:

- 持作自用的租賃土地權益;
- 倘本集團不是物業權益的註冊擁有人,因租賃物業租賃而產生的使用權資產;及
- 廠房及設備的其他項目,包括因租賃相關廠房及設備而產生的使用權資產(見附註1(l))。

自建物業、廠房及設備項目成本包括材料成本、直接勞工成本、拆卸及搬遷項目與修復項目所在地盤的初步估計成本(如有關)以及適當比例的生產開支與借貸成本(見附註1(aa))。

物業、廠房及設備的自建項目分類為在建工程,並於可供使用時轉撥至物業、廠房及設備。在建工程並無計提折舊。

報廢或出售物業、廠房及設備項目產生的收益或虧損為出售所得款項淨額與項目賬面值的差額,於報廢或出售日期在損益中確認。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (j) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Leasehold land is depreciated over the unexpired term of lease.
- The Group's interests in buildings which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion.
- Furniture, fixtures and equipment 5 to 10 years
- Motor vehicles 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

#### (k) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(m)).

### 1 重要會計政策 (續)

#### (j) 物業、廠房及設備 (續)

折舊乃採用直線法在下列估計其可使用年內按物業、廠房及設備項目的成本撇銷估計剩餘價值(如有)計算:

- 租賃土地按未屆滿之租期折舊。
- 本集團於租賃土地上的樓宇的權益於尚餘租期或估計可使用年期之較短期間(不得超過落成日期起計30年)內折舊。
- 傢俬、裝置及設備 5至10年
- 汽車 5年

倘物業、廠房及設備項目各部分的可使用年期不同,則該項目的成本會合理分配至各部分,而每部分須分開折舊。須每年檢討資產的可使用年期及其剩餘價值(如有)。

#### (k) 無形資產(商譽除外)

本集團收購的無形資產按成本減累計攤銷(凡估計可使用年期有限)及減值虧損列賬(見附註1(m))。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (k) Intangible assets (other than goodwill) (continued)

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Licences	10 years
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Both the period and method of amortisation are reviewed annually.

#### (l) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

##### (i) As a lessee

###### (A) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

### 1 重要會計政策 (續)

#### (k) 無形資產 (商譽除外) (續)

可使用年期有限的無形資產攤銷於資產的估計可使用年期內以直線法計入損益。下列可使用年期有限的無形資產自其可供使用當日起攤銷，其估計可使用年期如下：

–	執照	10年
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攤銷年期及方法將每年審閱。

#### (l) 租賃資產

本集團於合約初始評估有關合約是否屬租賃或包含租賃。倘合約為換取代價而給予在一段時間內控制可識別資產使用的權利，則該合約屬租賃或包含租賃。倘客戶同時有權管理可識別資產的使用及取得因使用可識別資產而帶來的絕大部分經濟利益，即擁有控制權。

##### (i) 作為承租人

###### (A) 自2019年1月1日起適用的政策

倘合約包含租賃部分及非租賃部分，則本集團已選擇不區分非租賃部分，並將各租賃部分及任何相關非租賃部分作為所有租賃的單一租賃部分入賬。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (1) Leased assets (continued)

##### (i) As a lessee (continued)

###### (A) Policy applicable from 1 January 2019 (continued)

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily office furniture and equipment. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

### 1 重要會計政策 (續)

#### (1) 租賃資產 (續)

##### (i) 作為承租人 (續)

###### (A) 自2019年1月1日起適用的政策 (續)

於租賃開始日期，本集團確認使用權資產及租賃負債，惟租期為12個月或以下者的短期租賃及低價值資產（就本集團而言，主要為辦公室傢俬及設備）的租賃則除外。當本集團訂立低價值資產的租賃時，本集團決定是否按租賃基準資本化租賃。與未資本化的租賃相關的租賃付款於租期內按系統化基準確認為開支。

倘租賃已資本化，則租賃負債初步按租期內應付租賃付款之現值確認，按租約隱含的利率貼現，或倘該利率不能即時釐定，則按相關增量借款利率貼現。初步確認後，租賃負債按攤銷成本計量，利息開支按實際利息法計算。無需視乎指數或利率的可變租賃付款不計入租賃負債的計量，因此於其產生的會計期間計入損益。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (1) Leased assets (continued)

##### (i) As a lessee (continued)

###### (A) Policy applicable from 1 January 2019 (continued)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 1(j) and 1(m)(iii)), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 1(i); and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 1(o).

### 1 重要會計政策 (續)

#### (1) 租賃資產 (續)

##### (i) 作為承租人 (續)

###### (A) 自2019年1月1日起適用的政策 (續)

當租賃已資本化時，已確認使用權資產初步按成本計量，包括租賃負債的初步金額加任何於開始日期或之前作出的租賃付款及所產生的任何初步直接成本。倘適用，使用權資產的成本亦包括於資產所在地拆除及移除相關資產或恢復相關資產的估計成本，貼現至其現值，減任何所收的租賃優惠。使用權資產其後按成本減累計折舊及減值虧損列賬（見附註1(j)及1(m)(iii)），惟以下類型的使用權資產則除外：

- 符合投資物業定義的使用權資產根據附註1(i)按公平值列賬；及
- 與租賃土地權益相關的使用權資產，其中土地權益作為存貨持有，根據附註1(o)按成本與可變現淨值的較低者列賬。



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (1) Leased assets *(continued)*

##### (i) As a lessee *(continued)*

###### (A) Policy applicable from 1 January 2019 *(continued)*

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

### 1 重要會計政策 (續)

#### (1) 租賃資產 (續)

##### (i) 作為承租人 (續)

###### (A) 自2019年1月1日起適用的政策 (續)

租賃負債於以下情況重新計量：指數或利率變動產生未來租賃付款變動，或本集團估計將根據剩餘價值擔保應付的預期金額發生變動，或重新評估本集團是否確定將行使購買、延長或終止權而產生變動。倘租賃負債按此重新計量，則對使用權資產的賬面值進行相應調整，或倘使用權資產的賬面值減至零，則計入損益。

本集團於財務狀況表中的「物業、廠房及設備」項目列示不符合投資物業或存貨定義的使用權資產，並單獨列示租賃負債。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (1) Leased assets (continued)

##### (i) As a lessee (continued)

##### (B) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions.

- property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease (see note 1(i)); and
- land held for own use under an operating lease, the fair value of which could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

### 1 重要會計政策 (續)

#### (1) 租賃資產 (續)

##### (i) 作為承租人 (續)

##### (B) 於2019年1月1日前適用的政策

於比較期間，作為承租人，倘租約將絕大部分所有權風險與回報轉讓予本集團，則本集團分類有關租約為融資租約。未將絕大部分所有權風險與回報轉讓予本集團的租約則列作經營租約，惟以下各項除外。

- 根據經營租約持有的物業，若符合投資物業的定義，則各自分類為投資物業；若分類為投資物業，則當作根據融資租約持有的物業入賬（見附註1(i)）；及
- 根據經營租約持作自用的土地，倘其公平值於租約開始時不能與土地上蓋樓宇之公平值分開計算，則按根據融資租約持有的土地入賬，惟該樓宇明確根據經營租約持有除外。就此而言，租約開始為本集團首次訂立租約，或自先前承租者接收租約的時間。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (1) Leased assets *(continued)*

##### (i) As a lessee *(continued)*

##### (B) Policy applicable prior to 1 January 2019 *(continued)*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

##### (ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 1(y)(iii).

### 1 重要會計政策 (續)

#### (1) 租賃資產 (續)

##### (i) 作為承租人 (續)

##### (B) 於2019年1月1日前適用的政策 (續)

如本集團使用根據經營租約持有的資產，則根據租約支付的款項會在租期內的會計期間的損益中分期等額支銷，惟倘有其他能更清楚反映租賃資產所產生收益模式的入賬方式則除外。獲提供的租賃優惠於損益內確認為淨租金付款總額一部分。或然租金於所涉會計期間的損益支銷。

##### (ii) 作為出租人

倘本集團作為出租人，其於租賃開始時釐定各租賃為融資租賃或經營租賃。倘租賃轉移相關資產所有權附帶之絕大部分風險及回報至承租人，則租賃分類為融資租賃。否則，租賃分類為經營租賃。

倘合約包含租賃及非租賃部分，本集團按相關單獨售價基準將合約代價分配至各部分。經營租賃所得租金收入根據附註1(y)(iii)確認。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (1) Leased assets (continued)

##### (ii) As a lessor (continued)

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 1(l)(i), then the Group classifies the sub-lease as an operating lease.

#### (m) Credit losses and impairment of assets

##### (i) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);
- contract assets as defined in HKFRS 15 (see note 1(p)); and
- lease receivables.

Other financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

### 1 重要會計政策 (續)

#### (1) 租賃資產 (續)

##### (ii) 作為出租人 (續)

倘本集團為中介出租人，分租賃乃參考主租賃產生的使用權資產，分類為融資租賃或經營租賃。倘主租賃乃短期租賃而本集團應用附註1(l)(i)所述豁免，則本集團分類分租賃為經營租賃。

#### (m) 信貸虧損及資產減值

##### (i) 金融工具、合約資產及應收租賃款項之信貸虧損

本集團就下列各項的預期信貸虧損確認虧損撥備：

- 按攤銷成本計量的金融資產（包括現金及現金等價物、貿易及其他應收款項以及向聯營公司提供貸款）；
- 香港財務報告準則第15號所界定的合約資產（見附註1(p)）；及
- 應收租賃款項。

以公平值計量的其他金融資產，包括債券基金單位、按公平值計入損益計量的權益證券、指定按公平值計入其他全面收益的股權證券（不可轉回）及衍生金融資產，均不受預期信貸虧損之評估。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) Credit losses and impairment of assets (continued)

##### (i) Credit losses from financial instruments, contract assets and lease receivables (continued)

###### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate; and
- lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

### 1 重要會計政策 (續)

#### (m) 信貸虧損及資產減值 (續)

##### (i) 金融工具、合約資產及應收租賃款項之信貸虧損 (續)

###### 預期信貸虧損的計量

預期信貸虧損是指信貸虧損的概率加權估計值。信貸虧損是按所有預期現金短缺的現值(即根據合約應付本集團的現金流量與本集團預收到的現金流量之間的差額)計量。

如果貼現的影響重大,則使用以下貼現率貼現預期現金短缺:

- 固定利率金融資產,貿易及其他應收款項以及合約資產:初始確認時確定的實際利率或其近似值;
- 浮動利率金融資產:當前實際利率;及
- 應收租賃款項:計量應收租賃款項時使用的貼現率;

估計預期信貸虧損時考慮的最長期限是本集團面臨信貸風險的最長合約期。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) Credit losses and impairment of assets (continued)

##### (i) Credit losses from financial instruments, contract assets and lease receivables (continued)

###### Measurement of ECLs (continued)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

### 1 重要會計政策 (續)

#### (m) 信貸虧損及資產減值 (續)

##### (i) 金融工具、合約資產及應收租賃款項之信貸虧損 (續)

###### 預期信貸虧損的計量 (續)

在計量預期信貸虧損時，本集團會考慮可用無需過多的成本或努力之合理且可支持的信息，包括過去事件，當前狀況和未來經濟狀況預測的信息。

預期信貸虧損是通過以下其一基礎計量：

- 12個月預期信貸虧損：這些是預計在報告日期後12個月內可能發生的違約事件造成的損失；及
- 終身預期信貸虧損：這些是預期由預期信貸虧損模型適用的項目之預期壽命內的所有可能的違約事件導致的損失。

貿易應收款項、應收租賃款項及合約資產的虧損撥備總是以等於終身預期信貸虧損的金額計量。這些金融資產的預期信貸虧損使用基於本集團之歷史信貸損失經驗的撥備矩陣進行估算，並根據債務人特有的因素，以及對報告日期的當前和預測的一般經濟狀況評估進行調整。



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) Credit losses and impairment of assets (continued)

##### (i) Credit losses from financial instruments, contract assets and lease receivables (continued)

###### *Measurement of ECLs (continued)*

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

###### *Significant increases in credit risk*

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

### 1 重要會計政策 (續)

#### (m) 信貸虧損及資產減值 (續)

##### (i) 金融工具、合約資產及應收 租賃款項之信貸虧損 (續)

###### *預期信貸虧損的計量 (續)*

對於所有其他金融工具，本集團確認相當於12個月預期信貸虧損的損失準備金，除非自初始確認以來金融工具的信用風險顯著增加，在這種情況下，損失準備金計量等於終身預期信貸虧損的金額。

###### *信貸風險顯著增加*

在評估金融工具的信用風險是否顯著增加，本集團比較報告日期與初始確認之日的違約風險。在進行此重新評估時，當(i)借款人在本集團採取回收行動如變現抵押品（如果有的話）不可能全額支付其對本集團的信貸義務時；或(ii)該金融資產逾期90天，本集團將視為發生違約事件。本集團考慮合理且可支持的定量和定性信息，包括無需過多的成本或努力可取得之歷史經驗和前瞻性信息。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (m) Credit losses and impairment of assets *(continued)*

##### (i) Credit losses from financial instruments, contract assets and lease receivables *(continued)*

###### *Significant increases in credit risk (continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

### 1 重要會計政策 (續)

#### (m) 信貸虧損及資產減值 (續)

##### (i) 金融工具、合約資產及應收 租賃款項之信貸虧損 (續)

###### *信貸風險顯著增加 (續)*

在評估自初始確認後信用風險是否顯著增加時會特別考慮以下信息：

- 未能在合約到期日支付本金或利息；
- 金融工具的外部或內部信用評級（如有）有實際或預期的顯著惡化；
- 債務人經營業績有實際或預期顯著惡化；及
- 技術、市場、經濟或法律環境的現有或預測變化，對債務人履行其對本集團義務的能力產生重大不利影響。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (m) Credit losses and impairment of assets (continued)

##### (i) Credit losses from financial instruments, contract assets and lease receivables (continued)

###### *Significant increases in credit risk (continued)*

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

###### *Basis of calculation of interest income*

Interest income recognised in accordance with note 1(y)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

### 1 重要會計政策 (續)

#### (m) 信貸虧損及資產減值 (續)

##### (i) 金融工具、合約資產及應收 租賃款項之信貸虧損 (續)

###### *信貸風險顯著增加 (續)*

根據不同金融工具的性质，對信用風險顯著增加的評估是在單獨或集體基礎上進行的。當在集體基礎上評估時，金融工具根據共有之信用風險特徵進行分組，例如過期狀態和信用風險評級。

預期信貸虧損在每個報告日被重新計量以反映自初始確認以來金融工具信用風險的變化。預期信貸虧損金額的任何變動均於損益確認為減值收益或虧損。本集團確認所有金融工具的減值收益或虧損，並通過損失準備金賬戶對其賬面金額進行相應調整。

###### *利息收入之計算基礎*

根據附註1(y)(vi)確認的利息收入乃根據金融資產的賬面總額計算，惟金融資產需要信貸減值的情況下，利息收入乃根據金融資產的攤銷成本（即賬面值總額減虧損撥備）計算。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (m) Credit losses and impairment of assets *(continued)*

##### (i) Credit losses from financial instruments, contract assets and lease receivables *(continued)*

###### *Basis of calculation of interest income (continued)*

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due events.
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

### 1 重要會計政策 (續)

#### (m) 信貸虧損及資產減值 (續)

##### (i) 金融工具、合約資產及應收 租賃款項之信貸虧損 (續)

###### *利息收入之計算基礎 (續)*

在每個報告日，本集團評估金融資產是否有信用減值。當一項或多項事件對金融資產的估計未來現金流量產生不利影響時，金融資產即出現信用減值。

金融資產信用減值的證據包括以下可觀察事件：

- 債務人的重大財務困難；
- 違約，例如違約或逾期事件；
- 借款人很可能會進入破產或其他財務重組；
- 對債務人產生不利影響的技術、市場、經濟或法律環境發生重大變化；或
- 由於發行人的財務困難造成活躍證券市場的消失。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (m) Credit losses and impairment of assets *(continued)*

##### (i) *Credit losses from financial instruments, contract assets and lease receivables (continued)*

###### *Write-off policy*

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

##### (ii) *Credit losses from financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

### 1 重要會計政策 (續)

#### (m) 信貸虧損及資產減值 (續)

##### (i) 金融工具、合約資產及應收 租賃款項之信貸虧損 (續)

###### *撇銷政策*

金融資產、應收租賃款項或合約資產的賬面總額在實際預期不可收回的情況下予以撇銷(部分或全部)。這種情況通常發生在當本集團確定債務人沒有資產或收入來源可以產生足夠現金流以償還應撇銷之金額。

先前已撇銷的資產的後續回收於收回發生期間確認為損益減值撥回。

##### (ii) 已發出財務擔保之信貸虧損

財務擔保乃要求發行人(即擔保人)為擔保受益人(「持有人」)就特定債務人未能根據債務工具條款於到期時付款所招致損失賠償特定款項的合約。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (m) Credit losses and impairment of assets *(continued)*

##### (ii) Credit losses from financial guarantees issued *(continued)*

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see note 1(y)(viii)).

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

### 1 重要會計政策 (續)

#### (m) 信貸虧損及資產減值 (續)

##### (ii) 已發出財務擔保之信貸虧損 (續)

發行的財務擔保按公平值在「貿易及其他應付款項」內初始確認，公平值乃參照就類似服務的公平交易中所收取的費用（如可獲取有關資料），或參照於提供擔保時放款人實際收取的費用與放款人在未有提供擔保時估計可收取的費用（如可就有關資料作出可靠估計）之間的利率差異釐定。倘在發出該擔保時收取或應收取代價，則該代價根據本集團適用於該類資產的政策確認。倘並無已收或應收代價，即時於損益內確認為開支。

初始確認後，初始確認為遞延收入的金額在擔保期內在損益中攤銷為已發行財務擔保的收入（見附註1(y)(viii)）。

本集團監察特定債務人違約的風險，並當財務擔保的預期信貸虧損確定為高於擔保的「貿易及其他應付款項」中的金額（即初始確認金額減累計攤銷）時確認撥備。



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (m) Credit losses and impairment of assets *(continued)*

##### (ii) *Credit losses from financial guarantees issued (continued)*

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(m)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

### 1 重要會計政策 (續)

#### (m) 信貸虧損及資產減值 (續)

##### (ii) 已發出財務擔保之信貸虧損 (續)

為釐定預期信貸虧損，本集團考慮特定債務人自發行擔保以來違約風險的變化。除非自發行擔保以來特定債務人的違約風險大幅增加，在這種情況下，按終身預期信貸虧損計量，否則按12個月預期信貸虧損計量。相同的違約界定及附註1(m)(i)所述的信貸風險大幅增加的相同評估也適用。

由於根據擔保工具條款，本集團僅在特定債務人違約的情況下作出付款，預期信貸虧損乃根據償還持有人所產生信貸虧損的預計款項減本集團預計自擔保持有人、特定債務人或任何其他方收取的任何金額估計。隨後，該金額採用針對現金流量特定風險調整的當前無風險利率貼現。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (m) Credit losses and impairment of assets *(continued)*

##### (iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment, including right-of-use assets;
- intangible asset;
- goodwill; and
- investments in subsidiaries, associates and joint ventures in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

### 1 重要會計政策 (續)

#### (m) 信貸虧損及資產減值 (續)

##### (iii) 其他非流動資產減值

本集團於各報告期末審閱內部及外部資料，以確定下列資產有否減值跡象，或除商譽外，之前確認的減值虧損不再存續或已經減少：

- 物業、廠房及設備，包括使用權資產；
- 無形資產；
- 商譽；及
- 於本公司財務狀況表之附屬公司、聯營公司及合營企業之投資。

倘存在任何有關跡象，則會估計資產的可收回金額。此外，就商譽而言，尚未可供使用的無形資產及具有無限可使用年期的無形資產每年會估計可收回金額是否有任何減值跡象。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (m) Credit losses and impairment of assets *(continued)*

##### (iii) Impairment of other non-current assets *(continued)*

- Calculation of recoverable amount  
The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).
- Recognition of impairment losses  
An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

### 1 重要會計政策 (續)

#### (m) 信貸虧損及資產減值 (續)

##### (iii) 其他非流動資產減值 (續)

- 計算可收回金額  
資產的可收回金額為其公平值減出售成本與使用價值的較高者。在評估使用價值時，會按可反映當時市場對貨幣時間價值及資產特定風險評估的稅前貼現率，將估計未來現金流量貼現至其現值。倘資產並無產生基本上獨立於其他資產所產生的現金流入，則以能獨立產生現金流入的最小資產組別（即現金產生單位）釐定可收回金額。
- 確認減值虧損  
倘資產或其所屬現金產生單位的賬面值超過可收回金額，則於損益確認減值虧損。就現金產生單位確認的減值虧損首先分配至現金產生單位（或一組單位）的任何商譽的賬面值，然後按比例減少該單位（或該組單位）內其他資產的賬面值，惟資產的賬面值不會減至低於其個別公平值扣減出售成本（如能計量）或使用價值（如能釐定）。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (m) Credit losses and impairment of assets *(continued)*

##### (iii) Impairment of other non-current assets *(continued)*

- Reversals of impairment losses  
In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

##### (iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(m)(i) and (ii)).

#### (n) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.

### 1 重要會計政策 (續)

#### (m) 信貸虧損及資產減值 (續)

##### (iii) 其他非流動資產減值 (續)

- 撥回減值虧損  
就商譽以外的資產而言，倘用於釐定可收回金額的估計出現有利變動，則撥回減值虧損。商譽的減值虧損不會撥回。

所撥回的減值虧損僅限於過往年間倘無確認減值虧損而應有的資產賬面值。所撥回的減值虧損在確認撥回年度計入損益。

##### (iv) 中期財務報告及減值

根據香港聯合交易所有限公司證券上市規則，本集團須遵照香港會計準則第34號「中期財務報告」編製有關財政年度首六個月之中期財務報告。於中期期末，本集團採用等同財政年度終結時之減值測試、確認及轉回標準（見附註1(m)(i)及(ii)）。

#### (n) 生物資產

生物資產按公平值減出售成本計量，當中任何變動於損益確認。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) Inventories and other contract costs

##### (i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

- Properties held for future development and under development for sale  
The cost of properties held for future development and properties under development for sale comprises specifically identified cost, including the acquisition cost of interests in leasehold land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(aa)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

### 1 重要會計政策 (續)

#### (o) 存貨及其他合約成本

##### (i) 存貨

存貨指在日常業務過程中持有以供出售的資產，生產過程中的在製品，生產過程或提供勞務過程中耗用的材料和物料等。

存貨按成本與可變現淨值兩者的較低者入賬如下：

- 持作未來開發物業及持作待售的在建物業  
持作未來開發物業及持作待售的在建物業的成本為指定成本，包括根據經營租約持有土地收購成本、開發、材料及供應成本總額、工資及其他直接開支以及撥充資本的適當比例生產成本及借貸成本（見附註1(aa)）。可變現淨值指估計售價減估計完工成本及出售物業所涉成本。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (o) Inventories and other contract costs *(continued)*

##### (i) Inventories *(continued)*

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1 重要會計政策 (續)

#### (o) 存貨及其他合約成本 (續)

##### (i) 存貨 (續)

- 持作待售的已竣工物業  
持作待售的已竣工物業成本包括所有採購成本、加工成本及其他使存貨達至現時地點及狀態所涉成本。

倘為本集團開發的已竣工物業(包括單獨出售的多個單位)，每個單位的成本乃按每平方米每個單位的開發項目總開發成本的比例釐定，除非有更能代表特定單位的成本的其他基準。可實現淨值乃估計售價減去出售物業將產生的成本。

於出售存貨時，該等存貨的賬面值在相關收益確認的期間確認為開支。

存貨撇減至可變現淨值的金額及所有存貨虧損於撇減或虧損發生期間確認為開支。任何存貨撇減撥回金額於撥回發生期間確認為開支的存貨金額減少確認為開支。



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) Inventories and other contract costs (continued)

##### (ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(o)(i)), property, plant and equipment (see note 1(j)) or intangible assets (see note 1(k)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

### 1 重要會計政策 (續)

#### (o) 存貨及其他合約成本 (續)

##### (ii) 其他合約成本

其他合約成本指未資本化為存貨(見附註1(o)(i))、物業、廠房及設備(見附註1(j))或無形資產(見附註1(k))的從客戶取得合約的增量成本或完成與客戶訂立的合約的成本。

取得合約的增量成本為本集團就取得客戶合約而產生，倘未能取得合約則不會產生的成本(例如增量銷售佣金)。倘有關收益的成本將在未來報告期內確認，而成本預期可收回，取得合約的增量成本於產生時會撥充資本。取得合約的其他成本在產生時支銷。

倘履行合約的成本與現有合約或可識別的預期合約直接有關；產生或提升將於未來用於提供產品或服務的資源；並預期可收回，則會撥充資本。與現有合約或可識別的預期合約直接有關的成本可能包括直接勞工、直接材料、成本分配、明確向客人收取的成本及僅由於本集團訂立合約而產生的其他成本(例如向分包商支付款項)。其他履行客戶合約的成本(其並無撥充資本為存貨、物業、廠房及設備或無形資產)在產生時支銷。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (o) Inventories and other contract costs *(continued)*

##### (ii) Other contract costs *(continued)*

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(y).

#### (p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(y)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(m) (i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(q)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(y)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(q)).

### 1 重要會計政策 (續)

#### (o) 存貨及其他合約成本 (續)

##### (ii) 其他合約成本 (續)

撥充資本的合約成本按成本減累計攤銷及減值虧損列賬。倘合約成本資產賬面值超過(i)本集團預期收取以交換有關該資產的產品或服務的餘下代價金額，減(ii)任何直接有關提供該等產品或服務，而未確認為開支的成本的淨額，則會確認減值虧損。

當與資產有關的收益獲確認時，撥充資本的合約成本攤銷將自損益扣除。收益確認的會計政策載於附註1(y)。

#### (p) 合約資產及合約負債

本集團在可無條件享有合約所載付款條款項下代價前確認收益時（見附註1(y)）確認合約資產。當收取代價的權利成為無條件（見附註1(q)），會就預期信貸虧損根據附註1(m)(i)所載政策對合約資產進行評估，並重新分類合約資產至應收款項。

當客戶在本集團確認有關收益（見附註1(y)）前支付不可退回代價時，將確認合約負債。倘在本集團確認有關收益前擁有無條件收取不可退回代價的權利，合約負債亦將獲確認。在該情況下，相應的應收款項亦會獲確認（見附註1(q)）。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (p) Contract assets and contract liabilities (continued)

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(y)).

#### (q) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(p)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(m)(i)).

#### (r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(m)(i).

### 1 重要會計政策 (續)

#### (p) 合約資產及合約負債 (續)

就單一的客戶合約而言，合約資產或合約負債淨額將予呈列。就多項合約而言，無關之合約的合約資產及合約負債不會以淨額基準呈列。

當合約包括一項重大財務組成部份，合約餘額包括實際利息法（見附註1(y)）的應計利息。

#### (q) 貿易及其他應收款項

應收款項於本集團有無條件權利收取代價時予以確認。倘代價僅隨時間推移即會成為到期應付，則收取代價的權利為無條件。倘於本集團有無條件收取代價的權利前確認收益，則該金額列作合約資產（見附註1(p)）。

應收款項以實際利率法減信貸虧損撥備按攤銷成本列賬（見附註1(m)(i)）。

#### (r) 現金及現金等價物

現金及現金等價物為銀行存款及手頭現金、存放於銀行及其他財務機構的活期存款，以及於購入後三個月內到期的可隨時變現為已知現金數額及無重大價值變動風險的高流動性短期投資。現金及現金等價物乃根據附註1(m)(i)所載政策就預期信貸虧損進行評估。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (s) Senior notes

Senior notes of the Company are issued with early redemption clause at the option of the Company.

At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments (see note 1(g)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 1(g). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

#### (t) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(aa)).

### 1 重要會計政策 (續)

#### (s) 優先票據

本公司發行的優先票據可按本公司意願選擇是否附帶提前贖回條款。

於初始確認時，贖回權乃按公平值計量並呈報為衍生金融工具（見附註1(g)）。倘所得款項高於初始確認為衍生成分的金額，則差額確認為負債部分。與發行優先票據有關的交易成本按所得款項的分配比例分配至負債及衍生成分。與負債部分相關的部分交易成本於初始確認時確認為債務的一部分。與衍生成分有關的部分立即確認為損益。

衍生成分隨後按附註1(g)重新計量。債務部分隨後按攤銷成本入賬。於損益中確認的債務部分的利息開支按實際利率法計算。

#### (t) 計息借貸

計息借貸首先按公平值減應佔交易成本確認，首次確認後，計息借貸以實際利率法按攤銷成本列賬。利息開支乃根據本集團借貸成本的會計政策確認（見附註1(aa)）。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (u) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(m)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

#### (v) Employee benefits

##### (i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed when incurred, except to the extent that they are included in properties under development for sale and investment properties under development not yet recognised as an expense.

### 1 重要會計政策 (續)

#### (u) 貿易及其他應付款項

貿易及其他應付款項首先按公平值確認。除根據附註1(m)(ii)計算的財務擔保負債外，貿易及其他應付款項其後按攤銷成本入賬，惟倘貼現影響並不重大，則按成本入賬。

#### (v) 僱員福利

##### (i) *短期僱員福利及定額供款退休計劃的供款*

薪金、年終花紅、有薪年假、向定額供款退休計劃作出的供款及非貨幣福利的成本於僱員提供相關服務的年度內計算。如延遲付款或結算並構成重大影響，則此等金額會以現值列賬。根據中國有關勞工規則及法規與香港強制性公積金計劃條例向相關地方界定供款退休計劃作出的供款於產生時列支，惟已計入持作待售的在建物業及開發中的投資物業但未確認為開支的款項除外。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (v) Employee benefits *(continued)*

##### (ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based compensation reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share-based compensation reserve until either the option is exercised (when it is transferred to share premium) or the option expires (when it is released directly to retained profits).

### 1 重要會計政策 (續)

#### (v) 僱員福利 (續)

##### (ii) 以股份為基礎的薪酬

僱員獲授予的股份期權按公平值確認為僱員成本，而權益中的資本儲備亦會相應增加。公平值是在授予日以二項式期權定價模式計量，並考慮期權授予條款和條件。如果僱員須符合歸屬條件才能無條件地享有期權的權利，在考慮到期權歸屬的可能性後，估計授予期權的公平值總額便會在整個歸屬期內分攤。

本公司會在歸屬期內審閱預期歸屬的股份期權數目。由此產生的已於以往年度確認的累計公平值的任何調整會在審閱當年在損益中扣除／計入；但如果原來的僱員支出符合確認為資產的資格，便會對資本儲備作出相應的調整。已確認為支出的數額會在歸屬日作出調整，以反映所歸屬期權的實際數目（對以股份為基礎的酬金儲備作出相應的調整），但只會在無法符合與本公司股份市價相關的歸屬條件時才會放棄之期權除外。權益數額在以股份為基礎的酬金儲備中確認，直至期權獲行使（轉入股份溢價）或期權到期（直接轉入保留溢利）時為止。



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (w) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

### 1 重要會計政策 (續)

#### (w) 所得稅

年內所得稅包括即期稅項及遞延稅項資產與負債的增減。即期稅項及遞延稅項資產與負債的增減於損益確認，惟有關於其他全面收益或直接於權益所確認項目的即期稅項及遞延稅項資產與負債的增減則於其他全面收益或直接於權益確認。

即期稅項為須就年內應課稅收入按報告期末已頒佈或大致頒佈的稅率計算的預期應付稅項，並按過往年度的任何應付稅項調整。

遞延稅項資產及負債分別來自可扣稅及應課稅暫時差額，即編製財務報告所用的資產及負債賬面值與稅基之差額。未動用稅項虧損及未動用稅項抵免亦會產生遞延稅項資產。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (w) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

### 1 重要會計政策 (續)

#### (w) 所得稅 (續)

除若干少數例外情況外，所有遞延稅項負債及遞延稅項資產均於有未來應課稅溢利可供相關資產抵銷時確認。可支持確認來自可扣稅暫時差額的遞延稅項資產之未來應課稅溢利包括撥回現有應課稅暫時差額而產生的金額，惟該等差額須與相同稅務機關及相同課稅公司有關，並預期於撥回可扣稅暫時差額的同一期間或來自遞延稅項資產的稅項虧損可撥回或結轉的期間撥回。釐定現有應課稅暫時差額是否容許確認來自未動用稅務虧損及抵免的遞延稅項資產時，會採用相同標準，即倘該等差額與同一稅務機關及同一課稅公司有關，並預期在可動用稅務虧損或抵免的期間內撥回，方會動用。

影響會計處理或應課稅溢利（倘並非業務合併一部分）的資產或負債的初始確認以及投資附屬公司產生的暫時差額不會確認為遞延稅項資產及負債，惟自不可扣稅商譽產生的暫時性差額，則僅限於本集團可控制回撥時間，且在可預見將來不大可能撥回暫時差額；或倘屬可扣減差額，則僅限於很有可能在將來撥回的差額。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (w) Income tax (continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

### 1 重要會計政策 (續)

#### (w) 所得稅 (續)

當投資物業根據附註1(i)所載會計政策按公平值列賬，除該物業是可折舊及以一個商業模式所持有，而此模式並非透過出售形式而使用該物業隨時間所包含的大部分經濟利益，按投資物業報告日期之賬面值出售時之稅率，計算其投資物業之任何已確認遞延稅項。在其他情況下，確認遞延稅項的金額是根據該項資產及負債的賬面值之預期變現或償還方式，按在報告期末已生效或實質上已生效的稅率計算。遞延稅項資產及負債均不貼現計算。

遞延稅項資產的賬面值會於各報告期末審閱，並會減少至不再可能取得足夠應課稅溢利以動用有關稅務優惠為止。該等減少金額會於可能取得足夠應課稅溢利時撥回。

因分派股息而產生的額外所得稅，於確認支付有關股息的負債時確認入賬。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (w) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### 1 重要會計政策 (續)

#### (w) 所得稅 (續)

即期稅項結餘及遞延稅項結餘與其變動將分開列示，並不會對銷。倘本公司或本集團有合法強制執行權以即期稅項資產抵銷即期稅項負債，且符合下列附帶條件，則即期稅項資產及遞延稅項資產方可分別抵銷即期稅項負債及遞延稅項負債：

- 倘為即期稅項資產及負債，本公司或本集團計劃按淨額結算或同時變現資產及清償負債；或
- 倘為遞延稅項資產及負債，則該等資產及負債須與同一稅務機關就以下其中一項徵收的所得稅有關：
  - 同一課稅實體；或
  - 計劃在預期須清償或收回大額遞延稅項負債或資產的每個未來期間按淨額變現即期稅項資產與清償即期稅項負債或同時變現及清償的不同課稅實體。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (x) Provisions and contingent liabilities

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (y) Revenue and other income

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

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

### 1 重要會計政策 (續)

#### (x) 撥備及或然負債

當本集團或本公司因過往事件而須負上法律或推定責任，可能須為履行該責任而耗損經濟利益，並能可靠估計該耗損時，則須計提撥備。倘貨幣涉及重大時間價值，則有關撥備按預計履行責任所需支出的現值列賬。

倘不大可能需要耗損經濟利益，或其金額未能可靠預測，則須披露有關責任為或然負債，惟耗損經濟利益的可能性極低者除外。當潛在責任須視乎一項或多項未來事件是否發生方可確定是否存在，則該等責任亦披露為或然負債，惟耗損經濟利益的可能性極低者除外。

#### (y) 收益及其他收入

本集團將其日常業務過程中源自銷售物業、提供服務或租賃項下讓渡本集團資產使用權的收入分類為收入。

當物業或服務的控制權按本集團預期有權獲取的承諾代價數額（不包括代表第三方收取的金額）轉移至客戶或承租人有權動用資產時，收入予以確認。收入不包括增值稅或其他銷售稅，並經扣除任何貿易折扣。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (y) Revenue and other income *(continued)*

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

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

#### (i) Sales of properties

Sales of the Group's properties are recognised as follows:

##### – Sales of certain fully prepaid pre-sales of properties under development

For certain fully prepaid pre-sales of properties, the Group's performance under the sales and purchase agreement does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised progressively over time by measuring the progress towards complete satisfaction of the performance obligation at the reporting date, using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

### 1 重要會計政策 (續)

#### (y) 收益及其他收入 (續)

倘合約載有向客戶提供超過12個月的重大融資利益之融資組成部份，則收入按應收金額的現值計量，並使用反映於與有關客戶的個別融資交易之貼現率貼現，且利息收入根據實際利率法分開應計。倘合約載有向本集團提供重大融資利益之融資組成部份，則根據該合約確認的收入包括根據實際利率法合約責任附有的利息開支。本集團利用香港財務報告準則第15號第63段中的實務簡便做法，並無於倘融資期為12個月或以下而就重大融資組成部份之任何影響調整代價。

有關本集團收益及其他收入確認政策的進一步詳情載列如下：

#### (i) 物業銷售

本集團的物業銷售確認如下：

##### – 若干正在開發中的已全額預付的預售物業的銷售

就若干已全額預付的預售物業而言，本集團於買賣協議項下的履約並無創造具替代用途的資產，而本集團對於迄今已完成的表現具有可執行的支付權利。通過使用成本比例法，即基於已產生的實際成本相對估計總成本的比例，通過衡量於報告日期履約責任的完成進度逐步隨時間確認收益。



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (y) Revenue and other income (continued)

##### (i) Sales of properties (continued)

###### – Sales of other properties

For other sales of properties, revenue is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Advance payments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 1(p)).

If the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, Borrowing costs, in accordance with the policies set out in note 1(aa).

##### (ii) Project management service fee income

Project management service fee income is recognised when the service is rendered or on a systematic basis during the service period.

### 1 重要會計政策 (續)

#### (y) 收益及其他收入 (續)

##### (i) 物業銷售 (續)

###### – 其他物業的銷售

就其他物業的銷售而言，收益於法定轉讓完成時確認，即客戶有能力主導物業使用並獲得物業的絕大部分餘下利益的時間點。於收益確認前收取的已售出物業的預付款項已計入財務狀況表內的合約負債（見附註1(p)）。

倘預付款項被視為向本集團提供重大融資利益，則本集團將於支付日期與法定轉讓完成日期期間產生因調整貨幣時間價值而產生的利息開支。該應計費用導致建設期間的合約負債結餘增加，故導致已竣工物業的控制權被轉讓予客戶時確認收益金額增加。據附註1(aa)所載政策，除非根據香港會計準則第23號借貸成本合資格資本化，否則該利息按應計開支支銷。

##### (ii) 項目管理服務費用收入

項目管理服務費用收入於提供服務時或於服務期間有系統地提供時確認。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (y) Revenue and other income (continued)

##### (iii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

##### (iv) Hotel operations

Revenue arising from hotel operations is recognised on a basis that reflects the timing, nature and value when relevant services are provided.

##### (v) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the time investment goes ex-dividend.

### 1 重要會計政策 (續)

#### (y) 收益及其他收入 (續)

##### (iii) 經營租約的租金收入

經營租約的應收租金收入於租期內於損益分期等額確認，惟倘有其他方法能更清楚地反映使用租賃資產所得收益的模式則除外。租金優惠於損益確認為淨應收租金總額一部分。不依賴於指數或利率的可變租金於所涉會計期間確認為收入。

##### (iv) 酒店經營

酒店經營所得收益於提供相關服務時按可反映時間、性質及價值的基準確認。

##### (v) 股息收入

- 非上市投資的股息收入於確立股東收款權利時確認。
- 上市投資的股息收入於當時投資的股價除息時確認。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (y) Revenue and other income (continued)

##### (vi) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(m)(i)).

##### (vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are included in the statement of financial position under "trade and other payables" and is released to profit or loss over the expected useful life of the relevant asset.

##### (viii) Income from financial guarantees issued

Income from financial guarantees issued is recognised over the term of the guarantees (see 1(m)(ii)).

### 1 重要會計政策 (續)

#### (y) 收益及其他收入 (續)

##### (vi) 利息收入

利息收入按實際利息法累計確認。就按攤銷成本計量的金融資產而言，則資產的總賬面值以實際利率適用。就信貸減值金融資產而言，實際利率法適用於資產的攤銷成本（賬面總值減虧損撥備）（見附註1(m)(i)）。

##### (vii) 政府補貼

倘可合理確定能夠收取政府補貼，而本集團將符合政府補貼所附帶的條件，則政府補貼在財務狀況表中初始確認。補償本集團所產生開支的補貼於產生開支的同一期間有系統地於損益中確認為收入。當補貼補償本集團的資產成本時，計入財務狀況表的「貿易及其他應付款項」中，並在有關資產的預計使用年期限內轉撥至損益表。

##### (viii) 已發行財務擔保的收入

已發行財務擔保的收入在擔保期內確認（見附註1(m)(ii)）。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (z) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

### 1 重要會計政策 (續)

#### (z) 外幣換算

本年度外幣交易按交易日當日之匯率折算。以外幣為單位之貨幣性資產及負債按報告期末當日之匯率折算。匯兌收益及虧損則計入損益。

以外幣按歷史成本計算的非貨幣資產及負債使用交易日的匯率換算。交易日期為本集團初步確認該等非貨幣資產或負債之日。以外幣為單位而以公平值列賬的非貨幣資產及負債乃按釐定公平值當日的匯率換算。

海外業務的業績按與交易日匯率相若的匯率換算為人民幣。財務狀況表項目按報告期末收報的匯率換算為人民幣。由此產生的匯兌差額於其他全面收益中確認並分別累積在匯兌儲備中的權益。

出售一項海外業務時，與該海外業務有關的匯兌差額的累積金額於確認出售損益時由權益重新分類至損益。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (aa) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

#### (bb) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

### 1 重要會計政策 (續)

#### (aa) 借貸成本

需要相當長時間方可作擬定用途或可供銷售的資產的收購、建設或生產直接產生的借貸成本撥作該等資產的部分成本。其他借貸成本按其有所涉期間支銷。

當開始支付一項合資格資產的開支、涉及借貸成本及將資產作擬定用途或銷售所需的活動進行時開始將借貸成本撥作該資產成本一部分。於令合資格資產作擬定用途或銷售所需的絕大部分活動中止或完成時，將會暫停或不再將借貸成本撥作資本。

#### (bb) 關聯人士

(a) 該名人士須符合以下條件時，該名人士或其家族之近親與本集團方有關連：

- (i) 對本集團擁有控制權或共同控制權；
- (ii) 對本集團擁有重大影響；或
- (iii) 為本集團或本集團母公司之主要管理層人員。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

#### (bb) Related parties *(continued)*

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

### 1 重要會計政策 (續)

#### (bb) 關聯人士 (續)

- (b) 實體於適用以下任何條件時，與本集團方有關連：
- (i) 實體與本集團為同一集團成員，即母公司、附屬公司及同系附屬公司各自彼此相互關連。
  - (ii) 某一實體為另一實體之聯營公司或合營企業，或為另一實體所屬集團成員之聯營公司或合營企業。
  - (iii) 實體均為同一第三方之合營企業。
  - (iv) 實體為第三實體之合營企業，而另一實體為第三實體之聯營公司。
  - (v) 實體為本集團或與本集團有關之實體之僱員福利設立離職後福利計劃。
  - (vi) 實體受(a)所界定人士控制或共同控制。
  - (vii) (a)(i)所界定人士對實體擁有重大影響或為實體或該名實體母公司之主要管理層人員。
  - (viii) 實體或組成集團任何成員公司之一部分，向集團或集團母公司提供關鍵管理人員服務。



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (bb) Related parties (continued)

##### (b) (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

#### (cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### 2 REVENUE AND SEGMENT REPORTING

#### (a) Revenue

The principal activities of the Group are property development, property leasing, hotel operations and provision of project management service. Revenue of the Group for the period is analysed as follows:

### 1 重要會計政策 (續)

#### (bb) 關聯人士 (續)

##### (b) (續)

該名人士之家族親近為預期將會影響與實體交易之該名人士或受其影響之家族成員。

#### (cc) 分部報告

經營分部及財務報表所呈報的各分部項目金額，乃根據就分配資源予本集團各業務及地區分部及評估其表現而定期提供予本集團最高層管理人員的財務資料而確定。

就財務呈報而言，除非分部具備類似經濟特徵及在產品及服務性質、生產程序性質、客戶類型或類別、用作分銷產品或提供服務的方法及監管環境的性質方面類似，否則各重大經營分部不會進行合併計算。個別非重大的經營分部倘符合該等大部分標準，則可進行合併計算。

### 2. 收益及分部報告

#### (a) 收益

本集團的主要業務是物業發展、物業租賃、酒店經營及提供項目管理服務。期內本集團的收益分析如下：

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 2 REVENUE AND SEGMENT REPORTING (continued)

#### (a) Revenue (continued)

##### (i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>Revenue from contracts with customers within the scope of HKFRS15</b>	<b>香港財務報告準則第15號 範圍的客戶合約收益</b>		
Disaggregated by major products or service lines	按主要產品或服務線分類		
– Sales of properties	— 銷售物業	29,161,164	13,629,185
– Revenue from hotel operations	— 來自酒店經營的收益	322,598	284,628
– Revenue from project management service	— 項目管理服務費用收益	1,022,918	675,266
– Others	— 其他	96,954	47,479
		<b>30,603,634</b>	<b>14,636,558</b>
<b>Revenue from other sources</b>	<b>其他收益</b>		
Rental income from investment properties	投資物業的租金收入		
– Lease payments that are fixed or depend on an index or a rate	— 固定或依賴指數或比率的租賃付款	95,493	92,411
– Variable lease payments that do not depend on an index or a rate	— 不依賴指數或比率的可變租賃付款	18,114	14,258
– Rental income from properties for sale	— 待售物業的租金收入		
– Lease payments that are fixed or depend on an index or a rate	— 固定或依賴指數或比率的租賃付款	48,306	38,078
– Variable lease payments that do not depend on an index or a rate	— 不依賴指數或比率的 可變租賃付款	1,151	2,175
		<b>163,064</b>	<b>146,922</b>
		<b>30,766,698</b>	<b>14,783,480</b>

### 2. 收益及分部報告 (續)

#### (a) 收益 (續)

##### (i) 收益的分類

按主要產品或服務線分類之客戶合約收益如下：

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 2 REVENUE AND SEGMENT REPORTING (continued)

#### (a) Revenue (continued)

##### (i) Disaggregation of revenue (continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition is as follows:

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>Point in time</b>	<b>時間點</b>		
– Sales of properties	– 銷售物業	20,627,128	5,967,104
– Revenue from hotel operations	– 來自酒店經營的收益	322,598	284,628
– Others	– 其他	96,954	47,479
		<b>21,046,680</b>	<b>6,299,211</b>
<b>Over time</b>	<b>時間段</b>		
– Sales of properties	– 銷售物業	8,534,036	7,662,081
– Revenue from project management service	– 項目管理服務費用收益	1,022,918	675,266
– Rental income from investment properties	– 投資物業的租金收入	113,607	106,669
– Rental income from properties for sale	– 待售物業的租金收入	49,457	40,253
		<b>9,720,018</b>	<b>8,484,269</b>
		<b>30,766,698</b>	<b>14,783,480</b>

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

### 2. 收益及分部報告 (續)

#### (a) 收益 (續)

##### (i) 收益的分類 (續)

按收益確認時間分類之客戶合約收益如下：

本集團的客戶基礎多元化，並無客戶與本集團的交易金額超過本集團收益10%。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 2 REVENUE AND SEGMENT REPORTING *(continued)*

#### (a) Revenue *(continued)*

##### (ii) *Revenue expected to be recognised in the future arising from sales of properties and project management service*

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB65,337,188,000 (2018: RMB57,867,866,000). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development and project management service entered into by the customers with the Group. This amount includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers (see note 1(y)(i)). The Group will recognise the expected revenue in future when or as the control is transferred or by measuring the progress towards complete satisfaction of the performance obligation, which is expected to occur over the next 12 to 36 months (2018: next 12 to 36 months).

The above amount does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's project management service contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

### 2. 收益及分部報告 (續)

#### (a) 收益 (續)

##### (ii) 預期於日後將予確認之產生自物業銷售及項目管理服務的收益

於2019年12月31日，根據本集團現有合約分配至餘下履約責任的交易價格總額為人民幣65,337,188,000元（2018年：人民幣57,867,866,000元）。該金額指預期於日後將予確認之來自在建物業預售合約及客戶與本集團所訂立項目管理服務的收益。該金額包括預售物業銷售合約的利息部分，而本集團根據有關合約自客戶取得重大融資利益（見附註1(y)(i)）。本集團將於控制權被轉讓或透過計量完成履約責任的進度確認預期收益，而有關確認將於未來12至36個月發生（2018年：未來12至36個月）。

上述金額不包括本集團於日後因達致本集團與客戶訂立的項目管理服務合約所載的條件可能賺取的任何完成獎金金額，除非於報告日期本集團極有可能符合條件賺取該等獎金。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 2 REVENUE AND SEGMENT REPORTING (continued)

#### (a) Revenue (continued)

##### (iii) Lease income

The Group leases out its investment properties and certain completed properties held for sale under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease after that date at which time all terms are renegotiated. Certain leases include variable lease payment terms that are based on the revenue of tenants.

The Group's undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

### 2. 收益及分部報告 (續)

#### (a) 收益 (續)

##### (iii) 租金收入

本集團根據經營租約出租投資物業及若干持作待售的已竣工物業，租約一般初步為期1至10年，可於屆滿後選擇續租，並會重新協商所有條款。若干租賃包括根據租戶收益釐定的可變租賃付款條款。

本集團於報告日期的不可撤銷經營租賃下的未貼現租賃付款應於以下未來期間內收回：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>Total future minimum lease income from:</b> 未來最低租金收入總額：			
Investment properties:	投資物業：		
Within 1 year	1年內	141,693	105,782
After 1 year but within 2 years	1年後但2年內	113,888	93,156
After 2 year but within 3 years	2年後但3年內	90,984	76,940
After 3 year but within 4 years	3年後但4年內	78,494	64,842
After 4 year but within 5 years	4年後但5年內	59,298	58,902
After 5 years	5年後	342,179	359,995
		<b>826,536</b>	<b>759,617</b>
Properties held for sale:	持作待售物業：		
Within 1 year	1年內	17,039	16,294
After 1 year but within 2 years	1年後但2年內	14,011	14,176
After 2 year but within 3 years	2年後但3年內	7,833	12,644
After 3 year but within 4 years	3年後但4年內	7,360	6,791
After 4 year but within 5 years	4年後但5年內	6,742	6,415
After 5 years	5年後	31,238	32,083
		<b>84,223</b>	<b>88,403</b>

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 2 REVENUE AND SEGMENT REPORTING (continued)

#### (a) Revenue (continued)

##### (iii) Lease income (continued)

For properties held for sale under operating leases, the directors confirm that the Group intends to sell the properties together with the respective leases.

#### (b) Segment reporting

##### (i) Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, Operating segments.

##### (ii) Geographical information

No geographical information is shown as the revenue and profit from operations of the Group is substantially derived from activities in Henan province in the PRC.

### 2. 收益及分部報告 (續)

#### (a) 收益 (續)

##### (iii) 租金收入 (續)

就根據經營租約持作待售的物業而言，董事確認本集團計劃出售該等物業及相關租約。

#### (b) 分部報告

##### (i) 報告分部據以產生收益的服務

在向本集團主要營運決策者就資源分配及分部績效評估而呈報資料時，較側重於將本集團視為一整體，原因是本集團的所有業務均被視為主要倚賴物業開發的績效。在分配資源時，乃依據何者對本集團加強整體物業開發業務有利，而非依據任何特定服務。績效評估亦基於本集團的整體業績。故管理層認為，根據香港財務報告準則第8號經營分部的規定，本集團僅有一個經營分部。

##### (ii) 地區資料

由於本集團的收益及經營溢利主要源自中國河南省的業務，故並無呈報地區資料。



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 3 OTHER REVENUE AND OTHER NET INCOME

### 3 其他收益及其他收入淨額

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>Other revenue</b>	<b>其他收益</b>		
Interest income	利息收入	249,780	219,138
Dividend income from equity securities	股本證券的股息收入	6,149	5,155
Government grants	政府補助	6,304	8,814
Others	其他	533	1,747
		<b>262,766</b>	<b>234,854</b>
<b>Other net income</b>	<b>其他收入淨額</b>		
Net realised and unrealised gain/(loss) on financial assets measured at FVPL	以公平值計量且其變動計入當期損益的金融資產的已變現及未變現收益／(虧損)淨額	9,523	(37,655)
Inventory write-down (note 19(a))	存貨撇減 (附註19(a))	(68,539)	(20,271)
Changes in fair value of biological assets less cost to sell (note 13(a))	生物資產公平值變動減銷售成本 (附註13(a))	11,400	11,979
Net (loss)/gain on disposals of property, plant and equipment	出售物業、廠房及設備 (虧損)／收益淨額	(4,425)	19,383
Net gain on disposals of subsidiaries (notes 38(b))	出售附屬公司收益淨額 (附註38(b))	68,138	—
Net gain/(loss) on disposal of a joint venture (notes 16(a))	出售合營企業收益／(虧損)淨額 (附註16(a))	441,240	(17,292)
Net fair value gain on deemed disposals of joint ventures (notes 16(b))	視作出售合營企業的公平值收益淨額 (附註16(b))	425,729	91,432
Net fair value gain on deemed disposals of associates	視作出售聯營公司的公平值收益淨額	19,415	—
Net exchange loss	外匯虧損淨額	(49,204)	(37,652)
Others	其他	(53,751)	54,268
		<b>799,526</b>	<b>64,192</b>

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

### 4 除稅前溢利

除稅前溢利已扣除／(計入)以下各項：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 (Note) (附註) RMB'000 人民幣千元
<b>(a) Finance costs</b>	<b>(a) 融資成本</b>		
Interest on bank loans and other borrowings (note 24(b))	銀行貸款及其他借款的利息 (附註24(b))	2,235,875	1,296,349
Interest on lease liabilities (note 24(b))	租賃負債利息 (附註24(b))	28,864	—
Interest accrued on advance payments from customers (note 20(b))	客戶預付款應計利息 (附註20(b))	2,296,175	1,042,564
Total interest expense on financial liabilities not at fair value through profit or loss	公平值變動不計入損益的金融負債的總利息費用	4,560,914	2,338,913
Less: Borrowing costs capitalised into properties under development*	減：已於開發中物業資本化的借貸成本*	(4,091,577)	(2,074,731)
		469,337	264,182
Net change in fair value of derivatives	衍生工具的公平值變動淨值		
– call options (note 28)	– 認購期權 (附註28)	65,378	(1,591)
– foreign exchange rate swap contract (note 28(c))	– 外匯匯率掉期合約 (附註28(c))	(68,305)	(5,990)
– foreign exchange forward contracts (note 21(e))	– 外匯遠期合約 (附註21(e))	(72,307)	(28,900)
– foreign exchange option (note 21(e))	– 外匯期權 (附註21(e))	1,146	(1,549)
		(74,088)	(38,030)
		395,249	226,152

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 1(c).

\* The capitalisation rate used to capitalise interest on general borrowings in 2019 was 7.36% per annum (2018: 7.18% per annum).

附註：

本集團採用經修訂追溯法首應用香港財務報告準則第16號。根據此方法，比較資料不予重列。見附註1(c)。

\* 於2019年用於資本化一般借款利息的資本化率為每年7.36% (2018年：每年7.18%)。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 4 PROFIT BEFORE TAXATION (continued)

### 4 除稅前溢利 (續)

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>(b) Staff costs</b>			
<b>(b) 員工成本</b>			
Contributions to defined contribution retirement plan	界定供款退休計劃供款	<b>156,732</b>	105,350
Equity settled share-based payment expenses (note 31)	以股權結算股份為基礎作支付的費用 (附註31)	<b>62,690</b>	43,059
Salaries, wages and other benefits	薪金、工資及其他福利	<b>800,766</b>	662,242
		<b>1,020,188</b>	810,651

Employees of the Company's subsidiaries in the PRC ("PRC subsidiaries") are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a Mandatory Provident Fund Scheme ("the MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK\$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

本公司於中國的附屬公司(「中國附屬公司」)僱員須參加地方市政府管理及運作的定額供款退休計劃。中國附屬公司乃按地方市政府同意的若干平均僱員工資百分比向計劃供款，以向僱員退休福利提供資金。

本集團亦為所有香港合資格僱員參與強制性公積金計劃(「強積金計劃」)。根據強制性公積金計劃條例及有關規定，本集團及其僱員均須按相關僱員有關收入的5%(以月薪30,000港元為上限)向強積金計劃作出供款。

除上述年度供款外，本集團概無與該等計劃有關的其他支付退休福利的重大責任。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 4 PROFIT BEFORE TAXATION (continued)

### 4 除稅前溢利 (續)

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>(c) Other items</b>	<b>(c) 其他項目</b>		
Amortisation (note 12)	攤銷 (附註12)	15,874	23,868
Depreciation (note 10)	折舊 (附註10)		
– owned property, plant and equipment	– 自有物業、廠房及設備	253,453	244,591
– right-of-use assets*	– 使用權資產*	28,918	–
		<b>282,371</b>	244,591
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019 *	與短期租賃及剩餘租賃期在2019年12月31日或之前結束的其他租賃有關的開支*	20,414	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	先前根據香港會計準則第17號分類為經營租賃之租賃的最低租賃付款總額	–	26,481
Impairment losses on trade and other receivables, including contract assets	貿易及其他應收款項 (包括合約資產) 減值虧損	169,642	54,623
Group auditor's remuneration	集團核數師酬金		
– audit services	– 審核服務	4,724	4,646
– other services	– 其他服務	3,830	2,850
Local statutory auditors' remuneration	地方法定核數師酬金		
– audit services	– 審核服務	3,705	3,393
– other services	– 其他服務	798	752
Cost of inventories (note 19(a))	存貨成本 (附註19(a))	22,322,081	9,415,270
Advertising and promotion expenses to football club	足球俱樂部的廣告及推廣開支	436,443	298,245
Rental income from investment properties less direct outgoings of RMB7,948,000 (2018: RMB2,209,000)	投資物業的租金收入減直接開支人民幣7,948,000元 (2018年: 人民幣2,209,000元)	(105,659)	(104,460)
Rental income from properties for sale less direct outgoings of RMB22,409,000 (2018: RMB7,925,000)	待售物業的租金收入減直接開支人民幣22,409,000元 (2018年: 人民幣7,925,000元)	(27,048)	(32,328)

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 4 PROFIT BEFORE TAXATION (continued)

- \* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

### 5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

- (a) Taxation in the consolidated income statement represents:

### 4 除稅前溢利 (續)

- \* 本集團採用經修訂的追溯法首次應用香港財務報告準則第16號，並調整於2019年1月1日的期初結餘，以確認先前根據香港會計準則第17號分類為經營租賃的有關租賃的使用權資產。於2019年1月1日初步確認使用權資產後，本集團作為承租人須確認使用權資產的折舊，而非先前於租賃期內按直線法確認經營租賃產生的租金開支的政策。根據此方法，比較資料不予重列。見附註1(c)。

### 5 綜合收益表內的所得稅

- (a) 綜合收益表內的稅項為：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>Current tax (note 32(a))</b>			
<b>即期稅項 (附註32(a))</b>			
PRC Corporate Income Tax	中國企業所得稅	1,378,921	476,472
PRC Land Appreciation Tax	中國土地增值稅	1,004,754	190,968
Withholding tax	預扣稅	108,777	48,400
		<b>2,492,452</b>	<b>715,840</b>
<b>Deferred tax (note 32(b))</b>			
<b>遞延稅項 (附註32(b))</b>			
PRC Corporate Income Tax	中國企業所得稅	275,467	386,967
PRC Land Appreciation Tax	中國土地增值稅	(67,092)	454,053
		<b>208,375</b>	<b>841,020</b>
		<b>2,700,827</b>	<b>1,556,860</b>

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

#### (a) Taxation in the consolidated income statement represents: *(continued)*

- (i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.
- (ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.
- (iii) PRC Corporate Income Tax ("CIT")

The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the PRC subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC.

The PRC subsidiaries were subject to the actual taxation method, were charged CIT at a rate of 25% (2018: 25%) on the estimated assessable profits for the year.

#### (iv) Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

### 5 綜合收益表內的所得稅 (續)

#### (a) 綜合收益表內的稅項為： (續)

- (i) 根據開曼群島的規則及規例，本公司毋須繳納任何開曼群島所得稅。
- (ii) 由於本集團於香港並無任何估計應課稅溢利，故並無就香港利得稅作出撥備。

#### (iii) 中國企業所得稅 (「企業所得稅」)

企業所得稅撥備是根據中國附屬公司估計應課稅溢利各自的適用稅率 (遵照中國相關的所得稅規則及規例釐定) 計算。

中國附屬公司須按該年的估計應課稅溢利的25% (2018年：25%) 的稅率繳付企業所得稅。

#### (iv) 土地增值稅 (「土地增值稅」)

根據1994年1月1日起生效的《中華人民共和國土地增值稅暫行條例》及1995年1月27日起生效的《中華人民共和國土地增值稅暫行條例實施細則》規定，於中國銷售或轉讓國有土地使用權、樓宇及附屬設施的全部收入均須按有關增值額30%至60%的累進稅率繳納土地增值稅，惟有關增值額未超過可扣稅項目總額20%的普通標準住宅的物業銷售額可獲豁免繳納增值稅。



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

#### (a) Taxation in the consolidated income statement represents: (continued)

##### (v) Withholding tax

Withholding taxes are levied on the Company's subsidiaries in Hong Kong ("Hong Kong subsidiaries") in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 and interest on inter-company balance received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 10%.

#### (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

### 5 綜合收益表內的所得稅 (續)

#### (a) 綜合收益表內的稅項為：(續)

##### (v) 預扣稅

本公司於香港的附屬公司（「香港附屬公司」）須就在中國附屬公司於2008年1月1日以後賺取之溢利而產生之股息以及香港附屬公司收取中國附屬公司之內部公司往來結餘利息繳付5%至10%之預扣稅。

#### (b) 按適用稅率計算的稅項支出及會計溢利對賬如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Profit before taxation	除稅前溢利	5,116,349	2,971,983
Tax on profit before tax, calculated at 25% (2018: 25%)	按25% (2018年：25%) 稅率計算的除稅前溢利的稅項	1,279,087	742,996
Difference in tax rates for certain subsidiaries	若干附屬公司的稅率差額	26,655	32,854
Tax effect of non-taxable income	毋須課稅收入的稅項影響	(40,239)	(18,727)
Tax effect of non-deductible expenses	不可扣稅開支的稅項影響	497,764	225,738
Tax effect of unused tax losses not recognised	未確認的未動用稅項虧損的稅項影響	150,010	60,916
Utilisation of tax loss not recognised in prior years	動用過往年度未確認的稅項虧損	(24,473)	(19,083)
Withholding tax	預扣稅	108,777	48,400
LAT	土地增值稅	937,662	645,021
Tax effect of LAT	土地增值稅的稅項影響	(234,416)	(161,255)
Income tax expense	所得稅開支	2,700,827	1,556,860

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 6 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383 (1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and chief executive's emoluments are as follows:

2019

		Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments	Total
		Directors' fees	in kind			
		薪金、津貼及實物利益	退休計劃供款	酌情花紅	以股份支付 (Note) (附註)	合計
		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
<b>Executive directors</b>	<b>執行董事</b>					
Wu Po Sum	胡葆森	-	4,460	-	-	4,460
Liu Weixing	劉衛星	-	4,881	119	1,797	7,757
Wang Jun	王俊	-	8,412	75	15,303	23,790
<b>Executive director and chief executive</b>	<b>執行董事及首席執行官</b>					
Yuan Xujun (Appointed as executive director on 21 August 2019)	袁旭俊 (於2019年8月21日獲委任為執行董事)	-	4,881	124	7,518	14,320
<b>Non-executive directors</b>	<b>非執行董事</b>					
Lucas Ignatius Loh Jen Yuh (Resigned on 1 August 2019)	羅臻毓 (於2019年8月1日辭任)	51	-	-	-	51
Puah Tze Shyang (Resigned on 1 August 2019)	潘子翔 (於2019年8月1日辭任)	51	-	-	-	51
Wu Wallis (alias Li Hua)	李樺	-	229	11	-	240
Lim Ming Yan (Appointed on 3 September 2019)	林明彥 (於2019年9月3日獲委任)	-	783	-	-	783
<b>Independent non-executive directors</b>	<b>獨立非執行董事</b>					
Cheung Shek Lun	張石麟	211	-	-	-	211
Xin Luo Lin	辛羅林	211	-	-	-	211
Sun Yuyang	孫煜揚	211	-	-	-	211
<b>Total</b>	<b>合計</b>	<b>735</b>	<b>23,646</b>	<b>329</b>	<b>18,897</b>	<b>52,085</b>

### 6 董事及首席執行官酬金

根據香港公司條例第383(1)條及公司 (披露董事利益資料) 規例第2部披露的董事酬金以及首席執行官酬金如下:

2019年

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 6 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

2018

### 6 董事及首席執行官酬金 (續)

2018年

		Directors' fees 董事袍金	Salaries, allowances and benefits in kind 薪金、津貼及實物利益	Retirement scheme contributions 退休計劃供款	Discretionary bonuses 酌情花紅	Share-based payments (Note) (附註)	Total 合計
		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	RMB'000 人民幣千元
<b>Executive directors</b>	<b>執行董事</b>						
Wu Po Sum	胡葆森	-	4,272	-	-	-	4,272
Yan Yingchun (Resigned on 21 August 2018)	閔穎春 (於2018年8月21日辭任)	-	1,307	-	-	3,971	5,278
Liu Weixing	劉衛星	-	4,876	55	-	3,527	8,458
Wang Jun (Appointed on 21 August 2018)	王俊 (於2018年8月21日獲委任)	-	3,460	20	-	5,960	9,440
<b>Non-executive directors</b>	<b>非執行董事</b>						
Lucas Ignatius Loh Jen Yuh	羅臻毓	84	-	-	-	-	84
Puah Tze Shyang	潘子翔	84	-	-	-	-	84
Wu Wallis (alias Li Hua)	李輝	-	219	11	-	-	230
<b>Independent non-executive directors</b>	<b>獨立非執行董事</b>						
Cheung Shek Lun	張石麟	202	-	-	-	-	202
Xin Luo Lin	辛羅林	202	-	-	-	-	202
Sun Yuyang (Appointed on 8 January 2018)	孫煜揚 (於2018年1月8日獲委任)	198	-	-	-	-	198
<b>Chief executive</b>	<b>首席執行官</b>						
Yuan Xujun	袁旭俊	-	5,342	65	4,577	3,527	13,511
<b>Total</b>	<b>合計</b>	<b>770</b>	<b>19,476</b>	<b>151</b>	<b>4,577</b>	<b>16,985</b>	<b>41,959</b>

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(v)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 31.

附註：

該金額指根據本公司購股權計劃授予董事的購股權的估計價值。該等購股權之價值乃根據附註1(v)(ii)所載本集團有關以股份支付交易的會計政策計量，而根據該政策，有關價值計入就撥回過往年度授出權益工具於歸屬前被沒收而累計之金額作出之調整。

該等實物利益之詳情（包括授出購股權之主要條款及數目）於董事會報告「購股權計劃」一段及附註31披露。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2018: two) are executive directors and one (2018: one) is CEO whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other two (2018: two) individuals are as follows:

### 7 最高薪人士

在五位最高薪人士之中，兩位（2018年：兩位）為執行董事，一位（2018年：一位）為首席執行官，其酬金披露於附註6。有關其餘兩位（2018年：兩位）最高薪人士的酬金總額如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Salaries, allowances and benefits in kind	薪金、津貼及實物利益	2,053	2,643
Discretionary bonuses	酌情花紅	7,961	21,205
Share-based payments	以股份支付	4,143	2,320
Retirement scheme contributions	退休計劃供款	141	74
		<b>14,298</b>	26,242

The emoluments of these two (2018: two) individuals with the highest emoluments are within the following bands:

該等兩位（2018年：兩位）最高薪人士的酬金在以下範圍之內：

		2019 2019年	2018 2018年
HKD8,000,001 to HKD8,500,000	8,000,001港元至8,500,000港元	2	—
HKD13,500,001 to HKD14,000,000	13,500,001港元至14,000,000港元	—	1
HKD17,500,001 to HKD18,000,000	17,500,001港元至18,000,000港元	—	1

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 8 EARNINGS PER SHARE

#### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB2,015,064,000 (2018: RMB1,154,262,000) and the weighted average of 2,732,425,733 ordinary shares (2018: 2,605,807,674 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

### 8 每股盈利

#### (a) 每股基本盈利

每股基本盈利乃基於本公司普通股權益持有人應佔溢利人民幣2,015,064,000元(2018年:人民幣1,154,262,000元)及本年度已發行2,732,425,733股普通股(2018年:2,605,807,674股普通股)的加權平均數計算得出,如下:

普通股加權平均數:

		2019 2019年 '000 千股	2018 2018年 '000 千股
Issued ordinary shares at 1 January	於1月1日已發行普通股	2,731,263	2,444,334
Effect of ordinary shares issued (note 33(a))	已發行普通股影響 (附註33(a))	—	161,474
Effect of share options exercised (note 31(b))	已行使購股權影響 (附註31(b))	1,163	—
Weighted average number of ordinary shares at 31 December	於12月31日的普通股加權 平均數	2,732,426	2,605,808

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 8 EARNINGS PER SHARE (CONTINUED)

#### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB2,015,064,000 (2018: RMB1,154,262,000 and the weighted average number of ordinary shares of 2,785,463,786 shares (2018: 2,652,760,163 shares), calculated as follows:

#### (i) Profit attributable to ordinary equity shareholders of the Company (diluted)

Profit attributable to equity shareholders (diluted)	權益持有人應佔溢利 (攤薄)
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<b>2,015,064</b>	1,154,262
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#### (ii) Weighted average number of ordinary shares (diluted)

Weighted average number of ordinary shares at 31 December	於12月31日的普通股加權平均數
Effect of deemed issue of shares under the Company's share option scheme	視作根據本公司購股權計劃發行股份的影響

<b>2,732,426</b>	2,605,808
<b>53,038</b>	46,952

Weighted average number of ordinary shares (diluted) at 31 December	於12月31日的普通股加權平均數 (攤薄)
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<b>2,785,464</b>	2,652,760
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### 8 每股盈利 (續)

#### (b) 每股攤薄盈利

每股攤薄盈利乃基於本公司普通股權益持有人應佔溢利人民幣2,015,064,000元 (2018年：人民幣1,154,262,000元) 及2,785,463,786股 (2018年：2,652,760,163股) 普通股的加權平均數計算得出，如下：

#### (i) 本公司普通股權益持有人應佔溢利 (攤薄)

<b>2019</b>	2018
<b>2019年</b>	2018年
<b>RMB'000</b>	RMB'000
人民幣千元	人民幣千元

#### (ii) 普通股加權平均數 (攤薄)

<b>2019</b>	2018
<b>2019年</b>	2018年
<b>'000</b>	'000
千股	千股



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 9 OTHER COMPREHENSIVE INCOME

#### (a) Tax effects relating to each component of other comprehensive income

### 9 其他全面收益

#### (a) 與其他全面收益各組成部分有關的稅務影響

		2019 2019年			2018 2018年		
		Before-tax amount 除稅前金額 RMB'000 人民幣千元	Tax expense 稅項支出 RMB'000 人民幣千元	Net-of-tax amount 除稅後金額 RMB'000 人民幣千元	Before-tax amount 除稅前金額 RMB'000 人民幣千元	Tax expense 稅項支出 RMB'000 人民幣千元	Net-of-tax amount 除稅後金額 RMB'000 人民幣千元
Exchange differences on translation of:	折算以下各項的匯兌差額：						
- financial statements of overseas subsidiaries	- 境外附屬公司財務報表	(199,011)	-	(199,011)	(358,273)	-	(358,273)
- arising on a monetary item that forms part of net investment in foreign operations	- 產生自部分海外業務投資淨額的貨幣項目	(114,363)	-	(114,363)	(338,350)	-	(338,350)
Cash flow hedge: net movement in hedging reserve	現金流量對沖：對沖儲備淨變動	(313,374)	-	(313,374)	(696,623)	-	(696,623)
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	按公平值計入其他全面收益的股本投資：公平值儲備淨變動（不可轉回）	(529)	-	(529)	529	-	529
		(72,173)	12,751	(59,422)	86,169	(21,542)	64,627
Other comprehensive income	其他全面收益	(386,076)	12,751	(373,325)	(609,925)	(21,542)	(631,467)

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 9 OTHER COMPREHENSIVE INCOME (continued)

#### (b) Components of other comprehensive income, including reclassification adjustments

### 9 其他全面收益 (續)

#### (b) 其他全面收益組成部分，包括重新分類調整

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>Cash flow hedges:</b>	<b>現金流量對沖：</b>		
Effective portion of changes in fair value of hedging instruments recognised during the period	期內確認對沖工具公平值變動的有效部分	(5,937)	529
Reclassification adjustments for amounts transferred to finance costs	轉入融資成本金額的重新分類調整	5,408	—
Net deferred tax credited to other comprehensive income	計入其他全面收益的遞延稅項淨額	—	—
Net movement in the hedging reserve during the period recognised in other comprehensive income	於其他全面收益確認的期內對沖儲備淨變動	(529)	529
<b>Equity investments measured at FVOCI</b>	<b>按公平值計量且變動計入其他全面收益的股本投資</b>		
Changes in fair value recognised during the period	期內確認公平值變動	(72,173)	86,169
Net deferred tax debited to other comprehensive income	自其他全面收益扣除的遞延稅項淨額	12,751	(21,542)
Net movement in the fair value reserve (non-recycling) during the period recognised in other comprehensive income	於其他全面收益確認的期內公平值儲備淨變動(不可轉回)	(59,422)	64,627

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 10 PROPERTY, PLANT AND EQUIPMENT

#### (a) Reconciliation of carrying amount

### 10 物業、廠房及設備

#### (a) 賬面值對賬

		Interests in leasehold land held for own use 持作自用的 租賃土地 的權益 RMB'000 人民幣千元	Interests in buildings held for own use 持作自用的 樓宇的權益 RMB'000 人民幣千元	Construction in progress 在建工程 RMB'000 人民幣千元	Furniture, fixtures and equipment 傢俬、裝置 及設備 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
<b>Cost:</b>	<b>成本:</b>						
At 1 January 2018	於2018年1月1日	299,946	2,621,245	1,377,350	369,927	54,048	4,722,516
Additions	添置	-	3,258	879,273	28,057	11,640	922,228
Disposals	出售	(435)	(1,086)	-	(3,347)	(2,139)	(7,007)
Transfer	轉撥	-	356,415	(357,757)	52,492	-	51,150
Acquisitions of subsidiaries	收購附屬公司	-	278,844	5,113	7,260	1,527	292,744
At 31 December 2018	於2018年12月31日	299,511	3,258,676	1,903,979	454,389	65,076	5,981,631
At 31 December 2018	於2018年12月31日	299,511	3,258,676	1,903,979	454,389	65,076	5,981,631
Impact on initial application of HKFRS 16 (Note)	首次應用香港財務報告準則 第16號的影響 (附註)	365,045	11,934	-	-	-	376,979
At 1 January 2019	於2019年1月1日	664,556	3,270,610	1,903,979	454,389	65,076	6,358,610
Additions	添置	178,914	290,284	1,018,691	61,451	12,493	1,561,833
Disposals	出售	-	(30,478)	(4,347)	22,066	(4,049)	(16,808)
Transfer	轉撥	-	28,501	370,391	-	-	398,892
Acquisitions of subsidiaries	收購附屬公司	-	59,057	109,488	7,435	3,747	179,727
Disposals of subsidiaries	出售附屬公司	-	-	(1,676,142)	(9,121)	(2,566)	(1,687,829)
At 31 December 2019	於2019年12月31日	843,470	3,617,974	1,722,060	536,220	74,701	6,794,425
<b>Accumulated depreciation and amortisation:</b>	<b>累計折舊及攤銷:</b>						
At 1 January 2018	於2018年1月1日	(48,309)	(544,790)	-	(297,486)	(38,591)	(929,176)
Charge for the year	年度支出	(8,173)	(171,002)	-	(58,805)	(6,611)	(244,591)
Written back on disposals	出售時撥回	71	69	-	3,069	1,786	4,995
Acquisitions of subsidiaries	收購附屬公司	-	-	-	(3,849)	(516)	(4,365)
At 31 December 2018	於2018年12月31日	(56,411)	(715,723)	-	(357,071)	(43,932)	(1,173,137)

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 10 PROPERTY, PLANT AND EQUIPMENT (continued)

#### (a) Reconciliation of carrying amount (continued)

### 10 物業、廠房及設備 (續)

#### (a) 賬面值對賬 (續)

		Interests in leasehold land held for own use 持作自用的 租賃土地 的權益 RMB'000 人民幣千元	Interests in buildings held for own use 持作自用的 樓宇的權益 RMB'000 人民幣千元	Construction in progress 在建工程 RMB'000 人民幣千元	Furniture, fixtures and equipment 傢俬、裝置 及設備 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
At 1 January 2019	於2019年1月1日	(56,411)	(715,723)	-	(357,071)	(43,932)	(1,173,137)
Charge for the year	年度支出	(19,876)	(188,489)	-	(65,608)	(8,398)	(282,371)
Written back on disposals	出售時撥回	-	6,601	-	3,851	1,450	11,902
Acquisitions of subsidiaries	收購附屬公司	-	(5,610)	-	(2,414)	(1,873)	(9,897)
Disposals of subsidiaries	出售附屬公司	-	-	-	1,801	712	2,513
At 31 December 2019	於2019年12月31日	(76,287)	(903,221)	-	(419,441)	(52,041)	(1,450,990)
<b>Net book value:</b>	<b>賬面淨值:</b>						
At 31 December 2018	於2018年12月31日	243,100	2,542,953	1,903,979	97,318	21,144	4,808,494
At 31 December 2019	於2019年12月31日	767,183	2,714,753	1,722,060	116,779	22,660	5,343,435

*Note:* The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 1(c).

*附註:* 本集團採用經修訂的追溯法首次應用香港財務報告準則第16號，並調整於2019年1月1日的期初結餘，以確認先前根據香港會計準則第17號分類為經營租賃的有關租賃的使用權資產。見附註1(c)。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 10 PROPERTY, PLANT AND EQUIPMENT (continued)

#### (a) Reconciliation of carrying amount (continued)

As at 31 December 2019, certain of the Group's property, plant and equipment were pledged as securities of the Group's bank loans and other loans. Details are set out in notes 25 and 26.

As at 31 December 2019, the Group's property, plant and equipment of RMB543,737,000(2018: Nil) were pledged as securities of a joint venture's loan.

#### (b) Right-of-use assets

The analysis of the net book value of the Group's separately measured right-of-use assets by class of underlying asset is as follows:

### 10 物業、廠房及設備 (續)

#### (a) 賬面值對賬 (續)

於2019年12月31日，本集團若干物業、廠房及設備被抵押作為本集團銀行借款和其他借款的抵押品。詳情載於附註25和附註26。

於2019年12月31日，本集團的物業、廠房及設備人民幣543,737,000元(2018年：無)被抵押作為一家合營企業的貸款的抵押品。

#### (b) 使用權資產

本集團獨立計量的使用權資產按相關資產類別劃分的賬面淨值分析如下：

		31 December 2019 2019年 12月31日 RMB'000 人民幣千元	1 January 2019 2019年 1月1日 RMB'000 人民幣千元
	Note 附註		
Interests in leasehold land held for own use, carried at depreciated cost in the PRC, with remaining lease term of:	於中國按折舊成本列賬持作自用的租賃土地的權益，餘下租期為：		
– 50 years or more	– 50年或以上	(i) 2,374	2,432
– between 10 and 50 years	– 10年以上50年以下	764,809	605,713
		767,183	608,145
Properties leased for own use, carried at depreciated cost	按折舊成本列賬持作自用的租賃物業	(ii) 57,114	11,934
		824,297	620,079

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 10 PROPERTY, PLANT AND EQUIPMENT (continued)

#### (b) Right-of-use assets (continued)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

### 10 物業、廠房及設備 (續)

#### (b) 使用權資產 (續)

於損益中確認的有關租賃之開支項目分析如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 (Note) (附註) RMB'000 人民幣千元
Depreciation charge of right-of-use assets by class of underlying asset:	按相關資產類別劃分的 使用權資產之折舊開支		
Interests in leasehold land held for own use	持作自用的租賃土地的權益	(19,876)	(8,173)
Properties leased for own use	持作自用的租賃物業	(9,042)	—
		(28,918)	(8,173)
Interest on lease liabilities (note 4(a))	租賃負債的利息 (附註4(a))	28,864	—
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	與短期租賃或餘下租期 於2019年12月31日或 之前屆滿的其他租賃有關 的開支	20,414	—
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	就先前根據香港會計準則 第17號分類為經營租賃的 租賃之最低租金款項總額	—	26,481

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 1(c).

附註：本集團採用經修訂的追溯法首次應用香港財務報告準則第16號，並調整於2019年1月1日的期初結餘，以確認先前根據香港會計準則第17號分類為經營租賃的有關租賃的使用權資產。於2019年1月1日初步確認使用權資產後，本集團作為承租人須確認使用權資產的折舊，而非先前於租賃期內按直線法確認經營租賃產生的租金開支的政策。根據此方法，比較資料不予重列。見附註1(c)。



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 10 PROPERTY, PLANT AND EQUIPMENT *(continued)*

#### (b) Right-of-use assets *(continued)*

During the year, additions to right-of-use assets were RMB235,270,000. This amount included the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 24(c), 30 and 35(a), respectively.

#### (i) *Interests in leasehold land held for own use*

Interests in leasehold land held for own use represent payments for land use rights of land located in the PRC as follows:

- The Group is the registered owner of certain leasehold land where buildings held for own use are located. Lump sum payments were made upfront to acquire these property interests, and there are no ongoing payments to be made under the terms of the land lease. The period for these property interests is no more than 70 years.
- The Group leases certain leasehold land under lease agreements expiring from 30 to 40 years. None of the leases includes an option to renew the lease or variable lease payments.

### 10 物業、廠房及設備 (續)

#### (b) 使用權資產 (續)

年內，使用權資產添置人民幣235,270,000元。該金額包括根據新租賃協議應付的資本化租賃付款。

有關租賃現金流出總額、租賃負債的到期分析及尚未開始的租賃所產生的未來現金流出詳情，分別載於附註24(c)、30及35(a)。

#### (i) 持作自用的租賃土地的權益

持作自用的租賃土地的權益指就位於中國的土地使用權的付款，詳情如下：

- 本集團為若干持作自用樓宇的租賃土地的註冊擁有人。本集團已預付一次性款項以收購該等物業權益，而根據土地租賃條款，將不會繼續支付任何款項。該等物業權益期限不超過70年。
- 本集團根據租期介乎30至40年的租賃協議租賃若干租賃土地。概無租賃包括重續租賃或可變租賃付款的選擇權。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 10 PROPERTY, PLANT AND EQUIPMENT (continued)

#### (b) Right-of-use assets (continued)

##### (ii) Properties leased for own use

The Group has leased a number of properties as its office and employee dormitory through tenancy agreements. The leases typically run for an initial period of 18 months to 10 years. Some leases include an option to renew the lease and all terms should be renegotiated towards the end of the lease term. None of the leases includes variable lease payments.

### 10 物業、廠房及設備 (續)

#### (b) 使用權資產 (續)

##### (ii) 持作自用的租賃物業

本集團已透過租賃協議租賃多項物業作為其辦公室及僱員宿舍。租賃一般初步為期18個月至10年。某些租賃包括重續租約的選擇權，所有條款應於租期結束時重新磋商。概無租賃包括可變租賃付款。

### 11 INVESTMENT PROPERTY

### 11 投資物業

		Total 合計 RMB'000 人民幣千元
At 1 January 2018	於2018年1月1日	1,297,000
Transfer from properties for sale	自待售物業轉撥	1,013,327
Change in fair value	公平值變動	605,673
At 31 December 2018	於2018年12月31日	2,916,000
At 1 January 2019	於2019年1月1日	2,916,000
Transfer from properties for sale	自待售物業轉撥	204,057
Change in fair value	公平值變動	92,773
At 31 December 2019	於2019年12月31日	3,212,830

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 11 INVESTMENT PROPERTY (continued)

Properties held for sale of RMB204,057,000 (2018: RMB1,013,327,000) were transferred from “inventories” to “investment property” as a result of change of use. The properties were measured at fair value at the time of transfer and revaluation gain of RMB36,743,000 (2018: RMB574,872,000) had been recognised in the consolidated income statement.

As at 31 December 2019, certain of the Group’s investment properties were pledged as securities of the Group’s bank loans and other loans. Details are set out in notes 25 and 26.

#### (a) The analysis of fair value of investment properties is set out as follows:

### 11 投資物業 (續)

持作銷售物業人民幣204,057,000元 (2018年：人民幣1,013,327,000元) 因用途改變而從「存貨」轉至「投資物業」。該等物業於轉撥當時按公平值計量，而重估收益人民幣36,743,000元 (2018年：人民幣574,872,000元) 已在綜合收益表內確認。

於2019年12月31日，本集團若干投資物業已抵押作為本集團銀行借款及其他借款的抵押品。詳情載於附註25及26。

#### (a) 投資物業公平值分析載列如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
In the PRC	在中國		
– long-term leases	— 長期租賃	2,941,730	262,100
– medium-term leases	— 中期租賃	271,100	2,653,900
		<b>3,212,830</b>	<b>2,916,000</b>

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 11 INVESTMENT PROPERTY *(continued)*

#### (b) Fair value measurement of investment properties

##### (i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

### 11 投資物業 (續)

#### (b) 投資物業的公平值計量

##### (i) 公平值層級

下表呈列本集團投資物業的公平值，該等物業於報告期末按經常性基準計量，並分類為香港財務報告準則第13號公平值計量定義的三級公平值層級。將公平值計量分類的等級乃經參考以下估值方法所用輸入數據的可觀察性及重要性後釐定：

- 第一級估值：僅使用第一級輸入數據（即於計量日期同類資產或負債於活躍市場的未經調整報價）計量的公平值
- 第二級估值：使用第二級輸入數據（即未能達到第一級的可觀察輸入數據）且並非使用重大不可觀察輸入數據計量的公平值。不可觀察輸入數據為無法取得市場數據的輸入數據
- 第三級估值：使用重大不可觀察輸入數據計量的公平值

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 11 INVESTMENT PROPERTY (continued)

#### (b) Fair value measurement of investment properties (continued)

##### (i) Fair value hierarchy (continued)

### 11 投資物業 (續)

#### (b) 投資物業的公平值計量 (續)

##### (i) 公平值層級 (續)

Fair value at 31 December 2019 於2019年 12月31日 的公平值 RMB'000 人民幣千元	Fair value measurements as at 31 December 2019 categorised into 於2019年12月31日的公平值計量分類為		
	Level 1 第一級 RMB'000 人民幣千元	Level 2 第二級 RMB'000 人民幣千元	Level 3 第三級 RMB'000 人民幣千元
<b>Recurring fair value measurement</b>	<b>經常性公平值計量</b>		
Investment properties:	投資物業：		
– In the PRC	– 在中國		
<b>3,212,830</b>	<b>–</b>	<b>–</b>	<b>3,212,830</b>

Fair value at 31 December 2018 於2018年12月 31日的公平值 RMB'000 人民幣千元	Fair value measurements as at 31 December 2018 categorised into 於2018年12月31日的公平值計量分類為		
	Level 1 第一級 RMB'000 人民幣千元	Level 2 第二級 RMB'000 人民幣千元	Level 3 第三級 RMB'000 人民幣千元
<b>Recurring fair value measurement</b>	<b>經常性公平值計量</b>		
Investment properties:	投資物業：		
– In the PRC	– 在中國		
<b>2,916,000</b>	<b>–</b>	<b>–</b>	<b>2,916,000</b>

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 11 INVESTMENT PROPERTY (continued)

#### (b) Fair value measurement of investment properties (continued)

##### (i) Fair value hierarchy (continued)

During the year ended 31 December 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2019 and 2018. The valuations were carried out by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.

##### (ii) Information about Level 3 fair value measurements

### 11 投資物業 (續)

#### (b) 投資物業的公平值計量 (續)

##### (i) 公平值層級 (續)

截至2019年12月31日止年度，第一級與第二級之間沒有轉移或沒有從第三級轉入或轉出（2018年：無）。本集團之政策為於發生轉移之報告期末確認公平值層級之間的轉移。

本集團所有投資物業已於2019年及2018年12月31日重估。估值乃由獨立測量師行第一太平戴維斯估值及專業顧問有限公司進行，其員工當中有香港測量師工會資深會員，對所評估物業之地點及類別具備近期經驗。管理層已就於各中期及年度報告日期進行之估值，與測量師討論估值假設及估值結果。

##### (ii) 有關第三級公平值計量的資料

	Valuation techniques 估值方法	Unobservable input 不可觀察輸入數據	Range 範圍	Weighted average 加權平均值
Investment properties in the PRC 在中國的投資物業	Income capitalisation approach 收入資本化法	Daily market rent (RMB/sq.m.) 市場日租 (人民幣/平方米)	0.42 to 8.27 (2018: 0.42 to 8.90)	3.24 (2018: 3.12)
			0.42至8.27 (2018年：0.42至8.90)	3.24 (2018年：3.12)
		Capitalisation rates 資本化率	4.0% to 7.0% (2018: 4.0% to 7.0%)	6.0% (2018: 5.95%)
			4.0%至7.0% (2018年：4.0%至7.0%)	6.0% (2018年：5.95%)



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 11 INVESTMENT PROPERTY *(continued)*

#### (b) Fair value measurement of investment properties *(continued)*

##### (ii) Information about Level 3 fair value measurements *(continued)*

In undertaking the valuation of investment properties, the independent firm of surveyors have mainly adopted the income capitalisation approach whereby the rental incomes of contractual tenancies are capitalised for the unexpired terms of tenancies. They have also taken into account the reversionary market rents after the expiry of tenancies in capitalisation. The fair value measurement is positively correlated to the market rent and negatively correlated to the capitalisation rates.

The movements during the year in the balance of these Level 3 fair value measurements are set out in note 11.

Fair value adjustment of investment property is recognised in the line item "net valuation gain on investment property" on the face of the consolidated income statement.

All the gains/losses recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

### 11 投資物業 (續)

#### (b) 投資物業的公平值計量 (續)

##### (ii) 有關第三級公平值計量的資料 (續)

獨立測量師行主要採用收入資本化法為投資物業估值，租約的租金收入於尚餘租期資本化。彼等亦於資本化時計及租約屆滿後的市場租金變化。公平值計量與市場租金成正比，與資本化率成反比。

該等第三級公平值計量的年內結餘變動載於附註11。

投資物業之公平值調整於綜合收益表中「投資物業估值收益淨額」項確認。

所有於年度損益確認的收益／虧損均來自於報告期末持有的物業。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 12 INTANGIBLE ASSETS

### 12 無形資產

**Licences**  
牌照  
RMB'000  
人民幣千元

<b>Cost:</b>	<b>成本:</b>	
At 1 January 2018	於2018年1月1日	244,340
Addition	添置	337,575
		<hr/>
At 31 December 2018	於2018年12月31日	581,915
		<hr/>
At 1 January 2019	於2019年1月1日	581,915
Addition	添置	1,981
Disposals of subsidiaries	出售附屬公司	(583,896)
		<hr/>
At 31 December 2019	於2019年12月31日	—
		<hr/>
<b>Accumulated amortisation:</b>	<b>累計攤銷:</b>	
At 1 January 2018	於2018年1月1日	(40,040)
Charge for the year	年度支出	(23,867)
		<hr/>
At 31 December 2018	於2018年12月31日	(63,907)
		<hr/>
At 1 January 2019	於2019年1月1日	(63,907)
Charge for the year	年度支出	(15,874)
Disposals of subsidiaries	出售附屬公司	79,781
		<hr/>
At 31 December 2019	於2019年12月31日	—
		<hr/>
<b>Net book value:</b>	<b>賬面淨值:</b>	
At 31 December 2019	於2019年12月31日	—
		<hr/>
At 31 December 2018	於2018年12月31日	518,008
		<hr/>

The amortisation charge for the year is included in "general and administrative expenses" in the consolidated income statement.

年度攤銷開支於綜合收益表計入「一般及行政開支」。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 13 BIOLOGICAL ASSETS

#### (a) Reconciliation of carrying amount

The Group cultivates certain agricultural plants, mainly including landscape flowers, seedlings and trees, which are sold to customers after harvested. These plants are generally harvested between 6 to 60 months after plantation.

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
At 1 January	於1月1日	236,724	159,311
Addition due to purchases	因購買而增加	66,099	87,539
Decrease due to sales	因銷售而減少	(26,231)	(22,105)
Change in fair value less cost to sell	公平值變動減銷售成本	11,400	11,979
At 31 December	於12月31日	287,992	236,724
Representing:	指:		
Non-current	非流動	245,349	203,946
Current	流動	42,643	32,778
		287,992	236,724

#### (b) Measurement of fair value

##### (i) Fair value hierarchy

The fair value measurements of the Group's biological assets have been categorised as Level 2 fair values based on observable market sales data.

##### (ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the Group's biological assets is determined using market comparison approach by reference to recent sales price of comparable plants with market data which is publicly available.

### 13 生物資產

#### (a) 賬面值對賬

本集團培育若干農作物，主要包括景觀花卉、秧苗及樹木，收穫後賣予客戶。該等植物一般於栽培後6至60個月內收穫。

#### (b) 公平值計量

##### (i) 公平值層級

本集團生物資產的公平值計量已根據可觀察市場銷售數據分類為第二級公平值。

##### (ii) 第二級公平值計量所用的估值方法及輸入數據

本集團生物資產的公平值乃經參考有關可資比較植物近期售價的公開可得市場數據後，採用市場比較法釐定。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

### 14 於附屬公司的投資

下表僅包含對本集團業績、資產或負債有重大影響的附屬公司詳情。除另有指明外，持有的股份類別為普通股。

Name of company 公司名稱	Place of incorporation and business 註冊成立及經營地點	Particulars of issued and paid up capital and debt securities 已發行及繳足股本及債務證券詳情	Proportion of ownership interest 擁有權權益比例		Principal activities 主要業務	Legal form 法定形式
			Held by the Company 本公司持有	Held by a subsidiary 附屬公司持有		
Central China Real Estate Group (China) Company Limited 建業住宅集團(中國)有限公司	Henan, the PRC 中國河南	RMB2,360,000,000 人民幣2,360,000,000元	—	100%	Property development 房地產開發	Wholly owned foreign enterprise 外商獨資企業
Jiaozuo Central China Real Estate Company Limited 河南建業置地焦作有限公司	Henan, the PRC 中國河南	RMB35,000,000 人民幣35,000,000元	—	100%	Property development 房地產開發	Wholly owned foreign enterprise 外商獨資企業
Puyang Central China Real Estate Company Limited 濮陽建業住宅建設有限公司	Henan, the PRC 中國河南	RMB145,500,000 人民幣145,500,000元	—	100%	Property development 房地產開發	Limited liability company 有限責任公司
Zhumadian Central China Real Estate Company Limited 駐馬店建業住宅建設有限公司	Henan, the PRC 中國河南	RMB37,577,000 人民幣37,577,000元	—	100%	Property development 房地產開發	Limited liability company 有限責任公司
Xuchang Central China Real Estate Company Limited 許昌建業住宅建設有限公司	Henan, the PRC 中國河南	RMB57,000,000 人民幣57,000,000元	—	72%	Property development 房地產開發	Foreign-invested enterprise 外商投資企業
Central China Real Estate (Luoyang) Company Limited 建業住宅集團洛陽置業有限公司	Henan, the PRC 中國河南	RMB863,900,000 人民幣863,900,000元	—	100%	Property development 房地產開發	Wholly owned foreign enterprise 外商獨資企業
Luohe Central China Real Estate Company Limited 漯河建業住宅建設有限公司	Henan, the PRC 中國河南	RMB30,000,000 人民幣30,000,000元	—	100%	Property development 房地產開發	Wholly owned foreign enterprise 外商獨資企業
Kaifeng Central China Real Estate Company Limited 開封建業地產有限公司	Henan, the PRC 中國河南	RMB100,000,000 人民幣100,000,000元	—	100%	Property development 房地產開發	Limited liability company 有限責任公司
Henan St. Andrews Real Estate Company Limited 河南聖安德魯斯置業有限公司	Henan, the PRC 中國河南	RMB8,000,000 人民幣8,000,000元	—	60%	Property development 房地產開發	Limited liability company 有限責任公司
Henan Zhongyuan Central China City Development Co., Ltd 河南中原建業城市發展有限公司	Henan, the PRC 中國河南	RMB150,000,000 人民幣150,000,000元	—	100%	Property development 房地產開發	Limited liability company 有限責任公司
Central China New Land Henan, the PRC (Henan) Real Estate Company Limited 河南建業恒新置業有限公司	Henan, the PRC 中國河南	RMB220,000,000 人民幣220,000,000元	—	100%	Property development 房地產開發	Limited liability company 有限責任公司
Central China Real Estate (Zhengzhou) Company Limited 鄭州建業住宅建設有限公司	Henan, the PRC 中國河南	RMB65,000,000 人民幣65,000,000元	—	51%	Property development 房地產開發	Limited liability company 有限責任公司
Universal Food City Development (Henan) Co., Ltd 河南建業環球美食城置業有限公司	Henan, the PRC 中國河南	RMB353,200,000 人民幣353,200,000元	—	100%	Property development 房地產開發	Limited liability company 有限責任公司
Central China Real Estate Gold Dragon Company Limited 新鄉建業金龍置業有限公司	Henan, the PRC 中國河南	RMB190,000,000 人民幣190,000,000元	—	100%	Property development 房地產開發	Limited liability company 有限責任公司

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 14 INVESTMENTS IN SUBSIDIARIES (continued)

### 14 於附屬公司的投資 (續)

Name of company 公司名稱	Place of incorporation and business 註冊成立及經營地點	Particulars of issued and paid up capital and debt securities 已發行及繳足股本及債務證券詳情	Proportion of ownership interest 擁有權權益比例		Principal activities 主要業務	Legal form 法定形式
			Held by the Company 本公司持有	Held by a subsidiary 附屬公司持有		
Central China Real Estate Nanyang Company Limited 建業住宅集團南陽置業有限公司	Henan, the PRC 中國河南	RMB579,590,000 人民幣579,590,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Central Chian Real Estate Group (Sanmenxia) Company Limited 建業住宅集團(三門峽)置業有限公司	Henan, the PRC 中國河南	RMB155,000,000 人民幣155,000,000元	–	100%	Property development 房地產開發	Wholly owned foreign enterprise 外商獨資企業
Central China Real Estate Xinxiang Jili Company Limited 新鄉建業吉利置業有限公司	Henan, the PRC 中國河南	RMB60,000,000 人民幣60,000,000元	–	60%	Property development 房地產開發	Limited liability company 有限責任公司
Central China Real Estate Wugang Company Limited 舞鋼建業城市建設有限公司	Henan, the PRC 中國河南	RMB100,000,000 人民幣100,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Zhengzhou Central China Tianming Real Estate Company Limited 信陽建業天明住宅建設有限公司	Henan, the PRC 中國河南	RMB1,500,000,000 人民幣1,500,000,000元	–	100%	Property development 房地產開發	Foreign-invested enterprise 外商投資企業
Henan Central China Union Real Estate Company Limited 河南建業聯盟置業有限公司	Henan, the PRC 中國河南	RMB960,000,000 人民幣960,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Hebi Central China Real Estate Zhiye Company Limited 鶴壁建業置業有限公司	Henan, the PRC 中國河南	RMB50,000,000 人民幣50,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Huaiyang Central China Real Estate Limited 淮陽建業城市建設有限公司	Henan, the PRC 中國河南	RMB200,000,000 人民幣200,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Tangyin Central China City Development Company Limited 湯陰建業城市建設有限公司	Henan, the PRC 中國河南	RMB80,000,000 人民幣80,000,000元	–	55%	Property development 房地產開發	Limited liability company 有限責任公司
Puyang Jianye City Development Company Limited 濮陽建業城市建設有限公司	Henan, the PRC 中國河南	RMB820,000,000 人民幣820,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Suiping Central China City Development Company Limited 遂平建業城市建設有限公司	Henan, the PRC 中國河南	RMB50,000,000 人民幣50,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Yanshi Central China City Construction Company Limited 偃師建業城市建設有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Anyang Central China City Development Company Limited 安陽建業城市發展有限公司	Henan, the PRC 中國河南	RMB100,000,000 人民幣100,000,000元	–	55%	Property development 房地產開發	Limited liability company 有限責任公司
Anyang Central China City Construction Company Limited 安陽建業城市建設有限公司	Henan, the PRC 中國河南	RMB130,000,000 人民幣130,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Pingdingshan Central China City Development Company Limited 平頂山建業城市發展有限公司	Henan, the PRC 中國河南	RMB50,000,000 人民幣50,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 14 INVESTMENTS IN SUBSIDIARIES (continued)

### 14 於附屬公司的投資 (續)

Name of company 公司名稱	Place of incorporation and business 註冊成立及經營地點	Particulars of issued and paid up capital and debt securities 已發行及繳足股本及債務證券詳情	Proportion of ownership interest 擁有權益比例		Principal activities 主要業務	Legal form 法定形式
			Held by the Company 本公司持有	Held by a subsidiary 附屬公司持有		
Gongyi New Town Real Estate Company Limited 鞏義新城置業有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	–	99%	Property development 房地產開發	Limited liability company 有限責任公司
Xinxiang Central China City Construction Company Limited 新鄉市建業城市建設有限公司	Henan, the PRC 中國河南	RMB100,000,000 人民幣100,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Luyi Mingdao City Investment Construction Company Limited 鹿邑縣明道城投資建設有限公司	Henan, the PRC 中國河南	RMB30,000,000 人民幣30,000,000元	–	81%	Property development 房地產開發	Limited liability company 有限責任公司
Kaifeng Luda Real Estate Company Limited 開封市路達置業有限公司	Henan, the PRC 中國河南	RMB100,000,000 人民幣100,000,000元	–	51%	Property development 房地產開發	Limited liability company 有限責任公司
Huaxian Central China City Development Company Limited 滑縣建業城市發展有限公司	Henan, the PRC 中國河南	RMB30,000,000 人民幣30,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Zhumadian City Chun Cheng Properties Co., Ltd. 駐馬店市春城置業有限公司	Henan, the PRC 中國河南	RMB20,400,000 人民幣20,400,000元	–	31%	Property development 房地產開發	Limited liability company 有限責任公司
Henan Shanhao Real Estate Development Company Limited 河南杉浩房地產開發有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Yongcheng Jiandong Zhiye Company Limited 永城建東置業有限公司	Henan, the PRC 中國河南	RMB100,000,000 人民幣100,000,000元	–	90%	Property development 房地產開發	Limited liability company 有限責任公司
Xuchang Cheer World Real Estate Development Co., Ltd. 許昌置騰房地產開發有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	–	92%	Property development 房地產開發	Limited liability company 有限責任公司
Nanyang Hesheng Properties Co., Ltd. 南陽合盛置業有限公司	Henan, the PRC 中國河南	RMB840,000 人民幣840,000元	–	51%	Property development 房地產開發	Limited liability company 有限責任公司
Yuzhou Cheer World Construction Co., Ltd. 禹州置騰建設開發有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	–	92%	Property development 房地產開發	Limited liability company 有限責任公司
Dengfeng Cheer World Properties Co., Ltd. 登封置騰置業有限公司	Henan, the PRC 中國河南	RMB9,900,000 人民幣9,900,000元	–	99%	Property development 房地產開發	Limited liability company 有限責任公司
Shenqiu County Cheer World Properties Co., Ltd. 沈丘縣置騰置業有限公司	Henan, the PRC 中國河南	RMB30,000,000 人民幣30,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Xincai Jiandong City Construction Co., Ltd. 新蔡建東城市建設有限公司	Henan, the PRC 中國河南	RMB10,000,000 人民幣10,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 14 INVESTMENTS IN SUBSIDIARIES (continued)

### 14 於附屬公司的投資 (續)

Name of company 公司名稱	Place of incorporation and business 註冊成立及經營地點	Particulars of issued and paid up capital and debt securities 已發行及繳足股本及債務證券詳情	Proportion of ownership interest 擁有權權益比例		Principal activities 主要業務	Legal form 法定形式
			Held by the Company 本公司持有	Held by a subsidiary 附屬公司持有		
Shangqiu Hongda Enterprises Co., Ltd. 商丘宏大實業有限公司	Henan, the PRC 中國河南	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 房地產開發	Limited liability company 有限責任公司
Gushi Jianhe Properties Co., Ltd. 固始建和置業有限公司	Henan, the PRC 中國河南	RMB10,000,000 人民幣10,000,000元	—	51%	Property development 房地產開發	Limited liability company 有限責任公司
Shangqiu Xindu Properties Co., Ltd. 商丘新都置業有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	—	100%	Property development 房地產開發	Limited liability company 有限責任公司
Jiaozuo Shihefu Properties Co., Ltd. 焦作世和府置業有限公司	Henan, the PRC 中國河南	RMB10,000,000 人民幣10,000,000元	—	100%	Property development 房地產開發	Limited liability company 有限責任公司
Puyang Cheer World Industrial Co., Ltd. 濮陽置騰實業有限公司	Henan, the PRC 中國河南	—	—	100%	Property development 房地產開發	Limited liability company 有限責任公司
Henan Central China Real Estate Plaza Real Estate Co., Ltd. 河南建業置地廣場置業有限公司	Henan, the PRC 中國河南	RMB30,000,000 人民幣30,000,000元	—	55%	Property development 房地產開發	Limited liability company 有限責任公司
Pingyu Jiandong Properties Co., Ltd. 平輿建東置業有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	—	100%	Property development 房地產開發	Limited liability company 有限責任公司
Zhengyang County Jiandong Properties Co., Ltd. 正陽縣建東置業有限公司	Henan, the PRC 中國河南	—	—	35%	Property development 房地產開發	Limited liability company 有限責任公司
Shangqiu Jinshengyuan Industrial Co. Ltd. 商丘金盛源實業有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	—	51%	Property development 房地產開發	Limited liability company 有限責任公司
Runan Jiandong Properties Co., Ltd. 汝南建東置業有限公司	Henan, the PRC 中國河南	RMB10,000,000 人民幣10,000,000元	—	55%	Property development 房地產開發	Limited liability company 有限責任公司
Zhumadian Jianhua Properties Co., Ltd. 駐馬店建華置業有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	—	52%	Property development 房地產開發	Limited liability company 有限責任公司
Sanmenxia Shihe Property Co., Ltd. 三門峽世和置業有限公司	Henan, the PRC 中國河南	RMB50,000,000 人民幣50,000,000元	—	99%	Property development 房地產開發	Limited liability company 有限責任公司
Luoyang Zhuzong Yutai Real Estate Development Co., Ltd. 洛陽住總宇泰房地產開發有限公司	Henan, the PRC 中國河南	RMB50,000,000 人民幣50,000,000元	—	100%	Property development 房地產開發	Limited liability company 有限責任公司

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 14 INVESTMENTS IN SUBSIDIARIES (continued)

### 14 於附屬公司的投資 (續)

Name of company 公司名稱	Place of incorporation and business 註冊成立及經營地點	Particulars of issued and paid up capital and debt securities 已發行及繳足股本及債務證券詳情	Proportion of ownership interest 擁有權益比例		Principal activities 主要業務	Legal form 法定形式
			Held by the Company 本公司持有	Held by a subsidiary 附屬公司持有		
Luoyang Guotai Meijule Properties Co., Ltd. 洛陽國泰美居置業有限公司	Henan, the PRC 中國河南	RMB100,000,000 人民幣100,000,000元	–	61%	Property development 房地產開發	Limited liability company 有限責任公司
Ruzhou City Cheer World Real Estate Development Co., Ltd. 汝州市置騰房地產開發有限公司	Henan, the PRC 中國河南	RMB10,000,000 人民幣10,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Anyang Jianbang Real Estate Development Co., Ltd. 安陽建邦房地產開發有限公司	Henan, the PRC 中國河南	RMB50,000,000 人民幣50,000,000元	–	55%	Property development 房地產開發	Limited liability company 有限責任公司
Lankao Cheer World Real Estate Development Co., Ltd. 蘭考置騰房地產開發有限公司	Henan, the PRC 中國河南	RMB10,000,000 人民幣10,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Luoyang Zunfu Real Estate Company Limited 洛陽尊府置業有限公司	Henan, the PRC 中國河南	RMB50,000,000 人民幣50,000,000元	–	99%	Property development 房地產開發	Limited liability company 有限責任公司
Lushi Lingchuang Real Estate Company Limited 盧氏領創置業有限公司	Henan, the PRC 中國河南	–	–	20%	Property development 房地產開發	Limited liability company 有限責任公司
Pingdingshan Jingde Real Estate Development Company Limited 平頂山靜德房地產開發有限公司	Henan, the PRC 中國河南	RMB460,000,000 人民幣460,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Shangqiu Jianxing Real Estate Company Limited 商丘建星置業有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	–	70%	Property development 房地產開發	Limited liability company 有限責任公司
Huixian Zhiteng Real Estate Development Company Limited 輝縣市置騰房地產開發有限公司	Henan, the PRC 中國河南	RMB10,000,000 人民幣10,000,000元	–	99%	Property development 房地產開發	Limited liability company 有限責任公司
Jiyuan Huling Jingkai Real Estate Company Limited 濟源市虎嶺經開置業有限公司	Henan, the PRC 中國河南	RMB30,000,000 人民幣30,000,000元	–	50%	Property development 房地產開發	Limited liability company 有限責任公司
Henan Central China Shihefu Real Estate Company Limited 河南建業世和府置業有限公司	Henan, the PRC 中國河南	RMB30,000,000 人民幣30,000,000元	–	51%	Property development 房地產開發	Limited liability company 有限責任公司
Xuchang Jianteng Real Estate Company Limited 許昌建騰置業有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Jiyuan Jianteng Real Estate Development Company Limited 濟源建騰房地產開發有限公司	Henan, the PRC 中國河南	RMB50,000,000 人民幣50,000,000元	–	78%	Property development 房地產開發	Limited liability company 有限責任公司

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 14 INVESTMENTS IN SUBSIDIARIES (continued)

### 14 於附屬公司的投資 (續)

Name of company 公司名稱	Place of incorporation and business 註冊成立及經營地點	Particulars of issued and paid up capital and debt securities 已發行及繳足股本及債務證券詳情	Proportion of ownership interest 擁有權權益比例		Principal activities 主要業務	Legal form 法定形式
			Held by the Company 本公司持有	Held by a subsidiary 附屬公司持有		
Kaifeng Dingju Real Estate Company Limited 開封鼎居置業有限公司	Henan, the PRC 中國河南	RMB50,000 人民幣50,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Changyuan Jianteng Real Estate Co., Ltd 長垣市建騰置業有限公司	Henan, the PRC 中國河南	RMB10,000,000 人民幣10,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Xinxiang Jiantou Real Estate Company Limited 新鄉市建投置業有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	–	70%	Property development 房地產開發	Limited liability company 有限責任公司
Xihua Jianzhi Real Estate Development Company Limited 西華縣建置房地產開發有限公司	Henan, the PRC 中國河南	RMB18,515,000 人民幣18,515,000元	–	51%	Property development 房地產開發	Limited liability company 有限責任公司
Changge Jianzhi Real Estate Development Company Limited 長葛市建置房地產開發有限公司	Henan, the PRC 中國河南	RMB16,000,000 人民幣16,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Luoyang Yuanwang Real Estate Company Limited 洛陽院望置業有限公司	Henan, the PRC 中國河南	RMB10,000,000 人民幣10,000,000元	–	99%	Property development 房地產開發	Limited liability company 有限責任公司
Hebi Jianqi Real Estate Development Co., Ltd 鶴壁建淇房地產開發有限公司	Henan, the PRC 中國河南	–	–	51%	Property development 房地產開發	Limited liability company 有限責任公司
Puyang Jianhe Real Estate Development Company Limited 濮陽建業城市發展有限公司	Henan, the PRC 中國河南	RMB30,000,000 人民幣30,000,000元	–	51%	Property development 房地產開發	Limited liability company 有限責任公司
Zhengzhou Jiangang Real Estate Company Limited 鄭州建港置業有限公司	Henan, the PRC 中國河南	RMB30,000,000 人民幣30,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Tengye Real Estate (Xiangcheng) Company Limited 項城市騰業置業有限公司	Henan, the PRC 中國河南	RMB30,000,000 人民幣30,000,000元	–	51%	Property development 房地產開發	Limited liability company 有限責任公司
Luoyang Dongwang Real Estate Co., Ltd 洛陽冬旺置業有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	–	50%	Property development 房地產開發	Limited liability company 有限責任公司
Yuzhou Jianxiang Real Estate Development Co., Ltd 禹州市建翔房地產開發有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	–	60%	Property development 房地產開發	Limited liability company 有限責任公司
Zhengzhou Jianling Real Estate Co., Ltd 鄭州建領置業有限公司	Henan, the PRC 中國河南	RMB50,000,000 人民幣50,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 14 INVESTMENTS IN SUBSIDIARIES (continued)

### 14 於附屬公司的投資 (續)

Name of company 公司名稱	Place of incorporation and business 註冊成立及經營地點	Particulars of issued and paid up capital and debt securities 已發行及繳足股本及債務證券詳情	Proportion of ownership interest 擁有權權益比例		Principal activities 主要業務	Legal form 法定形式
			Held by the Company 本公司持有	Held by a subsidiary 附屬公司持有		
Anyang Jianda Real Estate Development Co., Ltd 安陽建達房地產開發有限公司	Henan, the PRC 中國河南	–	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Kaifeng Zhida Real Estate Development Co., Ltd 開封置達房地產開發有限公司	Henan, the PRC 中國河南	RMB50,000,000 人民幣50,000,000元	–	51%	Property development 房地產開發	Limited liability company 有限責任公司
Zhoukou Jianyuan Real Estate Co., Ltd 周口市建遠置業有限公司	Henan, the PRC 中國河南	RMB30,000,000 人民幣30,000,000元	–	51%	Property development 房地產開發	Limited liability company 有限責任公司
Xuchang Construction Investment Real Estate Development Co., Ltd 許昌建投置業房地產開發有限公司	Henan, the PRC 中國河南	RMB16,000,000 人民幣16,000,000元	–	70%	Property development 房地產開發	Limited liability company 有限責任公司
Shangqiu Xinhang Real Estate Co., Ltd 商丘市新航置業有限公司	Henan, the PRC 中國河南	RMB30,000,000 人民幣30,000,000元	–	34%	Property development 房地產開發	Limited liability company 有限責任公司
Shangqiu Jianheng Real Estate Co., Ltd 商丘建恒置業有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	–	99%	Property development 房地產開發	Limited liability company 有限責任公司
Huixian Guixin Real Estate Development Co., Ltd 輝縣市桂鑫房地產開發有限公司	Henan, the PRC 中國河南	RMB10,000,000 人民幣10,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Nanyang Wansheng Real Estate Co., Ltd 南陽宛勝房地產開發有限公司	Henan, the PRC 中國河南	RMB10,000,000 人民幣10,000,000元	–	100%	Property development 房地產開發	Limited liability company 有限責任公司
Henan bailihui Industry Co., Ltd 河南百力匯置業有限公司	Henan, the PRC 中國河南	RMB490,000,000 人民幣490,000,000元	–	51%	Property development 房地產開發	Limited liability company 有限責任公司

*Note:* The English names of the above subsidiaries in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

*附註：* 上述中國附屬公司的英文名稱僅由管理層就該等財務報表目的而翻譯，原因是並無登記或不可獲得英文名稱。

\* KPMG are not statutory auditors of these subsidiaries.

\* 畢馬威會計師事務所並非該等附屬公司的法定核數師。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 14 INVESTMENTS IN SUBSIDIARIES (continued)

The following table lists out the information relating to a subsidiary of the Group which has material non-controlling interest (NCI). The summarised financial statements are as below:

### 14 於附屬公司的投資 (續)

下表載列本集團擁有重大非控股權益 (非控股權益) 的一家附屬公司資料。有關財務報表概述如下：

<b>Henan Bailihui Industrial Co., Ltd. #</b> <b>2019</b> <b>2019年</b> <b>河南百力匯實業有限公司#</b> <b>RMB'000</b> <b>人民幣千元</b>		
NCI percentage	非控股權益百分比	49%
Current assets	流動資產	1,807,828
Non-current assets	非流動資產	631
Current liabilities	流動負債	(1,326,463)
Non-current liabilities	非流動負債	—
Net assets	資產淨值	481,996
Carrying amount of NCI	非控股權益賬面值	399,981
Revenue	收益	—
Profit for the year	年度溢利	(3,808)
Total comprehensive income	全面收益總額	(3,808)
Profit allocated to NCI	分配至非控股權益溢利	(1,866)
Dividend paid to NCI	已付非控股權益股息	—
Cash flows from operating activities	經營活動所得現金流量	(1,175,526)
Cash flows from investing activities	投資活動所得現金流量	(287)
Cash flows from financing activities	融資活動所得現金流量	1,226,398

# The subsidiary was acquired by the Group during the year ended 31 December 2019.

# 該附屬公司於截至2019年12月31日止年度由本集團收購。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 15 INTERESTS IN ASSOCIATES

### 15 於聯營公司的權益

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Share of net assets	分佔資產淨值	249,149	202,462
Amounts due from associates	應收聯營公司款項	61,369	247,451
		<b>310,518</b>	449,913

Amounts due from associates are interest-free, unsecured and have no fixed terms of repayment, and are expected to be recovered after more than one year.

應收聯營公司款項為免息、無抵押及無固定還款期，並預期將於超過一年後收回。

Management considers that none of the associates of the Group have a significant impact to the financial position and performance of the Group individually.

管理層認為本集團的聯營公司個別不會對本集團的財務狀況及表現造成重大影響。

Aggregate information of associates is as below:

聯營公司的匯總資料如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
- Aggregate share of net assets of associates	- 分佔聯營公司資產淨值總額	249,149	202,462
- Aggregate amount due from associates	- 應收聯營公司款項總額	61,369	247,451
<b>Aggregate carrying amount of associates in the consolidated financial statements</b>	<b>於綜合財務報表聯營公司總賬面值</b>	<b>310,518</b>	449,913
<b>Aggregate amounts of the Group's share of those associates'</b>	<b>本集團所佔該等聯營公司的總額</b>		
Loss from continuing operations	來自持續經營業務之虧損	(33,918)	(17,905)
Total comprehensive income	全面收益總額	(33,918)	(17,905)



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 16 INTERESTS IN JOINT VENTURES

### 16 於合營企業的權益

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Share of net assets	分佔資產淨值	2,467,155	2,879,212
Amounts due from joint ventures	應收合營企業款項	7,066,757	7,036,119
		<b>9,533,912</b>	<b>9,915,331</b>

Amounts due from joint ventures included amount of RMB796,209,000 (2018: RMB607,378,000) which are interest-bearing at 8%-12% per annum, unsecured and have no fixed terms of payment. The remaining amounts due from joint ventures are unsecured, interest-free and have no fixed terms of payment. They are expected to be recovered after more than one year.

As at 31 December 2019, the Group's interest in a joint venture with carrying amount of RMB16,000,000 (2018: RMB66,858,000) was pledged against the Group's bank loan (see note 25).

應收合營企業款項人民幣796,209,000元(2018年:人民幣607,378,000元)為按年利率8%至12%計息、無抵押及無固定還款期。應收合營企業款項餘額為無抵押、免息及無固定還款期。並預期將於超過一年後收回。

於2019年12月31日,本集團於合營企業之權益賬面值人民幣16,000,000元(2018年:人民幣66,858,000元),作為本集團銀行貸款之抵押(見附註25)。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 16 INTERESTS IN JOINT VENTURES (continued)

The following list contains only the particulars of material joint ventures, all of which are unlisted corporate entities whose quoted market price is not available:

Name of company 公司名稱	Place of incorporation and business 註冊成立及經營地點	Registered capital 註冊資本	Proportion of ownership interest 所持權益比例		Principal activities 主要業務	Legal form 法定形式
			Held by the Company 本公司持有	Held by a subsidiary 附屬公司持有		
Henan Central China Taihong Real Estate Limited 河南建業泰宏置業有限公司	Henan, the PRC 中國河南	RMB231,020,000 人民幣231,020,000元	–	51.00%	Property development 房地產開發	Limited company 有限責任公司
Henan Cental China Fujia Investment Company Limited 河南建業富居投資有限公司	Henan, the PRC 中國河南	RMB100,000,000 人民幣100,000,000元	–	45.00%	Property development 房地產開發	Limited company 有限責任公司
Zhengzhou Anyong Properties Limited 鄭州安永置業有限公司	Henan, the PRC 中國河南	RMB20,000,000 人民幣20,000,000元	–	80.00%	Property development 房地產開發	Limited company 有限責任公司

*Note:* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English name has been registered or available.

The above joint ventures strengthen the Group's property development business in Henan, the PRC. All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

### 16 於合營企業的權益 (續)

下表僅載列重大合營企業的詳情，全部為非上市企業實體，無法取得其市場報價：

附註：上述中國公司的英文名稱僅由管理層就該等財務報表目的而翻譯，原因是並無登記或不可獲得英文名稱。

上述合營企業強化本集團於中國河南的房地產開發業務。所有上述合營企業均按權益法於綜合財務報表入賬。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 16 INTERESTS IN JOINT VENTURES (continued)

Summarised financial information of material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

### 16 於合營企業的權益 (續)

重大合營企業的財務資料概要 (已就會計政策的任何差額作出調整) 及與綜合財務報表的賬面值對賬披露如下:

		Henan Central China Taihong Real Estate Limited 河南建業泰宏置業有限公司		Henan Central China Fuju Investment Company Limited 河南建業富居投資有限公司		Zhengzhou Anyong Properties Limited 鄭州安永置業有限公司	
		2019 RMB'000 人民幣千元	2018 RMB'000 人民幣千元	2019 RMB'000 人民幣千元	2018 RMB'000 人民幣千元	2019 RMB'000 人民幣千元	2018 RMB'000 人民幣千元
<b>Gross amounts of joint ventures</b>	<b>合營企業總額</b>						
Current assets	流動資產	5,043,216	5,117,000	10,651,214	9,649,934	1,368,626	1,613,619
Non-current assets	非流動資產	131,846	136,689	86,145	104,986	13,613	544
Current liabilities	流動負債	(4,342,761)	(4,192,717)	(9,879,962)	(7,241,830)	(1,500,595)	(1,105,954)
Non-current liabilities	非流動負債	(444,000)	(745,551)	(728,302)	(2,513,090)	-	-
Equity	權益	388,301	315,421	129,095	-	479,043	508,209
Included in the above assets and liabilities:	已計入上述資產及負債:						
Cash and cash equivalents	現金及現金等價物	172,941	134,679	554,211	603,711	2,588	275
Current financial liabilities (excluding trade and other payables and provisions)	流動金融負債 (不包括貿易及其他應付款項以及撥備)	(195,000)	(80,800)	-	-	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	非流動金融負債 (不包括貿易及其他應付款項以及撥備)	(444,000)	(745,551)	(719,650)	(2,513,090)	-	-
Revenue	收益	1,715,140	2,268,185	2,439,834	2,245,543	-	-
(Loss)/profit from continuing operations	來自持續經營業務之 (虧損)/溢利	272,800	302,622	156,961	(27,867)	(29,166)	(17,078)
Total comprehensive income	全面收入總額	272,800	302,622	156,961	(27,867)	(29,166)	(17,078)
Dividend received from the joint ventures	來自合營企業的已收股息	102,000	132,600	-	-	-	-
Included in the above (loss)/profit:	已計入上述 (虧損)/溢利:						
Depreciation and amortisation	折舊及攤銷	(1,472)	(1,579)	(762)	(830)	(298)	(178)
Interest income	利息收入	5,816	4,886	108	2,927	27	31
Interest expense	利息開支	-	-	(13)	(38)	(21)	(11,611)
Income tax expense	所得稅開支	(64,097)	(99,859)	(115,643)	(99,336)	(7,294)	(1,586)
<b>Reconciled to the Group's interest in joint ventures</b>	<b>與本集團於合營企業權益對賬</b>						
Gross amounts of net assets of the joint ventures	合營企業資產淨值總額	388,301	315,421	156,961	-	479,043	508,209
Group's effective interest	本集團實際權益	51.00%	51.00%	45.00%	45.00%	80.00%	80.00%
Group's share of net assets of the joint ventures	本集團分佔該合營企業的資產淨值	198,034	160,865	58,093	-	383,235	406,567
Amount due from joint ventures	應收合營企業款項	-	-	2,347,812	1,481,498	1,103,180	1,085,715
Carrying amount in the consolidated financial statements	於綜合財務報表的賬面值	198,034	160,865	2,405,905	1,481,498	1,486,415	1,492,282

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 16 INTERESTS IN JOINT VENTURES (continued)

Aggregate information of joint ventures that are not individually material:

### 16 於合營企業的權益 (續)

並非個別重大之合營企業的匯總資料：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
- Aggregate share of net assets of individually immaterial joint ventures	— 分佔非個別重大合營企業總資產淨值	1,827,793	2,311,780
- Aggregate amount due from individually immaterial joint ventures	— 應收非個別重大合營企業款項總額	3,615,765	4,468,906
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	於綜合財務報表非個別重大合營企業之總賬面值	5,443,558	6,780,686
<b>Aggregate amounts of the Group's share of those joint ventures'</b>	<b>本集團分佔該等合營企業之總額</b>		
Loss from continuing operations	來自持續經營業務之虧損	(8,560)	(112,497)
Total comprehensive income	全面收益總額	(8,560)	(112,497)

#### (a) Disposal of a joint venture

During the year ended 31 December 2019, the Group entered into an equity transfer agreement with the joint venturer to dispose its 50.31% equity interest with a carrying amount of RMB26,168,000 at total consideration of RMB527,400,000, which will be paid by instalment before May 2021. A net gain of RMB441,240,000 recognised in profit or loss represented the difference between the present value of consideration to be received and net book value of the joint venture.

#### (a) 出售一家合營企業

截至2019年12月31日止年度，本集團與合營企業訂立股權轉讓協議，以總代價人民幣527,400,000元出售其賬面值為人民幣26,168,000元的50.31%的股權，該代價將於2021年5月前分期支付。於損益確認的收益淨額人民幣441,240,000元為應收代價現值與合營企業的賬面淨值之間的差額。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 16 INTERESTS IN JOINT VENTURES (continued)

#### (b) Deemed disposal of joint ventures in step acquisitions

During the year ended 31 December 2019, the Group entered into equity transfer agreements with respective joint venturers to acquire additional equity interest. Upon completion of the above transactions, these joint ventures became subsidiaries of the Group.

The net gain of RMB425,729,000 on deemed disposals of these joint ventures was recognised in profit or loss, by remeasuring the Group's previously held equity interests in these entities with carrying amount of RMB1,570,497,000, at fair value of RMB1,996,226,000 on the acquisition date.

### 16 於合營企業的權益 (續)

#### (b) 視作按分步收購方式出售合營企業

截至2019年12月31日止年度，本集團與各合營企業訂立股權轉讓協議以收購額外股權。上述交易完成後，該等合營企業成為本集團的附屬公司。

視作出售該等合營企業的收益淨額為人民幣425,729,000元，透過重新計量本集團先前於收購日期按公平值人民幣1,996,226,000元於該等實體持有的股權賬面值人民幣1,570,497,000元於損益確認。

### 17 OTHER FINANCIAL ASSETS

### 17 其他金融資產

		Note	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Equity securities	權益證券	(i)	590,160	602,333
Units in funds	基金單位	(ii)	473,177	—
Financial assets measured at amortised cost	以攤銷成本計量的金融資產	(iii)	362,234	49,532
			1,425,571	651,865

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 17 OTHER FINANCIAL ASSETS (continued)

Note:

- (i) The equity securities mainly represented equity investments in various investment fund companies and investment holding companies in which the Group does not have significant influence. The Group designated its investment in these entities at FVOCI (non-recycling), as these investments are held for strategic purposes. Dividends of RMB2,990,000 were received on these investments during the year (2018: RMB3,000,000).
- (ii) Units in funds mainly represented investment in private funds recognised at FVPL.
- (iii) Financial assets measured at amortised cost mainly represented long-term receivables due from disposal of a joint venture (note 16(a)).

### 18 TRADING SECURITIES

### 17 其他金融資產 (續)

附註：

- (i) 權益證券主要指於本集團並無重大影響力的不同投資基金公司及投資控股公司的股本投資。本集團指定其於該等實體的投資為按公平值計入其他全面收益（不可轉回），乃因該等投資為策略目的而持有。年內本集團已自該等投資收取股息人民幣2,990,000元（2018年：人民幣3,000,000元）。
- (ii) 基金單位主要指投資於按公平值計入損益確認的私人基金。
- (iii) 按攤銷成本計量的金融資產主要指應收出售一家合營企業的長期應收款項（附註16(a)）。

### 18 交易性證券

		2019	2018
		2019年	2018年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Listed equity securities	上市股本證券		
– in Hong Kong	– 在香港	70,596	82,775



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 19 INVENTORIES AND OTHER CONTRACT COSTS

### 19 存貨及其他合約成本

		Note	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Inventories	存貨			
– Properties held for future development and under development for sale	– 持作未來開發及在建待售物業		65,235,041	46,628,504
– Completed properties held for sale	– 持作待售的已竣工物業		4,523,557	3,570,986
– Others	– 其他		14,246	3,369
			69,772,844	50,202,859
Other contract costs	其他合約成本	(d)	219,710	113,120
			69,992,554	50,315,979

(a) The analysis of the amount of properties for sale recognised as an expense and included in profit or loss is as follows:

(a) 於損益表入賬確認為開支的待售物業金額分析如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Carrying amount of inventories sold	已售存貨賬面值	22,322,081	9,415,270
Write down of inventories	存貨撇減金額	68,539	21,180
Reversal of write-down of inventories	撥回存貨撇減金額	–	(909)
		22,390,620	9,435,541

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 19 INVENTORIES AND OTHER CONTRACT COSTS (continued)

#### (a) (continued)

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of inventories as a result of a change in market price.

The amount of properties for future development and under development expected to be recovered after more than one year is RMB31,733,389,000 (2018: RMB30,615,760,000). All of the other inventories are expected to be recovered within one year.

- (b) The analysis of carrying value of leasehold land held for property development for sale is as follows:

In the PRC, with remaining lease term of:

– long leases                      一長期租賃

– medium-term leases              一中期租賃

At 31 December 2019, the Group's properties for sale of RMB3,373,648,000 (2018: RMB449,954,000) were pledged as securities for joint ventures' loan.

### 19 存貨及其他合約成本 (續)

#### (a) (續)

由於市價變動令存貨的估計可變現淨值增加，本公司撥回過往年度存貨撇減金額。

未來可供發展及發展中物業預期將於一年後收回的金額為人民幣31,733,389,000元（2018年：人民幣30,615,760,000元）。所有其他存貨預期將於一年內收回。

- (b) 持作開發待售物業的租賃土地賬面值分析如下：

2019	2018
2019年	2018年
RMB'000	RMB'000
人民幣千元	人民幣千元

29,944,770	18,270,173
4,052,313	4,567,544

33,997,083	22,837,717
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- (c) 本集團若干待售物業已抵押作為本集團的銀行借款和其他借款的抵押品。詳情載於附註25及附註26。

於2019年12月31日，本集團的待售物業人民幣3,373,648,000元（2018年：人民幣449,954,000元）已抵押作為合營企業借款的抵押品。

## Notes to the Financial Statements *(Continued)*

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 19 INVENTORIES AND OTHER CONTRACT COSTS (continued)

##### (d) Contract costs

Contract costs capitalised as at 31 December 2019 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "selling and marketing expense" in the consolidated income statement in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB203,331,000 (2018: RMB97,320,000). There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year (2018: Nil).

The amount of capitalised contract costs that is expected to be recovered after more than one year is RMB103,904,000 (2018: RMB63,884,000).

#### 19 存貨及其他合約成本 (續)

##### (d) 合約成本

於2019年12月31日已資本化的合約成本涉及向物業代理支付的應計銷售佣金，有關物業代理通過銷售活動令客戶就本集團於報告日期仍在建的物業訂立買賣協議。合約成本於確認來自相關物業銷售的收益期間於綜合收益表確認為「銷售及市場推廣開支」的一部分。年內於損益確認的資本化成本金額為人民幣203,331,000元（2018年：人民幣97,320,000元）。年內已資本化成本的年初結餘或已資本化成本並無減值（2018年：零）。

預計於超過1年後收回的資本化合約成本金額為人民幣103,904,000元（2018年：人民幣63,884,000元）。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 20 CONTRACT ASSETS AND CONTRACT LIABILITIES

#### (a) Contract assets

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>Contract assets</b>	<b>合約資產</b>		
Project management service	項目管理服務	<b>214,828</b>	137,691
<b>Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" (note 21)</b>	<b>計入「貿易及其他應收款項」的香港財務報告準則第15號範圍內的應收客戶合約款項 (附註21)</b>	<b>70,087</b>	42,891

Typical payment terms which impact on the amount of contract assets recognised are as follows:

- Project management service  
The Group's project management service includes payment schedules which typically require a 30% deposit up front and stage payments over the project management service period once milestones are reached.

All of contract assets are expected to be recovered within one year.

### 20 合約資產及合約負債

#### (a) 合約資產

對已確認合約資產金額產生影響的一般付款條款如下：

- 項目管理服務  
本集團項目管理服務載有付款時間表，一般收取30%預先支付按金及須於項目管理服務期間達至里程碑時作出階段付款。

預計一年內收回所有合約資產。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 20 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

#### (b) Contract liabilities

Contract liabilities	合約負債
Property development	物業開發
– advance payments received	– 已收預付款
Project management service	項目管理服務

2019	2018
2019年	2018年
RMB'000	RMB'000
人民幣千元	人民幣千元

52,515,517	40,470,842
439,385	358,784

52,954,902	40,829,626
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Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

- Property development  
For certain fully prepaid pre-sales of properties, the Group receives 100% of the contract value as advance payments from customers when they sign the sale and purchase agreement. Such payment schemes result in contract liabilities being recognised throughout the remaining property construction period until the complete satisfaction of the performance obligation.

對已確認合約負債金額產生影響的一般付款條款如下：

- 物業開發  
就若干已全額預付的預售物業而言，與客戶訂立買賣協議時，本集團自客戶收取100%合約值作為預付款。該付款計劃導致合約負債於物業剩餘建設期間一直確認，直至完全履行履約責任。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 20 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

#### (b) Contract liabilities (continued)

For other sales of properties, the Group receives no less than 20% of the contract value as advance payments from customers when they sign the sale and purchase agreement and the rest of the consideration, if any, is typically received after relevant banks' approval of customers' mortgage loans. Such payment schemes result in contract liabilities being recognised throughout the remaining property construction period. In addition, the contract liability will be increased by the amount of interest expense being accrued by the Group to reflect the effect of any financing benefit obtained from the customers during the period between the payment date and the completion date of legal assignment. As this accrual increases the amount of the contract liability during the period of construction, it therefore increases the amount of revenue recognised when control of the property is transferred to the customer at a point in time.

- Project management service  
When the Group receives a deposit before the project management service commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The Group typically receives a 30% deposit up front and stage payments over the project management service period once milestones are reached.

### 20 合約資產及合約負債 (續)

#### (b) 合約負債 (續)

就其他物業銷售而言，與客戶訂立買賣協議時，本集團自客戶收取不少於20%的合約值作為預付款，餘下代價（如有）一般於相關銀行批准客戶的按揭貸款時收取。該付款計劃導致合約負債於物業剩餘建設期間一直確認。此外，合約負債會有所增加，金額相當於本集團應計的利息開支，以反映於付款日期至法定轉讓完成日期期間自客戶獲得融資利益的影響。由於該應計費用令合約負債的金額於建設期間增加，因此，令物業的控制權於某一時點轉移至客戶時確認的收益金額增加。

- 項目管理服務  
本集團於項目管理服務開始前收取按金時，將於合約開始時產生合約負債，直至就項目確認的收益超過按金金額為止。本集團一般收取30%預先支付按金及須於項目管理服務期間達至里程碑時作出階段付款。



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 20 CONTRACT ASSETS AND CONTRACT LIABILITIES (continued)

#### (b) Contract liabilities (continued)

##### Movements in contract liabilities

### 20 合約資產及合約負債 (續)

#### (b) 合約負債 (續)

##### 合約負債的變動

		2019 2019年 RMB'000 人民幣千元
Balance at 1 January	於1月1日的結餘	40,829,626
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	因年內確認計入期初合約負債的收益致使合約負債減少	(20,484,648)
Increase in contract liabilities as a result of billing in advance of project management service	因提前出具項目管理服務賬單致使合約負債增加	1,060,227
Increase in contract liabilities as a result of receiving advance payments during the year in respect of properties still under construction as at 31 December 2019	因年內就於2019年12月31日尚在建的物業收取預付款致使合約負債增加	26,241,289
Increase in contract liabilities as a result of accruing interest expense on advances	因計取墊款利息開支致使合約負債增加	2,296,175
Change of consolidation scope (note 38(a)&(b))	合併範圍變更 (附註38(a)及(b))	3,012,233
Balance at 31 December	於12月31日的結餘	52,954,902

The amount of billings in advance of performance and advance payments received expected to be recognised as income after more than one year is RMB28,294,764,000 (2018: RMB21,627,176,000). All of the other contract liabilities are expected to be recognised as income within one year.

預期於超過一年後確認為收入的履約前出具賬單的金額及已收取預付款為人民幣28,294,764,000元 (2018年：人民幣21,627,176,000元)。所有其他合約負債預期於一年內確認為收入。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 21 TRADE AND OTHER RECEIVABLES

### 21 貿易及其他應收款項

		Note 附註	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Trade debtors and bills receivable, net of loss allowance	應收賬款及應收票據，扣除損失準備	(a)	76,287	43,984
Other debtors	其他應收賬款	(b)	1,279,804	760,281
Amounts due from joint ventures	應收合營企業款項	(c)	139,876	69,092
Amounts due from associations	應收聯營公司款項	(c)	3,080	—
Amounts due from entities controlled by the ultimate controlling shareholder	應收最終控股股東控制實體款項	(c)	35,268	15,400
Amounts due from entities jointly controlled by a close family member of the ultimate controlling shareholder	應收最終控股股東近親共同控制實體的款項	(c)	1,365	—
Amounts due from non-controlling interests	應收非控股權益款項	(d)	2,705,953	1,593,499
Amounts due from a joint venturer	應收一家合營企業款項	(d)	100,000	—
Financial assets measured at amortised cost	按攤銷成本計量的金融資產		4,341,633	2,482,256
Derivative financial instruments:	衍生金融工具：			
– redemption call options embedded in senior notes (note 28)	— 贖回優先票據所附的認購期權 (附註28)		31,790	62,533
– foreign exchange forward contracts and option contracts	— 遠期外匯合約及期權合約	(e)	62,030	31,799
– interest rate swap contracts	— 利率掉期合約		—	552
			93,820	94,884
			4,435,453	2,577,140

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 21 TRADE AND OTHER RECEIVABLES (continued)

#### (a) Aging analysis

The ageing analysis of bills and trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

Within 1 month	1個月內
1 to 3 months	1個月至3個月
3 to 6 months	3個月至6個月
6 to 12 months	6個月至12個月
Over 1 year	1年以上

Trade debtors and bills receivable are due upon the invoicing.

Further details of the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 34(b).

- (b) Other debtors mainly included receivables due from disposal of a joint venture (note 16(a)), advances made to former non-controlling shareholders of certain subsidiaries and land purchase deposits to be returned. Allowance for other debtors related to certain long outstanding balance and management assessed that only a portion of the receivables is expected to be recovered. Further details of the Group's credit policy and credit risk arising from other receivables are set out in note 34(b).

### 21 貿易及其他應收款項 (續)

#### (a) 賬齡分析

根據發票日期 (或收益確認日期, 以較早者為準), 應收票據及貿易應收款項及扣除損失準備後的賬齡分析如下:

<b>2019</b>	2018
<b>2019年</b>	2018年
<b>RMB'000</b>	RMB'000
人民幣千元	人民幣千元

<b>50,698</b>	16,241
<b>5,204</b>	5,764
<b>3,360</b>	1,073
<b>8,882</b>	7,910
<b>8,143</b>	12,996

<b>76,287</b>	43,984
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應收賬款及應收票據在開發票時到期。

有關本集團信貸政策及因貿易應收賬款及應收票據產生的信貸風險的進一步詳情載於附註34(b)。

- (b) 其他應收賬款主要包括應收出售一家合營企業的款項 (附註16(a)), 向若干附屬公司的前非控股股東作出的墊款及將予退還的土地購買按金。其他與若干長期未償還結餘及管理有關的應收賬款撥備評估為預期僅可收回部分應收款項。有關本集團信貸政策及因其他應收款項而產生的信貸風險之詳情載於附註34(b)。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 21 TRADE AND OTHER RECEIVABLES *(continued)*

- (c) Amounts due from joint ventures and associates are interest-free, unsecured and have no fixed terms of payment.

Amount due from entities controlled by the ultimate controlling shareholder mainly represented amount receivable due from Central China New Life Service Company Limited 河南建業新生活服務有限公司 ("Central China New Life") together with its subsidiaries, which are interest-free, unsecured and to be settled according to the contract terms.

Amounts due from entities jointly controlled by a close family member of the ultimate controlling shareholder mainly represented amount receivable due from Shanghai Meihua Yuezhang Investment Company 上海美華樂章投資有限公司 ("Shanghai Meihua") together with its subsidiaries, which are interest-free, unsecured and to be settled according to the contract terms.

- (d) Amounts due from non-controlling interests are interest-free, unsecured and have no fixed terms of payment.

Amounts due from a joint venture is interest-bearing at 18% per annum, secured and will mature in three months.

- (e) The Company entered into foreign exchange forward contracts and option contracts to manage its exposure currency risk. As at 31 December 2019, the aggregate notional principal amounts of the outstanding foreign exchange forward contracts and option contracts are US\$600 million (2018: US\$350 million) and the remaining contracts will mature in 2020 and 2021 respectively. The foreign exchange forward contracts and option contracts are accounted for at fair value as derivative financial instrument and recognised in derivative financial assets at RMB62,030,000 and derivative financial liability at RMB10,908,000 (note 27) (2018: derivative financial assets at RMB31,799,000).

### 21 貿易及其他應收款項 (續)

- (c) 應收合營企業及聯營公司款項為免息、無抵押且並無固定付款期限。

應收最終控股股東控制的實體款項主要指應收河南建業新生活服務有限公司(「建業新生活」)及其附屬公司的款項，該等款項為免息、無抵押及須按合約條款償付。

應收最終控股股東近親共同控制的實體之款項主要指應收上海美華樂章投資有限公司(「上海美華」)及其附屬公司的款項，該等款項免息、無抵押及須按合約條款償付。

- (d) 應收非控股權益款項為免息、無抵押且並無固定付款期限。

應收一家合營企業款項按年利率18%計息、有抵押及將於三個月內到期。

- (e) 本公司已訂立遠期外匯合約及期權合約，以管理其貨幣風險。於2019年12月31日，未償還遠期外匯合約及期權合約的名義本金總額為600百萬美元(2018年：350百萬美元)，而餘下合約將分別於2020年及2021年到期。遠期外匯合約及期權合約按公平值入賬列為衍生金融工具，並於衍生金融資產中以人民幣62,030,000元確認，於衍生金融負債中以人民幣10,908,000元確認(附註27)(2018年：衍生金融資產人民幣31,799,000元)。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 21 TRADE AND OTHER RECEIVABLES (continued)

(f) The amount of derivative financial instruments expected to be recovered or recognised as expense after more than one year is RMB29,836,000 (2018: RMB75,390,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

### 22 DEPOSITS AND PREPAYMENTS

As at 31 December 2019, the balance included deposits and prepayments for leasehold land of RMB10,274,453,000 (2018: RMB4,247,968,000).

### 23 RESTRICTED BANK DEPOSITS

### 21 貿易及其他應收款項 (續)

(f) 預期於一年以上收回或確認為開支的衍生金融工具金額為人民幣29,836,000元(2018年:人民幣75,390,000元)。預期所有其他貿易及其他應收款項於一年內收回或確認為開支。

### 22 按金及預付款

於2019年12月31日,結餘包括租賃土地按金及預付款人民幣10,274,453,000元(2018年:人民幣4,247,968,000元)。

### 23 受限制銀行存款

	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Guarantee deposits in respect of:		
– mortgage loans related to property sale	5,015,249	1,837,835
– bills payable	2,364,574	1,741,762
– bank loans	697,620	–
	<b>8,077,443</b>	<b>3,579,597</b>

### 24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

#### (a) Cash and cash equivalents

### 24 現金及現金等價物及其他現金流量資料

#### (a) 現金及現金等價物

	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Deposits with banks and other financial institutions	768,611	17,924
Cash at bank and on hand	21,939,048	14,184,335
Cash and cash equivalents in the consolidated statement of financial position and the consolidated cash flow statement	<b>22,707,659</b>	<b>14,202,259</b>

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

#### (b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

### 24 現金及現金等價物及其他現金流量資料 (續)

#### (b) 融資活動產生的負債對賬

下表詳述本集團融資活動產生的負債變動，包括現金及非現金變動。融資活動產生的負債為其現金流量或未來現金流量於本集團綜合現金流量表中歸類為融資活動所得現金流量的負債。

		Bank loans	Other loans	Senior notes	Corporate bonds	Options embedded in senior notes	Foreign exchange swap contracts	Foreign exchange forward contracts and option contracts	Interest rate swap held as cash flow hedging instrument	Lease liabilities	Other payables	Total
		銀行借款 RMB'000 人民幣千元 Note 25 附註25	其他借款 RMB'000 人民幣千元 Note 26 附註26	優先票據 RMB'000 人民幣千元 Note 28 附註28	公司債券 RMB'000 人民幣千元 Note 29 附註29	優先票據所附購回權 RMB'000 人民幣千元 Note 28 附註28	外匯掉期合約 RMB'000 人民幣千元 Note 27 附註27	遠期外匯合約及期權合約 RMB'000 人民幣千元 Note 21&27 附註21&27	持作現金流量對沖工具的利率掉期 RMB'000 人民幣千元 Note 34(a) 附註34(a)	租賃負債 RMB'000 人民幣千元 Note 30 附註30	其他應付款項 RMB'000 人民幣千元	合計 RMB'000 人民幣千元
At 31 December 2018	於2018年12月31日	5,830,481	833,180	10,190,829	2,996,760	(62,533)	77,252	(31,799)	552	-	481,211	20,315,933
Impact on initial application of HKFRS 16 (Note)	首次應用香港財務報告準則第16號的影響(附註)	-	-	-	-	-	-	-	-	359,650	-	359,650
At 1 January 2019	於2019年1月1日	5,830,481	833,180	10,190,829	2,996,760	(62,533)	77,252	(31,799)	552	359,650	481,211	20,675,583
<b>Changes from financing cash flows</b>	<b>融資現金流量變動</b>											
Proceeds from new bank loans	新銀行貸款所得款項	6,929,744	-	-	-	-	-	-	-	-	-	6,929,744
Repayment of bank loans	償還銀行貸款	(3,623,255)	-	-	-	-	-	-	-	-	-	(3,623,255)
Proceeds from other loans and borrowings	其他貸款及借貸的所得款項	-	6,768,440	-	-	-	-	-	-	-	1,096,453	7,864,893
Repayment of other loans and borrowings	償還其他貸款及借貸	-	(1,693,323)	-	-	-	-	-	-	-	(939,183)	(2,632,506)
Proceeds from new senior notes	新優先票據所得款項	-	-	8,562,067	-	(33,109)	-	-	-	-	-	8,528,958
Repayment of redemption upon maturity senior notes	償還到期優先票據贖回	-	-	(1,397,474)	-	-	-	-	-	-	-	(1,397,474)
Proceeds from new Corporate bonds	新公司債券所得款項	-	-	-	2,759,417	-	-	-	-	-	-	2,759,417
Repayment of redemption upon maturity Corporate bonds	償還到期公司債券的贖回	-	-	-	(2,771,609)	-	-	-	-	-	-	(2,771,609)
Interest paid	已付利息	(380,802)	(517,450)	(1,030,082)	(176,241)	-	-	-	-	-	(143,909)	(2,248,484)
Settlement of derivative financial instruments	衍生金融工具結算	-	-	-	-	-	-	53,671	-	-	-	53,671
Capital element of lease rentals paid	已付租賃租金的資本元素	-	-	-	-	-	-	-	-	(15,125)	-	(15,125)
Interest element of lease rentals paid	已付租賃租金的利息元素	-	-	-	-	-	-	-	-	(28,864)	-	(28,864)
Total changes from financing cash flows	融資現金流量總額變動	2,925,687	4,557,667	6,134,511	(188,433)	(33,109)	-	53,671	-	(43,989)	13,361	13,419,366
<b>Exchange adjustments</b>	<b>匯兌調整</b>	(22,151)	-	589,195	-	(1,526)	281	(1,833)	(23)	-	-	563,943
<b>Changes in fair value</b>	<b>公平值變動</b>	-	-	-	-	65,378	(68,305)	(71,161)	(5,937)	-	-	(80,025)
<b>Other changes:</b>	<b>其他變更:</b>											
Interest expenses (note 4(a))	利息開支(附註4(a))	23,590	330,026	35,962	10,709	-	-	-	5,408	28,864	34,778	469,337
Capitalised borrowing costs (note 4(a))	資本化借款成本(附註4(a))	412,692	187,424	1,024,844	170,442	-	-	-	-	-	-	1,795,402
Acquisition of subsidiaries (note 38(a))	收購附屬公司(附註38(a))	499,000	1,554,300	-	-	-	-	-	-	-	-	2,053,300
Disposal of subsidiaries (note 38(b))	出售附屬公司(附註38(b))	(2,430,840)	(4,175,250)	-	-	-	-	-	-	-	-	(6,606,090)
Increase in lease liabilities from entering into new leases during the period	期內訂立新租賃產生的租賃負債增加	-	-	-	-	-	-	-	-	191,251	-	191,251
Total other changes	其他變動總額	(1,517,709)	(2,103,500)	1,650,001	181,151	63,852	(68,024)	(72,994)	(552)	220,115	34,778	(1,612,882)
At 31 December 2019	於2019年12月31日	7,238,459	3,287,347	17,975,341	2,989,478	(31,790)	9,228	(51,122)	-	535,776	529,350	32,482,067



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

#### (b) Reconciliation of liabilities arising from financing activities (continued)

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See notes 1(c) and 30.

### 24 現金及現金等價物及其他現金流量資料 (續)

#### (b) 融資活動產生的負債對賬 (續)

附註：本集團已初步採用經修訂的追溯法應用香港財務報告準則第16號，並於2019年1月1日調整期初餘額，以確認與先前根據香港會計準則第17號歸類為經營租賃的租賃有關的租賃負債。請參閱附註1(c)及30。

		Bank loans	Other loans	Senior notes	Corporate bonds	Options embedded in senior notes	Foreign exchange swap contracts	Foreign exchange forward contracts	Interest rate swap held as cash flow hedging instrument	Lease liabilities	Other payables	Total
		銀行借款 RMB'000 人民幣千元 Note 25 附註25	其他借款 RMB'000 人民幣千元 Note 26 附註26	優先票據 RMB'000 人民幣千元 Note 28 附註28	公司債券 RMB'000 人民幣千元 Note 29 附註29	優先票據所附購回權 RMB'000 人民幣千元 Note 28 附註28	外匯掉期合約 RMB'000 人民幣千元 Note 27 附註27	遠期外匯合約 RMB'000 人民幣千元 Note 21&27 附註21&27	工具的利率掉期 RMB'000 人民幣千元 Note 34(a) 附註34(a)	租賃負債 RMB'000 人民幣千元 Note 30 附註30	其他應付款項 RMB'000 人民幣千元	合計 RMB'000 人民幣千元
At 1 January 2018	於2018年1月1日	3,887,578	300,000	8,409,653	2,986,914	(43,849)	79,165	-	-	-	440,676	16,060,137
Changes from financing cash flows	融資現金流量變動											
Proceeds from new bank loans	新銀行貸款所得款項	2,629,500	-	-	-	-	-	-	-	-	-	2,629,500
Repayment of bank loans	償還銀行貸款	(1,201,671)	-	-	-	-	-	-	-	-	-	(1,201,671)
Proceeds from other loans	其他貸款所得款項	-	653,180	-	-	-	-	-	-	-	-	653,180
Repayment of other loans	償還其他貸款	-	(120,000)	-	-	-	-	-	-	-	-	(120,000)
Proceeds from new senior notes	新優先票據所得款項	-	-	4,967,851	-	-	-	-	-	-	-	4,967,851
Repayment of redemption upon maturity senior notes	償還到期優先票據贖回	-	-	(4,110,979)	-	-	-	-	-	-	-	(4,110,979)
Interest paid	已付利息	(224,276)	(69,706)	(721,896)	(179,506)	-	-	-	-	-	-	(1,195,384)
Capital element of lease rentals paid	已付租賃租金的資本元素	-	-	-	-	-	-	-	-	-	-	-
Interest element of lease rentals paid	已付租賃租金的利息元素	-	-	-	-	-	-	-	-	-	-	-
Total changes from financing cash flows	融資現金流量總額變動	1,203,553	463,474	134,976	(179,506)	-	-	-	-	-	-	1,622,497
Exchange adjustments	匯兌調整	52,536	-	882,758	-	(17,093)	4,077	(1,350)	-	-	-	920,927
Changes in fair value	公平值變動	-	-	-	-	(1,591)	(5,990)	(30,449)	552	-	-	(37,478)
Other changes:	其他變更：											
Interest expenses (note 4(a))	利息開支 (附註4(a))	56,859	60,166	85,436	21,186	-	-	-	-	-	40,535	264,182
Capitalised borrowing costs (note 4(a))	資本化借款成本 (附註4(a))	176,455	9,540	678,006	168,166	-	-	-	-	-	-	1,032,167
Acquisition of subsidiaries (note 38(a))	收購附屬公司 (附註38(a))	453,500	-	-	-	-	-	-	-	-	-	453,500
Increase in lease liabilities from entering into new leases during the period	期內訂立新租賃產生的租賃負債增加	-	-	-	-	-	-	-	-	-	-	-
Total other changes	其他變動總額	739,350	69,706	1,646,200	189,352	(18,684)	(1,913)	(31,799)	552	-	40,535	2,633,299
At 31 December 2018	於2018年12月31日	5,830,481	833,180	10,190,829	2,996,760	(62,533)	77,252	(31,799)	552	-	481,211	20,315,932

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(continued)*

#### (c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

Within operating cash flows	於經營性現金流量
Within financing cash flows	於融資性現金流量

*Note:* As explained in the note to note 24(b), the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

Lease rentals paid	已付租賃租金
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### 24 現金及現金等價物及其他現金流量資料 (續)

#### (c) 租賃的現金流出總額

就租賃而言，計入現金流量表的款項包括以下各項：

2019	2018
2019年	2018年
	(Note)
	(附註)
RMB'000	RMB'000
人民幣千元	人民幣千元

20,414 26,481

43,989 –

64,403 26,481

*附註：* 誠如附註24(b)所述，採納香港財務報告準則第16號對若干已付租賃租金的現金流量分類產生變動。並無重列比較數字。

該等金額與以下各項有關：

2019	2018
2019年	2018年
RMB'000	RMB'000
人民幣千元	人民幣千元

64,403 26,481

## Notes to the Financial Statements (Continued)

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 25 BANK LOANS

At 31 December 2019, the bank loans were repayable as follows:

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Within 1 year or on demand	1年內或須應要求償還	3,734,424	1,756,130
After 1 year but within 2 years	1年後但2年內	2,273,910	2,232,976
After 2 years but within 5 years	2年後但5年內	758,750	1,368,250
After 5 years	5年後	471,375	473,125
		3,504,035	4,074,351
		7,238,459	5,830,481

At 31 December 2019, the bank loans were secured as follows:

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Bank loans	銀行借款		
– secured	– 有抵押	4,865,783	3,419,705
– unsecured	– 無抵押	2,372,676	2,410,776
		7,238,459	5,830,481

#### 25 銀行借款

於2019年12月31日，銀行借款的到期日如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Within 1 year or on demand	1年內或須應要求償還	3,734,424	1,756,130
After 1 year but within 2 years	1年後但2年內	2,273,910	2,232,976
After 2 years but within 5 years	2年後但5年內	758,750	1,368,250
After 5 years	5年後	471,375	473,125
		3,504,035	4,074,351
		7,238,459	5,830,481

於2019年12月31日，銀行借款的抵押情況如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Bank loans	銀行借款		
– secured	– 有抵押	4,865,783	3,419,705
– unsecured	– 無抵押	2,372,676	2,410,776
		7,238,459	5,830,481

## 財務報表附註(續)

(Expressed in Renminbi) (以人民幣列賬)

**25 BANK LOANS (continued)**

At 31 December 2019, the secured bank loans are secured over equity interest in subsidiaries of the Group and other assets of the Group as follows:

		2019	2018
		2019年	2018年
	Note	RMB'000	RMB'000
	附註	人民幣千元	人民幣千元
Properties for sale	待售物業	5,862,338	2,238,693
Property, plant and equipment	物業、廠房及設備	839,401	792,220
Investment property	投資物業	343,189	—
Interest in a joint venture	於一家合營企業的權益	16,000	66,858
Restricted bank deposits	受限制銀行存款	697,620	—
		7,758,548	3,097,771

The effective interest rates of bank loans of the Group at 31 December 2019 were ranged from 4%-7.5% (2018: 4.75%-9.3%) per annum.

Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 34(c). At 31 December 2019 and 2018, none of the covenants relating to drawn down facilities had been breached.

## 25 銀行借款(續)

於2019年12月31日，有抵押銀行借款以本集團附屬公司的股權及本集團其他資產作抵押，詳情如下：

	2019	2018
	2019年	2018年
note	RMB'000	RMB'000
附註	人民幣千元	人民幣千元
	5,862,338	2,238,693
	839,401	792,220
	343,189	—
	16,000	66,858
	697,620	—
	7,758,548	3,097,771

於2019年12月31日，本集團銀行借款實際年利率介乎4%至7.5%（2018年：4.75%至9.3%）。

本集團若干銀行融資須遵守若干有關本集團財務狀況表比率之契約，而該等契約於金融機構之貸借安排中屬常見。倘本集團違反契約，則已提取融資額須按要求償還。本集團定期監察其是否遵守該等契約。有關本集團管理流動資金風險的詳情載於附註34(c)。於2019年及2018年12月31日，並無有關已提取融資額的契約有違約情況。

## Notes to the Financial Statements (Continued)

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 26 OTHER LOANS

At 31 December 2019, other loans represented loans from external financial institutions and were repayable as follows:

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Within 1 year	1年內	2,437,022	593,150
After 1 year but within 2 years	1年後但2年內	850,325	240,030
		<b>3,287,347</b>	833,180

At 31 December 2019, the other loans were secured as follows:

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Other loans	其他借款		
– secured	– 有抵押	2,530,545	490,250
– unsecured	– 無抵押	756,802	342,930
		<b>3,287,347</b>	833,180

The effective interest rates of other loans of the Group at 31 December 2019 were ranged from 6.8%-12.0% (2018: 7.0% – 12.0%) per annum.

#### 26 其他借款

於2019年12月31日，其他借款指來自外部金融機構的借款且到期日如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Within 1 year	1年內	2,437,022	593,150
After 1 year but within 2 years	1年後但2年內	850,325	240,030
		<b>3,287,347</b>	833,180

於2019年12月31日，其他借款的抵押情況如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Other loans	其他借款		
– secured	– 有抵押	2,530,545	490,250
– unsecured	– 無抵押	756,802	342,930
		<b>3,287,347</b>	833,180

於2019年12月31日，本集團其他借款的實際年利率介乎6.8%至12.0%（2018年：7.0%至12.0%）。

## Notes to the Financial Statements (Continued)

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 26 OTHER LOANS (continued)

At 31 December 2019, the secured other loans are secured over assets of subsidiaries of the Group as follows:

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Properties for sale	待售物業	2,783,273	983,577
Property, plant and equipment	物業、廠房及設備	49,082	49,082
Investment property	投資物業	218,336	218,336
		<b>3,050,691</b>	1,250,995

#### 27 TRADE AND OTHER PAYABLES

#### 27 貿易及其他應付款項

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Trade creditors and bills payable	貿易應付賬款及應付票據	21,296,417	16,159,800
Other creditors and accrued charges	其他應付賬款及應計費用	7,899,149	3,418,226
Patent payable	應付專利	–	40,000
Amounts due to joint ventures	應付合營企業款項	6,979,796	5,079,664
Amounts due to associates	應付聯營公司款項	709,593	225,607
Amounts due to entities controlled by the ultimate controlling shareholder	應付由最終控股股東控制的實體的款項	567,352	94,639
Amounts due to non-controlling interests	應付非控股權益款項	6,143,374	3,828,999
Financial liabilities measured at amortised cost	按攤銷成本計量的金融負債	<b>43,595,681</b>	28,846,935
Derivative financial instruments:	衍生金融工具：		
– foreign exchange rate swap contract (note 28 (c))	– 外匯匯率掉期合約 (附註28(c))	9,228	77,252
– foreign exchange forward contracts and option contracts (note 21(e))	– 外匯遠期合約及期權合約 (附註21(e))	10,908	–
		<b>43,615,817</b>	28,924,187



## Notes to the Financial Statements (Continued)

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 27 TRADE AND OTHER PAYABLES (continued)

Amounts due to joint ventures and associates are interest-free, unsecured and have no fixed terms of payment.

Amounts due to entities controlled by the ultimate controlling shareholder mainly included amount due to Central China New Life together with its subsidiaries of RMB474,237,000 for receiving services from these entities as disclosed in note 37 (2018: RMB78,482,000) and amount due to Drawin Intelligent Manufacture Technology Industry Group Limited 筑友智造科技產業集團有限公司 (“Drawin Intelligent Manufacture”) together with its subsidiaries of RMB93,115,000 (2018: Nil), which are interest-free, unsecured and to be settled according to the contract terms.

Amounts due to non-controlling interests included amount of RMB524,461,000 (2018: RMB873,072,000) which are interest-bearing at 6%-20% (2018: 12%-17%) per annum, unsecured and have no fixed terms of payment. The interest expenses for the year amounted to RMB143,909,000 (2018: RMB32,500,000). The remaining amounts due to non-controlling interests are interest-free, unsecured and have no fixed terms of payment.

The amount of retention payable and derivative financial instruments expected to be settled after more than one year are RMB133,403,000 (2018: RMB61,067,000) and 9,228,000 (2018: RMB77,252,000) respectively. All of the trade and other payables are expected to be settled within one year.

#### 27 貿易及其他應付款項 (續)

應付合營企業及聯營公司款項為免息、無抵押及無固定還款期。

應付由最終控股股東控制的實體的款項主要包括因接收服務而應付建業新生活連同其附屬公司人民幣474,237,000元(如附註37所披露)(2018年:人民幣78,482,000元)及應付筑友智造科技產業集團有限公司(「筑友智造」)連同其附屬公司人民幣93,115,000元(2018年:無),有關款項為免息、無抵押及根據合約條款償還。

應付非控股權益款項包括人民幣524,461,000元(2018年:人民幣873,072,000元),為按每年6%-20%(2018年:12%-17%)計息、無抵押及無固定還款期。年內利息開支為人民幣143,909,000元(2018年:人民幣32,500,000元)。其餘應付非控股權益款項為免息、無抵押及無固定還款期。

預期超過一年後償還的應付保留款項及衍生金融工具分別為人民幣133,403,000元(2018年:人民幣61,067,000元)及人民幣9,228,000元(2018年:人民幣77,252,000元)。所有貿易及其他應付款項預期將於一年內償還。

## Notes to the Financial Statements (Continued)

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 27 TRADE AND OTHER PAYABLES (continued)

##### (a) Aging analysis

As of the end of the reporting period, the aging analysis of trade creditors and bills payable based on the invoice date is as follows:

#### 27 貿易及其他應付款項 (續)

##### (a) 賬齡分析

於報告期末，根據發票日期貿易應付賬款及應付票據的賬齡分析如下：

		2019	2018
		2019年	2018年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Within 1 month	1個月內	9,359,338	7,839,814
1-3 months	1個月至3個月	5,398,255	2,543,872
3-6 months	3個月至6個月	2,357,186	1,440,263
6-12 months	6個月至12個月	1,547,284	905,144
Over 12 months	12個月以上	2,634,354	3,430,707
		<b>21,296,417</b>	<b>16,159,800</b>

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 28 SENIOR NOTES

The movements of senior notes are set out below:

### 28 優先票據

優先票據的變動載列如下：

		Liability component of the senior notes 優先票據 負債部分 RMB'000 人民幣千元 (note (a)) (附註(a))	Redemption call option 贖回認購期權 RMB'000 人民幣千元 (note (b)) (附註(b))	Total 合計 RMB'000 人民幣千元
At 1 January 2018	於2018年1月1日	8,409,653	(43,849)	8,365,804
Proceeds from issuance senior notes	發行優先票據所得款項	5,047,121	(16,525)	5,030,596
Transaction costs	交易成本	(62,954)	209	(62,745)
Net proceeds	所得款項淨額	4,984,167	(16,316)	4,967,851
Interest and transaction costs amortised	利息及交易成本攤銷	25,230	–	25,230
Change in fair value (note 4(a))	公平值變動 (附註4(a))	–	(1,591)	(1,591)
Redemption	贖回	(4,110,979)	–	(4,110,979)
Exchange difference	匯兌差額	882,758	(777)	881,981
At 31 December 2018	於2018年12月31日	10,190,829	(62,533)	10,128,296
At 1 January 2019	於2019年1月1日	10,190,829	(62,533)	10,128,296
Proceeds from issuance senior notes	發行優先票據所得款項	8,726,133	(33,109)	8,693,024
Transaction costs	交易成本	(164,066)	–	(164,066)
Net proceeds	所得款項淨額	8,562,067	(33,109)	8,528,958
Interest and transaction costs amortised	利息及交易成本攤銷	30,724	–	30,724
Change in fair value (note 4(a))	公平值變動 (附註4(a))	–	65,378	65,378
Redemption	贖回	(1,397,474)	–	(1,397,474)
Exchange difference	匯兌差額	589,195	(1,526)	587,669
At 31 December 2019	於2019年12月31日	17,975,341	(31,790)	17,943,551

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 28 SENIOR NOTES (continued)

Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company.

Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

#### (a) Liability component of the senior notes:

### 28 優先票據 (續)

優先票據負債部分指合約釐定的未來現金流量，並經計及本公司業務風險及財務風險後按可比信貸狀況的市場工具釐定的利率折現。

贖回認購期權指本公司提早贖回優先票據選擇權的公平值，並於「貿易及其他應收款項」記錄為衍生金融工具（附註21）。

#### (a) 優先票據負債部分：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
US\$200 million due in 2020	2020年到期2億美元	—	1,368,455
US\$386 million due in 2020	2020年到期3.86億美元	2,686,810	2,623,029
SGD150 million due in 2020	2020年到期1.50億新加坡元	774,599	753,315
US\$200 million due in 2020	2020年到期2億美元	1,396,514	—
US\$300 million due in 2021	2021年到期3億美元	2,092,144	2,047,039
US\$200 million due in 2021	2021年到期2億美元	1,389,840	1,359,000
US\$200 million due in 2021	2021年到期2億美元	1,367,312	—
US\$300 million due in 2021	2021年到期3億美元	2,087,360	2,039,991
US\$100 million due in 2021	2021年到期1億美元	690,307	—
US\$300 million due in 2022	2022年到期3億美元	2,051,867	—
US\$300 million due in 2023	2023年到期3億美元	2,060,769	—
US\$200 million due in 2023	2023年到期2億美元	1,377,819	—
		<b>17,975,341</b>	10,190,829
Representing:	指：		
– Current	— 流動	4,857,923	—
– Non-current	— 非流動	13,117,418	10,190,829
		<b>17,975,341</b>	10,190,829

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 28 SENIOR NOTES (continued)

#### (a) Liability component of the senior notes: (continued)

During the year ended 31 December 2019, the Company early redeemed in full the outstanding US\$200,000,000 due in 2020 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest and newly issued US\$1,300,000,000.

#### (b) Redemption call options embedded in senior notes:

The assumptions applied in determining the fair value of the redemption call option at 31 December 2019 are set out as follows:

### 28 優先票據 (續)

#### (a) 優先票據負債部分：(續)

截至2019年12月31日止年度，本公司提早悉數贖回未償還的於2020年到期的2億美元，贖回價為100%本金金額加應計尚未償還利息及新發行13億美元。

#### (b) 附於優先票據的贖回認購期權：

釐定贖回認購期權於2019年12月31日的公平值時所應用的假設如下：

Credit spread	信貸息差	2019 2019年	2018 2018年
US\$200 million due in 2020	2020年到期2億美元	—	2.1%
US\$386 million due in 2020	2020年到期3.86億美元	4.9%	5.4%
SGD150 million due in 2020	2020年到期1.50億新加坡元	3.3%	6.0%
US\$200 million due in 2020	2020年到期2億美元	4.3%	—
US\$300 million due in 2021	2021年到期3億美元	4.7%	5.9%
US\$400 million due in 2021	2021年到期4億美元	5.2%	—
US\$300 million due in 2021	2021年到期3億美元	5.0%	6.1%
US\$100 million due in 2021	2021年到期1億美元	5.0%	—
US\$300 million due in 2022	2022年到期3億美元	5.5%	—
US\$300 million due in 2023	2023年到期3億美元	5.6%	—
US\$200 million due in 2023	2023年到期2億美元	6.1%	—

## Notes to the Financial Statements (Continued)

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 28 SENIOR NOTES (continued)

##### (c) Other derivative financial instruments in relation to senior notes:

The Company entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of the US\$200,000,000 Senior Notes due in 2021 by swapping the senior notes principal of US\$200,000,000 into RMB1,385,600,000. The aggregate notional principal amounts of the foreign exchange rate swap contract is US\$200,000,000 and the contract will mature on 8 November 2021. The foreign exchange rate swap contract is accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group's accounting policy. As at 31 December 2019, the fair value of the foreign exchange rate swap contract amounted to RMB9,228,000 (2018: RMB77,252,000) (note 27) is measured based on market price quoted by brokers and the fair value change loss of RMB68,305,000 (2018: RMB5,990,000) is recorded under "Finance cost" (note 4(a)).

#### 28 優先票據 (續)

##### (c) 有關優先票據之其他衍生金融工具：

本公司訂立外匯匯率掉期合約，透過把2億美元優先票據的本金調換作人民幣1,385,600,000元，以管理2021年到期2億美元優先票據的外匯匯率風險。外匯匯率掉期合約的名義本金總額為2億美元，而合約將於2021年11月8日到期。外匯匯率掉期合約作為衍生金融工具根據本集團會計政策於報告期末以公平值列賬。於2019年12月31日，外匯匯率掉期合約的公平值按經紀所報市價計算為人民幣9,228,000元（2018年：人民幣77,252,000元）（附註27），而公平值變動的虧損人民幣68,305,000元（2018年：人民幣5,990,000元）則於「融資成本」入賬（附註4(a)）。



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 29 CORPORATE BONDS

### 29 公司債券

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
At 1 January	於1月1日	2,996,760	2,986,914
Redemption	贖回	(2,771,609)	—
Net proceeds from re-sale	轉售淨收益	1,271,417	—
Net proceeds from issuance	發行所得款項淨額	1,488,000	—
Interest and transaction costs amortised	利息及交易成本攤銷	4,910	9,846
At 31 December		2,989,478	2,996,760
Representing:	指：		
– Current	— 流動	1,489,608	2,996,760
– Non-current	— 非流動	1,499,870	—
		2,989,478	2,996,760

On 13 April 2016, the Group issued corporate bonds with principal amount of RMB3,000,000,000 listed on the Shanghai Stock Exchange. The coupon rate of the corporate bonds was fixed at 6% per annum which is payable annually in arrears. The maturity date of the corporate bonds is 11 April 2021. At the end of third year, the Group may at its option adjust the coupon rate while the holders of these corporate bonds may at their options redeem the corporate bonds, in whole or in part, at a pre-determined price. On 11 April 2019, the Group raised the coupon rate of corporate bonds from 6% up to 7.2%, redeemed corporate bonds of RMB2,771,609,000 and re-sold corporate bonds of RMB1,271,609,000 which will be due in April 2021.

於2016年4月13日，本集團發行本金為人民幣3,000,000,000元的公司債券，於上海證券交易所上市。公司債券之票面利率定為每年6%，並須每年償還。公司債券的到期日為2021年4月11日。於第三年末，本集團可選擇調整票面利率，而該等公司債券持有人可選擇按預先釐定的價格贖回全部或部分公司債券。於2019年4月11日，本集團將公司債券之票面利率由6%提升至7.2%，贖回人民幣2,771,609,000元的公司債券及轉售人民幣1,271,609,000元的公司債券，將於2021年4月到期。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 29 CORPORATE BONDS (continued)

On 23 July 2019, the Group issued corporate bonds with principal amount of RMB1,500,000,000 listed on the Shanghai Stock Exchange. The coupon rate of the corporate bonds was fixed at 7.5% per annum which is payable annually in arrears. The maturity date of the corporate bonds is 23 July 2022. At the end of first and second year, the Group may at its option adjust the coupon rate while the holders of these corporate bonds may at their options redeem the corporate bonds, in whole or in part, at a pre-determined price.

The details of corporate bonds are disclosed in the relevant offering memorandum.

### 29 公司債券 (續)

於2019年7月23日，本集團發行本金為人民幣1,500,000,000元的公司債券，於上海證券交易所上市。公司債券的票面息率定為年息7.5%，並須每年償還。公司債券的到期日為2022年7月23日。於第一及第二年末，本集團可選擇調整票面利率，而該等公司債券持有人可選擇按預先釐定的價格全部或部分贖回公司債券。

公司債券詳情於相關發售備忘錄中予以披露。

### 30 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

### 30 租賃負債

下表顯示本集團於當前及過往報告期末及於過渡至香港財務報告準則第16號之日的剩餘合約期限：

		31 December 2019 2019年12月31日		1 January 2019 (Note) 2019年1月1日 (附註)		31 December 2018 (Note) 2018年12月31日 (附註)	
		Present value of the minimum lease payments 最低租賃付款現值 RMB'000 人民幣千元	Total minimum lease payments 最低租賃付款總額 RMB'000 人民幣千元	Present value of the minimum lease payments 最低租賃付款現值 RMB'000 人民幣千元	Total minimum lease payments 最低租賃付款總額 RMB'000 人民幣千元	Present value of the minimum lease payments 最低租賃付款現值 RMB'000 人民幣千元	Total minimum lease payments 最低租賃付款總額 RMB'000 人民幣千元
Within 1 year	1年內	54,268	48,957	30,715	32,161	-	-
After 1 year but within 2 years	1年後但2年內	51,264	59,041	27,168	31,213	-	-
After 2 years but within 5 years	2年後但5年內	121,247	139,554	60,550	86,198	-	-
After 5 years	5年後	308,997	864,319	241,217	486,339	-	-
		481,508	1,062,914	328,935	603,750	-	-
		535,776	1,111,871	359,650	635,911	-	-
Less: total future interest expenses	減：未來利息開支總額		(576,095)		(276,261)		-
Present value of lease liabilities	租賃負債現值		535,776		359,650		-

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 30 LEASE LIABILITIES *(continued)*

*Note:* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 1(c).

### 31 EQUITY SETTLED SHARE-BASED TRANSACTION

#### (a) Share options granted

On 25 May 2010, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle three of the Company's directors and seven employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK\$1.9 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

On 28 June 2011, upon the rights issue of the Company, the exercise price of the share options granted on 25 May 2010 was adjusted to HK\$1.853 and the number of outstanding share options was adjusted from 20,000,000 to 20,504,000.

### 30 租賃負債 (續)

*附註：* 本集團已採用經修訂追溯法首次應用香港財務報告準則第16號，並調整於2019年1月1日的期初結餘以確認與先前根據香港會計準則第17號分類為經營租賃的租賃相關的租賃負債。於2018年12月31日的比較資料未予重列。有關過渡至香港財務報告準則第16號的詳情載於附註1(c)。

### 31 以權益結算股份為基礎的交易

#### (a) 授出的購股權

於2010年5月25日，本公司向本公司董事及僱員有條件授出若干購股權。行使該等購股權可使三名本公司董事及七名本集團僱員分別有權認購本公司合共6,000,000股及14,000,000股股份。行使價為每股1.9港元。根據購股權計劃，購股權自授出日期起一年內不得行使。於授出日期起計第二年內不得行使超過20%的購股權；而於授出日期起計第三及第四年各年，分別不得行使超過40%的購股權。每份購股權賦予持有人認購本公司一股普通股之權利。所有已授出購股權將於歸屬後10年內可予行使。

本公司於2011年6月28日進行供股後，於2010年5月25日授出的購股權的行使價調整至1.853港元，而尚未行使的購股權數目由20,000,000股調整至20,504,000股。

## Notes to the Financial Statements *(Continued)*

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 31 EQUITY SETTLED SHARE-BASED TRANSACTION *(continued)*

##### (a) Share options granted *(continued)*

On 25 July 2011, the Company conditionally granted certain share options to the Company's employees. The exercise of these share options would entitle six employees of the Group to subscribe for an aggregate of 12,500,000 shares of the Company. The exercise price is HK\$2.16 per share. The share option scheme was effective from 25 July 2011. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

On 27 March 2013, the Company conditionally granted certain share options to the Company's director and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregated of 24,000,000 shares of the Company. The exercise price is HK\$2.56 per share. The share option scheme was effective from 27 March 2013. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

#### 31 以權益結算股份為基礎的交易 (續)

##### (a) 授出的購股權 (續)

於2011年7月25日，本公司向本公司僱員有條件授出若干購股權。行使該等購股權將會使本集團六名僱員有權認購本公司合共12,500,000股股份。行使價為每股2.16港元。購股權計劃自2011年7月25日起生效。按照購股權計劃，購股權自授出日期起一年內不得行使。於授出日期起計第二年內不得行使超過20%的購股權；而於授出日期起計第三及第四年各年，分別不得行使超過40%的購股權。每份購股權賦予持有人認購本公司一股普通股之權利。所有已授出購股權將於歸屬後10年內可予行使。

於2013年3月27日，本公司向本公司董事及僱員有條件授出若干購股權。行使該等購股權將會使本公司董事及本集團僱員有權認購本公司合共24,000,000股股份。行使價為每股2.56港元。購股權計劃自2013年3月27日起生效。按照購股權計劃，購股權自授出日期起一年內不得行使。於授出日期起計第二年內不得行使超過20%的購股權；而於授出日期起計第三及第四年各年，分別不得行使超過40%的購股權。每份購股權賦予持有人認購本公司一股普通股之權利。所有已授出購股權將於歸屬後10年內可予行使。

## Notes to the Financial Statements *(Continued)*

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 31 EQUITY SETTLED SHARE-BASED TRANSACTION *(continued)*

##### (a) Share options granted *(continued)*

On 23 May 2017, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 95,000,000 shares of the Company. The exercise price is HK\$1.764 per share. The share option scheme was effective from 23 May 2017. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

On 12 June and 23 August 2018, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 64,000,000 shares and 37,000,000 shares of the Company, respectively. The exercise price is HK\$4.296 per share for 64,000,000 shares which was effective from 12 June 2018 and HK\$3.470 per share for 37,000,000 shares which was effective from 23 August 2018. The share option scheme was effective from 12 June 2018. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

#### 31 以權益結算股份為基礎的交易 (續)

##### (a) 授出的購股權 (續)

於2017年5月23日，本公司向本公司董事及僱員有條件授出若干購股權。行使該等購股權將會使本公司董事及本集團僱員有權認購本公司合共95,000,000股股份。行使價為每股1.764港元。購股權計劃自2017年5月23日起生效。按照購股權計劃，購股權自授出日期起一年內不得行使。於授出日期起計第二年內不得行使超過20%的購股權；而於授出日期起計第三及第四年各年，分別不得行使超過40%的購股權。每份購股權賦予持有人認購本公司一股普通股之權利。所有已授出購股權將於歸屬後10年內可予行使。

於2018年6月12日及8月23日，本公司向本公司董事及僱員有條件授出若干購股權。行使該等購股權將會使本集團董事及僱員有權認購本公司合共分別為64,000,000股股份及37,000,000股股份。行使價為64,000,000股股份每股4.296港元，自2018年6月12日起生效，而37,000,000股股份則為每股3.470港元，自2018年8月23日起生效。購股權計劃自2018年6月12日起生效。按照購股權計劃，購股權自授出日期起一年內不得行使。於授出日期起計第二年內不得行使超過20%的購股權；而於授出日期起計第三及第四年各年，分別不得行使超過40%的購股權。每份購股權賦予持有人認購本公司一股普通股之權利。所有已授出購股權將於歸屬後10年內行使。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 31 EQUITY SETTLED SHARE-BASED TRANSACTION (continued)

#### (a) Share options granted (continued)

During the year ended 31 December 2019, the Company did not grant any share-based compensation to the directors or employees.

- (b) The number and the weighted average exercise price of share options are as follows:

### 31 以權益結算股份為基礎的交易 (續)

#### (a) 授出的購股權 (續)

截至2019年12月31日止年度，本公司並無向董事或僱員授出任何以股份為基礎的薪酬。

- (b) 購股權數量及加權平均行使價如下：

		2019 2019年		2018 2018年	
		Weighted average exercise price 加權平均 行使價 HK\$ 港元	Number of options 購股權數量	Weighted average exercise price 加權平均 行使價 HK\$ 港元	Number of options 購股權數量
Outstanding at 1 January	於1月1日尚未行使	2.88	213,425,760	1.89	116,225,920
Granted during the year	年內授出	-	-	3.99	101,000,000
Exercised during the year	年內行使	2.19	(7,870,400)	-	-
Lapsed during the year	年內失效	-	-	2.40	(3,800,160)
Outstanding at 31 December	於12月31日尚未行使	2.90	205,555,360	2.88	213,425,760
Exercisable at 31 December	於12月31日可予行使	2.38	87,955,360	2.09	38,825,760

The options outstanding at 31 December 2019 had a weighted average exercise price of HK\$2.90 (2018: HK\$2.88) and a weighted average remaining contractual life of 7.59 years (2018: 8.46 years).

於2019年12月31日尚未行使的購股權的加權平均行使價為2.90港元（2018年：2.88港元），加權平均剩餘合約年期為7.59年（2018年：8.46年）。



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

### 32 綜合財務狀況表內的所得稅

(a) 綜合財務狀況表內的即期稅項指：

		CIT 企業所得稅 RMB'000 人民幣千元	LAT 土地增值稅 RMB'000 人民幣千元	Withholding tax 預扣稅 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
At 1 January 2018	於2018年1月1日	(162,565)	25,668	236,983	100,086
Charged to the consolidated income statement (note 5(a))	於綜合收益表扣除 (附註5(a))	476,472	190,968	48,400	715,840
Acquisitions of subsidiaries (note 38(a)(ii))	收購附屬公司 (附註38(a)(ii))	(39,915)	24,672	–	(15,243)
Tax paid	已繳付稅項	(1,151,768)	(964,832)	(11,276)	(2,127,876)
At 31 December 2018	於2018年12月31日	(877,776)	(723,524)	274,107	(1,327,193)
At 1 January 2019	於2019年1月1日	<b>(877,776)</b>	<b>(723,524)</b>	<b>274,107</b>	<b>(1,327,193)</b>
Charged to the consolidated income statement (note 5(a))	於綜合收益表扣除 (附註5(a))	<b>1,378,921</b>	<b>1,004,754</b>	<b>108,777</b>	<b>2,492,452</b>
Acquisitions of subsidiaries (note 38(a)(i))	收購附屬公司 (附註38(a)(i))	<b>(109,704)</b>	<b>(17,770)</b>	–	<b>(127,474)</b>
Disposals of subsidiaries (note 38(b)(ii))	出售附屬公司 (附註38(b)(ii))	<b>9,278</b>	<b>13,374</b>	–	<b>22,652</b>
Tax paid	已繳付稅項	<b>(1,431,319)</b>	<b>(1,249,206)</b>	<b>(21,842)</b>	<b>(2,702,367)</b>
At 31 December 2019	於2019年12月31日	<b>(1,030,600)</b>	<b>(972,372)</b>	<b>361,042</b>	<b>(1,641,930)</b>
				<b>2019</b> <b>2019年</b> <b>RMB'000</b> 人民幣千元	<b>2018</b> <b>2018年</b> <b>RMB'000</b> 人民幣千元

#### Representing:

代表：

Taxation payable  
Tax recoverable

應付稅項  
可收回稅項

**1,153,501**  
**(2,795,431)**

833,264  
(2,160,457)

**(1,641,930)**

(1,327,193)

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

### 32 綜合財務狀況表內的所得稅 (續)

(b) 於綜合財務狀況表確認的遞延稅項資產／(負債)部分及年內變動如下：

		Revaluation of investment properties	LAT	Revenue recognition for sales of properties over time	Credit loss allowance	Fair value changes relating to financial assets	Amortisation of capitalised contract costs	Fair value adjustments arising from acquisitions	Others	Total
		投資物業重估	土地增值稅	銷售物業的收益	信貸虧損撥備	金融資產的公平值變動	資本化合約成本攤銷	收購產生的公平價值調整	其他	合計
		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
At 1 January 2018	於2018年1月1日	(97,893)	95,639	(60,313)	11,359	(8,250)	(8,872)	(72,232)	(2,822)	(143,384)
Credited/(charged) to profit or loss (note 5(a))	於損益計入／(扣除) (附註5(a))	(151,418)	133,494	(792,200)	7,826	-	(19,408)	(16,651)	(2,663)	(841,020)
Charged to reserves	於儲備扣除	-	-	-	-	(21,542)	-	-	-	(21,542)
At 31 December 2018	於2018年12月31日	(249,311)	229,133	(852,513)	19,185	(29,792)	(28,280)	(88,883)	(5,485)	(1,005,946)
At 1 January 2019	於2019年1月1日	(249,311)	229,133	(852,513)	19,185	(29,792)	(28,280)	(88,883)	(5,485)	(1,005,946)
Credited/(charged) to profit or loss (note 5(a))	於損益計入／(扣除) (附註5(a))	(23,193)	108,428	(212,404)	42,411	(5,425)	(17,774)	(111,288)	10,870	(208,375)
Charged to reserves (note 9(a))	於儲備扣除 (附註9(a))	-	-	-	-	12,751	-	-	-	12,751
At 31 December 2019	於2019年12月31日	(272,504)	337,561	(1,064,917)	61,596	(22,466)	(46,054)	(200,171)	5,385	(1,201,570)

2019  
2019年  
RMB'000  
人民幣千元

2018  
2018年  
RMB'000  
人民幣千元

Representing:

代表：

Deferred tax assets  
Deferred tax liabilities

遞延稅項資產  
遞延稅項負債

412,877  
(1,614,447)

248,318  
(1,254,264)

(1,201,570)

(1,005,946)

## Notes to the Financial Statements (Continued)

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

##### (c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(w), The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB1,808,960,000 (2018: RMB1,306,814,000) at 31 December 2019, as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will be expired within five years.

##### (d) Deferred tax liabilities not recognised:

As at 31 December 2019, taxable temporary differences relating to undistributed profits of the Group's PRC subsidiaries amounted to RMB9,420,296,000 (2018: RMB7,113,960,000). No deferred tax liability was recognised in respect of these taxable temporary differences as the Company controls the dividend policy of these subsidiaries and has no plan to either distribute profit or dispose of these PRC subsidiaries in the foreseeable future.

#### 32 綜合財務狀況表內的所得稅 (續)

##### (c) 未確認的遞延稅項資產：

於2019年12月31日，由於不大可能在相關稅務司法權區及實體取得可抵銷虧損的未來應課稅溢利，因此根據附註1(w)所載的會計政策，本集團並無就累計稅項虧損人民幣1,808,960,000元（2018年：人民幣1,306,814,000元）確認遞延稅項資產。稅項虧損將於五年內到期。

##### (d) 未確認的遞延稅項負債：

於2019年12月31日，與本集團中國附屬公司未分派溢利有關的應課稅暫時差額為人民幣9,420,296,000元（2018年：人民幣7,113,960,000元）。由於本公司控制該等附屬公司的股息政策，且於可見將來並無計劃分派該等中國附屬公司的溢利或出售中國附屬公司，故此並無就該等應課稅暫時差額確認遞延稅項負債。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 33 CAPITAL, RESERVES AND DIVIDENDS

#### (a) Share capital

### 33 資本、儲備及股息

#### (a) 股本

		2019 2019年		2018 2018年	
		No. of shares 股數 '000 千股	Amount 金額 HK\$'000 人民幣千元	No. of shares 股數 '000 千股	Amount 金額 HK\$'000 人民幣千元
<b>Authorised:</b>	<b>法定：</b>				
Ordinary shares of HK\$0.1 each	每股面值0.1港元的 普通股	10,000,000	10,000,000	10,000,000	1,000,000
<b>Ordinary shares, issued and fully paid:</b>	<b>普通股， 已發行並繳足：</b>				
At 1 January	於1月1日	2,731,263	273,126	2,449,263	244,926
Shares issued under share option scheme (note 31(b))	根據購股權計劃發行的 股份 (附註31(b))	7,870	787	—	—
Issue of ordinary shares	發行普通股	—	—	282,000	28,200
At 31 December	於12月31日	2,739,133	273,913	2,731,263	273,126
RMB'000 equivalent at 31 December	於12月31日相等於 人民幣千元		240,662		239,958

Note: The Group, including the company, has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated and there is no net effect on the opening balance of the Company's equity as at 1 January 2019. See notes 1(c) and 39.

附註：本集團（包括本公司）於2019年1月1日首次使用經修訂追溯法應用香港財務報告準則第16號。根據此方法，比較資料並無重列，且於2019年1月1日該公司權益的期初結餘並無淨影響。見附註1(c)及39。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 33 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (a) Share capital

On 5 June 2018, the Company issued and allotted a total of 282,000,000 ordinary shares with par value of HK\$0.1 each to an entity controlled by Mr. Wu Po Sum of 240,000,000 shares and the third party subscribers of 42,000,000 shares at the price of HK\$3.65 per share, which resulted in a share premium of RMB809,114,000.

During the year ended 31 December 2019, share options were exercised to subscribe for 7,870,400 ordinary shares of the Company (note 31).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

#### (b) Reserves

##### (i) Share premium

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

### 33 資本、儲備及股息 (續)

#### (a) 股本

於2018年6月5日，本公司按每股3.65港元的價格向由胡葆森先生控制的實體及第三方認購人士發行及配發合共282,000,000股每股面值0.1港元的普通股（分別為240,000,000股及42,000,000股），導致股份溢價人民幣809,114,000元。

截至2019年12月31日止年度，購股權獲行使以認購本公司7,870,400股普通股（附註31）。

普通股持有人有權獲得不時宣派的股息，並有權於本公司會議上按每股一票投票權參予表決。所有普通股與本公司之剩餘資產享有同等權益。

#### (b) 儲備

##### (i) 股份溢價

股份溢價賬受開曼群島公司法管轄，可由本公司根據組織章程大綱及細則之規定（如有）用於：(a)分派或派付股息予股東；(b)繳足將發行之予公司股東作為繳足紅股的未發行股份；(c)按開曼群島公司法第37條的規定贖回或購回公司股份；(d)撇銷公司開辦費用；(e)撇銷發行公司股份或債券的費用或就此支付的佣金或給予的折扣；及(f)作為贖回或購買公司股份或債券時支付的溢價。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 33 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (b) Reserves (continued)

##### (i) Share premium (continued)

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

##### (ii) Statutory reserve fund

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

##### (iii) Other capital reserve

Other capital reserve includes the difference between the Group's considerations of acquisition of additional interests in subsidiaries from non-controlling interests and the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Group in exchange thereafter.

##### (iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 1(z).

##### (v) Share-based compensation reserve

Share-based compensation reserve represents the fair value of services in respect of share options granted under the share option schemes as set out in note 31.

### 33 資本、儲備及股息 (續)

#### (b) 儲備 (續)

##### (i) 股份溢價 (續)

除非緊隨建議分派或派付股息日期後，本公司可償還日常業務中到期的債務，否則不得自股份溢價賬作出任何向股東分派或派付任何股息。

##### (ii) 法定儲備金

法定儲備金不得分派，而撥款至該項儲備須由董事會根據中國相關法律及法規決定。獲得有關當局批准後，該項儲備可用作抵銷累計虧損及增加股本。

##### (iii) 其他資本儲備

其他資本儲備包括本集團自非控股權益增購附屬公司權益代價的差額及所收購附屬公司股份面值與本集團所發行作為交易代價的股份面值的差額。

##### (iv) 匯兌儲備

匯兌儲備包括換算海外業務財務報表而產生的所有外匯差額，換算依據附註1(z)所載之會計政策進行。

##### (v) 以股份支付的酬金儲備

以股份支付的酬金儲備指附註31所列與按購股權計劃授出的購股權有關服務的公平值。



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 33 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

#### (b) Reserves *(continued)*

##### (vi) Property revaluation reserve

In 2012, the property, plant and equipment with a carrying amount of RMB14,800,000 was transferred to investment properties. The difference between the carrying amount of RMB14,800,000 and the net book value of RMB8,321,000 was recognised directly in equity as property revaluation reserve.

##### (vii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments use in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 1(h).

##### (viii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(f)(i)).

##### (ix) Distributability of reserves

At 31 December 2019, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2019 was RMB878,113,000 (2018: RMB421,671,000).

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC subsidiaries to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

### 33 資本、儲備及股息 (續)

#### (b) 儲備 (續)

##### (vi) 物業重新估值儲備

於2012年，賬面值人民幣14,800,000元的物業、廠房及設備轉至投資物業。賬面值人民幣14,800,000元與賬面淨值人民幣8,321,000元之差額直接於權益中確認為物業重新估值儲備。

##### (vii) 對沖儲備

按照附註1(h)所載就現金流量對沖採納的會計政策，對沖儲備包括於現金流量對沖中用作有待其後確認對沖現金流量之對沖工具之公平值累計淨變動之有效部分。

##### (viii) 公平值儲備 (不可轉回)

公平值儲備 (不可轉回) 包括香港財務報告準則第9號在報告期末持有的指定為按公平值計入其他全面收益的股本投資的公平值累計淨變動 (見附註1(f)(i))。

##### (ix) 可供分派儲備

於2019年12月31日，可向本公司於2019年12月31日的股東分派的本公司儲備合計人民幣878,113,000元 (2018年：人民幣421,671,000元)。

本公司依賴附屬公司的分派或墊款支付股息。該等附屬公司能否向本公司作出分派及本公司能否收取分派，均受適用法例及其他限制條文規限，包括 (但不限於) 中國附屬公司向於中國境外的非中國股東派付股息的限制。上述限制或會影響附屬公司向本公司作出分派。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 33 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (c) Dividends

##### (i) Dividends payable to equity shareholders of the Company attributable to the year

	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Interim dividend declared and paid of HK\$15.6 cents (equivalent to RMB14.0 cents) per ordinary share (2018: HK\$7.16)	382,798	165,000
Final dividend proposed after the end of the reporting period of HK\$31.0 cents (equivalent to RMB28.44 cents) per ordinary share (2018: HK\$14.12 cents)	779,430	330,210

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

於報告期末後建議分派的末期股息尚未在報告期末確認為負債。

##### (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

##### (ii) 應付本公司權益持有人過往 財政年度應佔(於年內批准 並派付)的股息

	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$14.12 cents (equivalent to RMB12.09 cents) per ordinary share (2018: HK\$12.29 cents)	326,848	243,915

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 33 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity of the Group. Net debt is calculated as total bank and other loans, senior notes and corporate bonds less cash and cash equivalents and restricted bank deposits secured against bank loans and other loans.

### 33 資本、儲備及股息 (續)

#### (d) 資本管理

本集團管理資金的主要目標是確保本集團有能力持續經營，通過控制產品及服務定價風險及按合理成本取得融資，持續為權益持有人提供回報及讓其他持份者獲利。

本集團主動定期檢討及管理資本架構，為權益持有人爭取更高回報（可能導致借貸水平上升）的同時，亦平衡穩固資本狀況可獲得的優勢及保障，並按經濟狀況變化調整資本架構。

本集團按負債比率監控資本架構，與業內慣例一致。該比率為債項淨額除以本公司權益總額。債項淨額為銀行借款及其他借款、優先票據及公司債券總額減現金及現金等價物及作為銀行借款及其他借款抵押的受限制銀行存款。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 33 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (d) Capital management (continued)

The gearing ratio at 31 December 2019 and 2018 was as follows:

### 33 資本、儲備及股息 (續)

#### (d) 資本管理 (續)

於2019年及2018年12月31日，負債比率如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Current liabilities	流動負債		
– Bank loans	– 銀行借款	3,734,424	1,756,130
– Other loans	– 其他借款	2,437,022	593,150
– Senior notes	– 優先票據	4,857,923	–
– Corporate Bonds	– 公司債券	1,489,608	2,996,760
		12,518,977	5,346,040
Non-current liabilities	非流動負債		
– Bank loans	– 銀行借款	3,504,035	4,074,351
– Other loans	– 其他借款	850,325	240,030
– Senior notes	– 優先票據	13,117,418	10,190,829
– Corporate Bonds	– 公司債券	1,499,870	–
		18,971,648	14,505,210
Total debt	總債項	31,490,625	19,851,250
Less:	減：		
– Cash and cash equivalents	– 現金及現金等價物	(22,707,659)	(14,202,259)
– Restricted bank deposits secured against bank loans and other loans	– 以銀行借款及其他借貸作抵押的受限制銀行存款	(697,620)	–
<b>Adjusted net debt</b>	<b>已調整債項淨額</b>	<b>8,085,346</b>	<b>5,648,991</b>
Total equity	權益總額	12,602,321	10,269,784
Less:	減：		
– Hedging reserve	– 對沖儲備	–	529
<b>Adjusted capital</b>	<b>已調整資本</b>	<b>12,602,321</b>	<b>10,269,255</b>
<b>Adjusted net debt-to-capital ratio</b>	<b>已調整債項淨額資本比率</b>	<b>64.2%</b>	<b>55.0%</b>

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 33 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (e) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

#### Company

### 33 資本、儲備及股息 (續)

#### (e) 權益成分的變動

本集團綜合權益各成分之期初及期末結餘之對賬載於綜合權益變動表。本公司各權益成分年初與年末變動詳情載列如下：

#### 本公司

		Share capital	Share premium	Exchange reserve	Share-based compensation reserve	Hedging reserve	Retained profits/ accumulated losses	Total
		股本	股份溢價	匯兌儲備	以股份支付的酬金儲備	對沖儲備	保留溢利/累計虧損	合計
		(Note 33(a))	(Note 33 (b)(i))	(Note 33 (b)(iv))	(Note 33 (b)(vi))	(Note 33 (b)(vii))		
		(附註 33(a))	(附註 33(b)(i))	(附註 33(b)(iv))	(附註 33(b)(vi))	(附註 33(b)(vii))		
		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
Balance at 1 January 2018	2018年1月1日的結餘	216,916	1,680,721	16,673	26,930	-	(1,400,079)	541,161
Changes in equity for 2018:	2018年的權益變動：							
Loss for the year	本年虧損	-	-	-	-	-	(259,170)	(259,170)
Other comprehensive income	其他全面收益							
- Exchange difference on translation of financial statements	- 換算財務報表的匯兌差額	-	-	25,218	-	-	-	25,218
- Cash flow hedge:	- 現金流量對沖：	-	-	-	-	529	-	529
Total comprehensive income	全面收益總額	-	-	25,218	-	529	(259,170)	(233,423)
Issue of new shares	發行新股份	23,042	809,114	-	-	-	-	832,156
Dividend approved in respect of the previous year	已批准往年股息	-	-	-	-	-	(243,915)	(243,915)
Dividend declared in respect of the current year	已宣派本年股息	-	-	-	-	-	(165,000)	(165,000)
Issue of new shares under share option scheme	根據購股權計劃發行新股份	-	-	-	43,059	-	-	43,059
		23,042	809,114	-	43,059	-	(408,915)	466,300
Balance at 31 December 2018 and 1 January 2019	2018年12月31日及2019年1月1日的結餘	239,958	2,489,835	41,891	69,989	529	(2,068,164)	774,038

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 33 CAPITAL, RESERVES AND DIVIDENDS (continued)

#### (e) Movements in components of equity (continued)

Company (continued)

### 33 資本、儲備及股息 (續)

#### (e) 權益成分的變動 (續)

本公司 (續)

	Share capital (Note 33(a)) (附註 33(a)) RMB'000 人民幣千元	Share premium (Note 33(b)(i)) (附註 33(b)(i)) RMB'000 人民幣千元	Exchange reserve (Note 33(b)(iv)) (附註 33(b)(iv)) RMB'000 人民幣千元	Share-based compensation reserve (Note 33(b)(vi)) (附註 33(b)(vi)) RMB'000 人民幣千元	Hedging reserve (Note 33(b)(vii)) (附註 33(b)(vii)) RMB'000 人民幣千元	Retained profits/accumulated losses 保留溢利/累計虧損 RMB'000 人民幣千元	Total 合計 RMB'000 人民幣千元
<b>Changes in equity for 2019: 2019年的權益變動:</b>							
Profit for the year 本年溢利	-	-	-	-	-	1,146,643	1,146,643
Other comprehensive income 其他全面收益	-	-	-	-	-	-	-
- Exchange difference on translation of financial statements 一換算財務報表的匯兌差額	-	-	(8,056)	-	-	-	(8,056)
- Cash flow hedge: 一現金流量對沖:	-	-	-	-	(529)	-	(529)
Total comprehensive income 全面收益總額	-	-	(8,056)	-	(529)	1,146,643	1,138,058
Shares issued under share option scheme 根據購股權計劃發行新股份	704	19,445	-	(4,717)	-	-	15,432
Dividend approved in respect of the previous year 已批准往年股息	-	-	-	-	-	(326,848)	(326,848)
Dividend declared in respect of the current year 已批准本年股息	-	-	-	-	-	(382,798)	(382,798)
Equity settled share-based payment 以權益結算的股份支付	-	-	-	62,690	-	-	62,690
	704	19,445	-	57,973	-	(709,646)	(631,524)
<b>Balance at 31 December 2019 2019年12月31日的結餘</b>	240,662	2,509,280	33,835	127,962	-	(1,631,167)	1,280,572



## Notes to the Financial Statements *(Continued)*

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

##### (a) Interest rate risk

The Group's interest rate risk arises primarily from bank loans and other borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group carried out one interest rate swap contract to manage part of its interest rate exposure.

#### 34 財務風險管理及公平值

本集團的日常業務過程涉及利率、信貸、流動資金及外匯風險。本集團亦須面對因於其他實體之權益投資及自身權益股份價格之變動而產生之股本價格風險。

下述為本集團面對的該等風險及本集團用以管理該等風險的財務風險管理政策及慣例。

##### (a) 利率風險

本集團的利率風險主要來自銀行借款及其他借款。以浮動利率及固定利率計息的借款分別使本集團面臨現金流量利率風險及公平值利率風險。本集團實行一項利率掉期合約以管理部分利率風險。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

#### (a) Interest rate risk *(continued)*

##### (i) Hedges of interest rate risk

Interest rate swaps, denominated in United States Dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy.

Notional amount	名義金額
Carrying amount <i>(note)</i>	賬面值 (附註)
– Asset	– 資產

*Note:*

Interest rate swap assets is included in the "Trade and other receivables" (note 21) line items in the consolidated statement of financial position.

The Group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swaps and the variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the loans.

### 34 財務風險管理及公平值 (續)

#### (a) 利率風險 (續)

##### (i) 利率風險的對沖

本集團已訂立以美元計值的利率掉期以實現符合本集團政策的適當的固定和浮動利率工具組合。

2019	2018
2019年	2018年
RMB'000	RMB'000
人民幣千元	人民幣千元

–	1,027,758
–	552

附註：

利率掉期資產乃計入綜合財務狀況表「貿易及其他應收款項」項目 (附註21)。

本集團僅尋求對沖基準利率部分並應用1:1的對沖比率。利率掉期與浮動利率借款間存在的經濟關係乃通過匹配彼等的重要合約條款而存在，包括參考利率、期限、利息重訂日期、到期日、利息付款及／或收取日期、掉期的名義金額以及借款的尚未償還的本金額。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (a) Interest rate risk (continued)

##### (i) Hedges of interest rate risk (continued)

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

		2019 2019年		2018 2018年	
		Effective interest rate 實際利率	RMB'000 人民幣千元	Effective interest rate 實際利率	RMB'000 人民幣千元
		%	%	%	%
Fixed rate borrowings	固定利率借款				
Bank loan	銀行借款	4.0%-7.5%	1,455,622	4.8%-9.3%	767,000
Other loan	其他借款	6.8%-12%	3,287,347	7.0%-12%	833,180
Senior notes	優先票據	6.8%-8.9%	17,975,341	6.8%-8.9%	10,190,829
Corporate Bonds	公司債券	6.3%-8.3%	2,989,478	6.3%	2,996,760
			<b>25,707,788</b>		<b>14,787,769</b>
Variable rate borrowings	浮息借款				
Bank loan	銀行借款	4.8%-6.7%	5,782,837	4.8%-6.8%	5,063,481
			<b>5,782,837</b>		<b>5,063,481</b>
Total net borrowings	借款淨額總額		<b>31,490,625</b>		<b>19,851,250</b>
Fixed rate borrowings as a percentage of total borrowings	固定利率借款佔借款總額百分比		<b>82%</b>		<b>74%</b>

### 34 財務風險管理及公平值 (續)

#### (a) 利率風險 (續)

##### (i) 利率風險的對沖 (續)

下表詳載本集團於報告期末的借款利率的情況。

## Notes to the Financial Statements *(Continued)*

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

##### (a) Interest rate risk *(continued)*

###### (ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's profit and total equity by approximately RMB44,039,000 (2018: RMB40,513,000).

The analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date.

##### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and contract assets. The Group's exposure to credit risk arising from restricted bank deposits, cash and cash equivalents, bills receivable and derivative financial assets is limited because the counterparties are banks and financial institutions with sound credit rating for which the Group considers to have low credit risk.

#### 34 財務風險管理及公平值 (續)

##### (a) 利率風險 (續)

###### (ii) 敏感度分析

於2019年12月31日，估計利率普遍上升100個基點，而所有其他變數維持不變，將導致本集團溢利及總權益減少約人民幣44,039,000元（2018年：人民幣40,513,000元）。

上述分析乃假設利率變動已於報告期末發生並已將該變動運用於當日已經存在的金融工具的利率風險後釐定。

##### (b) 信貸風險

信貸風險是指交易對方不履行合約義務而導致本集團經濟損失的風險。本集團的信貸風險主要來自於貿易及其他應收款項以及合約資產。本集團因受限制銀行存款、現金及現金等價物、應收票據以及衍生金融資產而產生的信貸風險有限，乃因對手方均為具備良好信貸評級的銀行及金融機構，就此本集團認為信貸風險乃屬有限。

## Notes to the Financial Statements *(Continued)*

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

##### (b) Credit risk *(continued)*

Except for the financial guarantees given by the Group as set out in note 36(a), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 36. The maximum exposure to other credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. There is no significant concentration of credit risk within the Group.

##### (i) Trade receivables and contract assets

There is no significant concentration of credit risk within the Group. Trade receivables are due upon the date of billing. In respect of trade receivables of mortgage sales, no credit terms will be granted to the buyers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such buyers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate.

#### 34 財務風險管理及公平值 (續)

##### (b) 信貸風險 (續)

除本集團所作出之財務擔保（如附註36(a)所述）外，本集團並無提供任何其他擔保而導致本集團承擔任何信貸風險。於報告期末，與該等財務擔保有關的最大信貸風險敞口於附註36披露。其他信貸風險的最大敞口乃於財務狀況表內按各項金融資產扣除任何減值撥備後的賬面值列示。本集團並無重大集中信貸風險。

##### (i) 貿易應收款項及合約資產

本集團並無重大集中信貸風險。貿易應收款項於發票日期到期。對於按揭銷售的貿易應收賬款，買家不會獲授信貸期。本集團一般為物業買家安排不超過物業總購買價70%的銀行融資並為該買家提供償還責任擔保。本集團的擔保期自相關按揭貸款授出日期開始，於物業竣工及房屋產權證發出後按揭登記文件遞交予有關銀行後屆滿。

## Notes to the Financial Statements *(Continued)*

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

##### (b) Credit risk *(continued)*

###### (i) Trade receivables and contract assets *(continued)*

If there is default in payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

#### 34 財務風險管理及公平值 (續)

##### (b) 信貸風險 (續)

###### (i) 貿易應收款項及合約資產 (續)

倘買家拖欠付款，本集團須向銀行償還有關買家未付的按揭貸款與任何應計利息以及買方拖欠銀行的任何罰金。在此情況下，由於本集團於悉數收取款項前並無為該等買家申請個人物業產權證，故本集團可保留買家的訂金、收回相關物業所有權並出售物業，以抵銷本集團向銀行支付的任何款項。本集團的銷售及市場推廣人員獲授權負責釐定信貸限額、信貸審批及其他監控程序，確保採取跟進行動收回過期債項。



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (b) Credit risk (continued)

##### (i) Trade receivables and contract assets (continued)

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

		2019 2019年		
		Expected loss rate 預期虧損率	Gross carrying amount 賬面總額	Loss allowance 虧損撥備
		%	RMB'000 人民幣千元	RMB'000 人民幣千元
Current (not past due) and	即期 (未逾期) 及			
1 – 90 days past due	逾期1至90日	0.4%	266,510	984
91 – 180 days past due	逾期91至180日	7.7%	5,639	435
181 – 270 days past due	逾期181至270日	12.0%	3,820	460
271 – 365 days past due	逾期271至365日	13.5%	10,265	1,383
More than 365 days past due	逾期超過365日	50.0%	16,286	8,143
			302,520	11,405

### 34 財務風險管理及公平值 (續)

#### (b) 信貸風險 (續)

##### (i) 貿易應收款項及合約資產 (續)

本集團按相當於全期預期信貸虧損的金額 (使用撥備矩陣計算) 以計量貿易應收款項及合約資產虧損撥備。由於本集團的過往信貸虧損經驗並無顯示不同客戶分部存在重大差異的虧損型態，故按逾期狀態計算的虧損撥備並無在本集團不同客戶群間進一步區分。

下表提供有關本集團所面臨的信貸風險以及貿易應收款項及合約資產的預期信貸虧損的資料：

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (b) Credit risk (continued)

##### (i) Trade receivables and contract assets (continued)

		2018 2018年		
		Expected loss rate 預期虧損率	Gross carrying amount 賬面總額	Loss allowance 虧損撥備
		%	RMB'000 人民幣千元	RMB'000 人民幣千元
		%		
Current (not past due) and	即期 (未逾期) 及			
1 – 90 days past due	逾期1至90日	1.5%	162,130	2,433
91 – 180 days past due	逾期91至180日	4.2%	1,121	47
181 – 270 days past due	逾期181至270日	8.4%	7,087	595
271 – 365 days past due	逾期271至365日	20.2%	1,772	358
More than 365 days past due	逾期超過365日	50.0%	25,998	13,000
			198,108	16,433

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

### 34 財務風險管理及公平值 (續)

#### (b) 信貸風險 (續)

##### (i) 貿易應收款項及合約資產 (續)

		2018 2018年		
		Expected loss rate 預期虧損率	Gross carrying amount 賬面總額	Loss allowance 虧損撥備
		%	RMB'000 人民幣千元	RMB'000 人民幣千元
		%		
Current (not past due) and	即期 (未逾期) 及			
1 – 90 days past due	逾期1至90日	1.5%	162,130	2,433
91 – 180 days past due	逾期91至180日	4.2%	1,121	47
181 – 270 days past due	逾期181至270日	8.4%	7,087	595
271 – 365 days past due	逾期271至365日	20.2%	1,772	358
More than 365 days past due	逾期超過365日	50.0%	25,998	13,000
			198,108	16,433

預期虧損率乃根據過往年度的實際虧損經驗計算。該等比例乃經調整，以反映歷史數據收集期間的經濟狀況、當前的經濟狀況與本集團對應收款項預期年期內的經濟狀況的觀點三者之間的差異。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (b) Credit risk (continued)

##### (i) Trade receivables and contract assets (continued)

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

### 34 財務風險管理及公平值 (續)

#### (b) 信貸風險 (續)

##### (i) 貿易應收款項及合約資產 (續)

既無逾期亦無減值的應收款項與諸多客戶有關，就此，並無近期違約記錄。

已逾期但未減值的應收款項與多名在本集團擁有良好往績記錄的獨立客戶有關。根據過往經驗，管理層認為，因信貸質量尚無重大變動及結餘仍視作可悉數收回，故就此等結餘而言毋需減值撥備。

有關本年度貿易應收款項及合約資產的虧損撥備賬目的變動如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Balance at 1 January	於1月1日的結餘	16,433	16,114
Impairment losses reversed during the year	年內撥回的減值虧損	(5,028)	—
Impairment losses recognised during the year	年內確認的減值虧損	—	319
Balance at 31 December	於12月31日的結餘	11,405	16,433

## Notes to the Financial Statements *(Continued)*

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

##### (b) Credit risk *(continued)*

###### (ii) Credit risk arising from other receivables

In respect of amounts due from associates and joint ventures, the Group assesses and closely monitors their financial conditions and profitability to manage their credit risk.

In respect of other receivables due from third parties, the Group monitors the exposures and manages them based on historical settlement records and past experience, current conditions and forecasts of future economic conditions.

At each reporting date, the Group measures the expected credit losses of other debtors in following ways:

If, at the reporting date, the credit risk on other receivable has not increased significantly since initial recognition, the Group measures the loss allowance for other receivable at an amount equal to 12-month expected credit loss. The Group measures the loss allowance for other receivables at an amount equal to the lifetime expected credit loss if the credit risk on other receivable has increased significantly since initial recognition and no impairment loss has occurred. The Group measures the loss allowance for other receivables at an amount equal to the lifetime expected credit loss if impairment losses has occurred since initial recognition.

#### 34 財務風險管理及公平值 (續)

##### (b) 信貸風險 (續)

###### (ii) 其他應收款項產生的信貸風險

就應收聯營公司及合營企業款項而言，本集團評估及密切監察其財務狀況及盈利能力，以管理其信貸風險。

就應收第三方之其他款項而言，本集團根據過往結算記錄及過往經驗、現時狀況及未來經濟狀況預測監察及管理該等風險。

本集團於各報告日期以下列方式計量其他債務人的預期信貸虧損：

倘於報告日期，其他應收款項的信貸風險自初始確認以來並無大幅增加，則本集團按相等於十二個月的預期信貸虧損金額計量其他應收款項的虧損撥備。倘其他應收款項的信貸風險自初始確認以來大幅增加，且並無發生任何減值虧損，則本集團按相等於全期預期信貸虧損的金額計量其他應收款項的虧損撥備。倘自初始確認以來已發生減值虧損，則本集團按相等於全期預期信貸虧損的金額計量其他應收款項的虧損撥備。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (b) Credit risk (continued)

##### (ii) Credit risk arising from other receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for other receivables:

### 34 財務風險管理及公平值 (續)

#### (b) 信貸風險 (續)

##### (ii) 其他應收款項產生的信貸風險 (續)

下表提供本集團其他應收款項的信貸風險及預期信貸虧損的資料：

		2019 2019年	
		Gross carrying amount	12-month expected credit loss allowance
		賬面總額	十二個月預期信貸虧損撥備
		RMB'000	RMB'000
		人民幣千元	人民幣千元
For other receivable that the credit risk has not increased significantly since initial recognition	信貸風險自初始確認以來並無大幅增加的其他應收款項	3,161,688	16,787
For other receivable that the credit risk has increased significantly since initial recognition but not credit impaired	信貸風險自初始確認以來已大幅增加，且並無產生信貸減值的其他應收款項	1,369,917	102,666
For other receivable that is credit impaired since initial recognition	自初始確認以來已產生信貸減值的其他應收款項	354,272	138,844

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

#### (b) Credit risk *(continued)*

##### (ii) Credit risk arising from other receivables *(continued)*

### 34 財務風險管理及公平值 (續)

#### (b) 信貸風險 (續)

##### (ii) 其他應收款項產生的信貸風險 (續)

		2018 2018年	
		Gross carrying amount	12-month expected credit loss allowance 十二個月 預期信貸 虧損撥備
		RMB'000 人民幣千元	RMB'000 人民幣千元
For other receivable that the credit risk has not increased significantly since initial recognition	信貸風險自初始確認以來並無大幅增加的其他應收款項	1,913,383	5,642
For other receivable that the credit risk has increased significantly since initial recognition but not credit impaired	信貸風險自初始確認以來已大幅增加，且並無產生信貸減值的其他應收款項	506,354	54,667
For other receivable that is credit impaired since initial recognition	自初始確認以來已產生信貸減值的其他應收款項	68,089	23,318



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (b) Credit risk (continued)

##### (ii) Credit risk arising from other receivables (continued)

Expected loss rates are based on historical loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of other receivables during the year is as follows:

### 34 財務風險管理及公平值 (續)

#### (b) 信貸風險 (續)

##### (ii) 其他應收款項產生的信貸風險 (續)

預期虧損率乃根據過往虧損經驗計算。該等比例乃經調整，以反映歷史數據收集期間的經濟狀況、當前的經濟狀況與本集團對應收款項預期年期內的經濟狀況的觀點三者之間的差異。

年內其他應收款項的虧損撥備賬目變動如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Balance at 1 January	於1月1日之結餘	83,627	29,323
Impairment losses reversed during the year	於年內撥回的減值虧損	-	-
Impairment losses recognised during the year	於年內確認的減值虧損	174,670	54,304
Balance at 31 December	於12月31日之結餘	258,297	83,627

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

### 34 財務風險管理及公平值 (續)

#### (c) 流動資金風險

本集團管理層持續檢討本集團流動資金狀況，包括預期所得及所耗現金、各物業項目的銷售／預售業績、貸款及借貸到期情況與物業開發項目計劃進度，以監控本集團的短期及長期流動資金需求。

下表詳列按訂約未貼現現金流量（包括按合約利率或（倘為浮息）報告期末當時的利率計算的利息付款）及本集團須付款的最早日期所釐定於報告期末本集團金融負債的剩餘合約期。

		2019 2019年					
		Contractual undiscounted cash flow 訂約未貼現現金流量					
		Within 1 year or on demand 一年內 或要求時 RMB'000 人民幣千元	More than 1 year but less than 2 years 一年後 但兩年內 RMB'000 人民幣千元	More than 2 years but less than 5 years 兩年後 但五年內 RMB'000 人民幣千元	More than 5 years 五年後 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元	Carrying amount 賬面值 RMB'000 人民幣千元
Bank loans	銀行借款	3,942,328	2,229,830	878,941	655,152	7,706,251	7,238,459
Other loans	其他借款	2,673,895	719,111	-	-	3,393,006	3,110,497
Senior notes	優先票據	5,896,544	8,148,365	5,971,540	-	20,016,449	17,975,341
Corporate bonds	公司債券	1,671,241	1,530,181	-	-	3,201,422	2,989,478
Trade and other payables	貿易及其他應付款項	40,610,934	2,936,693	68,190	-	43,615,817	43,615,817
Lease liabilities (note)	租賃負債 (附註)	48,957	59,041	139,554	864,319	1,111,871	535,776
		54,843,899	15,623,221	7,058,225	1,519,471	79,044,816	75,465,368
Financial guarantees issued:	已發行財務保證:						
- Maximum amount guaranteed (note 36)	- 保證最高金額 (附註36)	48,003,626	-	-	-	48,003,626	-

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (c) Liquidity risk (continued)

### 34 財務風險管理及公平值 (續)

#### (c) 流動資金風險 (續)

		2018 2018年					
		Contractual undiscounted cash flow 訂約未貼現現金流量					
		Within 1 year or on demand 一年內 或要求時 RMB'000 人民幣千元	More than 1 year but less than 2 years 一年後 但兩年內 RMB'000 人民幣千元	More than 2 years but less than 5 years 兩年後 但五年內 RMB'000 人民幣千元	More than 5 years 五年後 RMB'000 人民幣千元	Total 總額 RMB'000 人民幣千元	Carrying amount 賬面值 RMB'000 人民幣千元
Bank loans	銀行借款	1,903,929	2,363,708	1,597,886	604,674	6,470,197	5,830,481
Other loans	其他借款	654,095	261,333	–	–	915,428	833,180
Senior notes	優先票據	743,870	5,352,276	5,594,459	–	11,690,605	10,190,829
Corporate bonds	公司債券	3,003,050	–	–	–	3,003,050	2,996,760
Trade and other payables	貿易及其他應付款項	28,947,113	101,067	–	–	29,048,180	28,924,187
		35,252,057	8,078,384	7,192,345	604,674	51,127,460	48,775,437
Financial guarantees issued: 已發行財務保證:							
– Maximum amount	– 保證最高金額						
guaranteed (note 36)	(附註36)	35,131,382	–	–	–	35,131,382	–

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 1(c).

附註：本集團首次採用經修訂的追溯法應用香港財務報告準則第16號，並調整於2019年1月1日的期初結餘，以確認先前根據香港會計準則第17號分類為經營租賃的有關租賃的租賃負債。租賃負債包括於過渡至香港財務報告準則第16號日期所確認先前根據香港會計準則第17號分類為經營租賃的有關租賃金額以及年內所訂新租賃有關金額。根據該方法，比較資料不予重列。見附註1(c)。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (d) Currency risk

The Group is exposed to currency risk primarily through bank deposits, senior notes and bank loans that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily United States Dollars and Singapore Dollars.

The following table details the Group's exposure at 31 December 2019 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

### 34 財務風險管理及公平值 (續)

#### (d) 貨幣風險

本集團的主要貨幣風險來自按非相關業務功能貨幣的貨幣計值的銀行存款、優先票據及銀行貸款。構成風險的主要貨幣是美元及新加坡元。

下表所列為2019年12月31日本集團按非相關實體功能貨幣的貨幣計值的已確認資產或負債的貨幣風險。

		2019 2019年		2018 2018年	
		Singapore Dollars 新加坡元 '000 千元	United States Dollars 美元 '000 千元	Singapore Dollars 新加坡元 '000 千元	United States Dollars 美元 '000 千元
Cash and cash equivalents	現金及現金等價物	13	438,938	63	62,908
Senior notes	優先票據	(149,707)	(2,461,691)	(148,880)	(1,377,411)
Bank loans	銀行借款	-	(38,215)	-	(148,105)
Gross exposure arising from recognised assets and liabilities and overall net exposure	已確認資產及負債產生的風險總額及淨風險合計	(149,694)	(2,060,968)	(148,817)	(1,462,608)

## Notes to the Financial Statements *(Continued)*

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

##### (d) Currency risk *(continued)*

In addition to the above, subsidiaries of the Company with functional currency of Hong Kong Dollars, have receivables from and net investment in PRC subsidiaries. The Group uses foreign exchange forward contracts and option contracts with notional principal amounts of US\$600 million to manage its exposure to foreign exchange rate risk of the net investment denominated in RMB. The contracts will mature in 2020 and 2021.

A reasonably possible increase/decrease of 5% (2018: 5%) in the foreign exchange rate of Hong Kong Dollars against Singapore Dollars and United States Dollars would increase/decrease the Group's profit after tax and total equity by RMB5,839,903 (2018: RMB4,208,018). As Hong Kong Dollars are pegged to United States Dollars, the movement of exchange rate of Hong Kong Dollars against United States Dollars is considered insignificant. Moreover, the Group entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of US\$200m Senior Notes due in 2021 as discussed in notes 28(c).

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

#### 34 財務風險管理及公平值 (續)

##### (d) 貨幣風險 (續)

除以上所述外，本公司採用港元作為功能貨幣的附屬公司有應收中國附屬公司款項及於中國附屬公司的投資淨額。本集團使用名義本金額為6.0億美元的外匯遠期合約及期權合約管理其以人民幣計值的投資淨額所面臨的外匯匯率風險。該等合約將分別於2020年及2021年到期。

港元兌新加坡元及美元匯率可能合理上升／下跌5%（2018年：5%），將使本集團的除稅後溢利及權益總額增加／減少人民幣5,839,903元（2018年：人民幣4,208,018元）。由於港元與美元掛鉤，港元兌美元的匯率變動影響並不明顯。此外，本集團訂有外匯匯率掉期合約，以管理於2021年到期2億美元優先票據的外匯風險（如附註28(c)所載）。

上述分析乃基於假設匯率變動發生於報告期末，且其他所有變量（特別是利率）保持不變作出。分析乃採用2018年同等基準。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (e) Equity price risk

Group is exposed to equity price changes arising from equity investments held for trading and non-trading purposes (see note 18). Other than unquoted securities held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of Index and other industry indications, as well as the Group's liquidity needs. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

A reasonably possible increase/decrease of 5% (2018: 5%) in the relevant stock market index (for trading securities), with all other variables held constant, the impact on the Group's profit after tax and total equity is not expected to be material.

### 34 財務風險管理及公平值 (續)

#### (e) 股價風險

本集團須承受持作買賣或非買賣之股權投資所產生之股價變動風險 (見附註18)。除就策略用途持有的未報價證券外，所有該等投資均已上市。

本集團的上市投資在香港聯交所上市。交易性證券買賣乃根據對個別證券的表現相較於相應指數之每日監察及其他行業指標以及本集團之流動資金需求而決定。獲選為非持作買賣之上市投資乃根據其長期增長潛力以及對預測的比較表現之定期監察而作出。根據本集團設立之規限，組合在行業分配方面是多元化的。

本集團所有無報價投資乃就長期策略目標而持有。該等無報價投資之表現根據本集團可獲得之有限資料至少每半年與類似上市實體之表現進行比較評估，並評估該等無報價投資與本集團長期策略計劃之相關性。

根據股票市場之變動與本集團的投資組合不可能有直接相關性的情況下，釐定股票市場指數變動對本集團權益投資組合之影響是不切實際的。

就交易性證券的相關股票市場指數可能合理上升／下跌5% (2018年：5%)，而其他變數維持不變，預計不會對本集團的除稅後溢利及權益總額造成重大影響。



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

#### (f) Fair value measurement

##### (i) *Financial assets and liabilities measured at fair value*

###### *Fair value hierarchy*

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group has a team headed by the finance controller performing valuations for the financial instruments, mainly the unlisted equity securities. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer.

### 34 財務風險管理及公平值 (續)

#### (f) 公平值計量

##### (i) 以公平值計量的金融資產及負債

###### 公平值層級

下表列示本集團於報告期末按經常性基準計量的金融工具公平值，有關金融工具歸類為香港財務報告準則第13號公平值計量所界定的三個公平值層級。公平值計量所歸類的級別乃參照以下估值方法所用輸入數據的可觀察程度及重要性後釐定：

- 第一級估值：僅採用第一級別輸入數據，即於計量日期相同資產或負債於活躍市場的未經調整報價計量公平值
- 第二級估值：採用第二級別輸入數據，即未能符合第一級別的可觀察輸入數據計量公平值，且並不採用重大不可觀察輸入數據。不可觀察輸入數據指未有相關市場數據者
- 第三級估值：採用重大不可觀察輸入數據計量公平值

本集團成立由財務總監帶領的團隊對金融工具（主要為非上市權益證券）進行估值。該團隊直接向首席財務官及審核委員會報告。該團隊於每中期及年度報告日期編製有關分析公平值計量變動的估值報告，並由首席財務官審核及批准。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (f) Fair value measurement (continued)

##### (i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

### 34 財務風險管理及公平值 (續)

#### (f) 公平值計量 (續)

##### (i) 以公平值計量的金融資產及負債 (續)

公平值層級 (續)

Fair value measurements  
as at 31 December 2019 categorised into  
於2019年12月31日之公平值計量歸類為

		Fair value at 31 December 2019 於2019年 12月31日 之公平值 RMB'000 人民幣千元	Level 1 第一級 RMB'000 人民幣千元	Level 2 第二級 RMB'000 人民幣千元	Level 3 第三級 RMB'000 人民幣千元
<b>Recurring fair value measurements</b>	<b>經常性公平值計量</b>				
<i>Financial assets:</i>	<i>金融資產:</i>				
Trading securities:	交易性證券:				
– Listed equity securities in Hong Kong	– 香港上市權益證券	70,596	70,596	–	–
Other financial assets:	其他金融資產:				
– Non-trading listed equity securities	– 非交易性證券	151,382	151,382	–	–
– Unlisted equity securities	– 非上市股本證券	438,778	–	–	438,778
– Units in funds	– 基金單位	473,177	–	473,177	–
Derivative financial instruments:	衍生金融工具:				
– Redemption call options embedded in senior notes	– 贖回優先票據認購期權	31,790	–	31,790	–
– Foreign exchange forward contracts	– 外匯遠期合約	62,030	–	62,030	–
<i>Financial liabilities:</i>	<i>金融負債:</i>				
Derivative financial instruments:	衍生金融工具:				
– Foreign exchange rate swap contract	– 外匯匯率掉期合約	9,228	–	9,228	–
– Foreign exchange option	– 外匯期權	10,908	–	10,908	–

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (f) Fair value measurement (continued)

##### (i) Financial assets and liabilities measured at fair value (continued)

Fair value hierarchy (continued)

### 34 財務風險管理及公平值 (續)

#### (f) 公平值計量 (續)

##### (i) 以公平值計量的金融資產及負債 (續)

公平值層級 (續)

Fair value measurements  
as at 31 December 2018 categorised into  
於2018年12月31日之公平值計量歸類為

		Fair value at 31 December 2018 於2018年 12月31日 之公平值 RMB'000 人民幣千元	Level 1 第一級 RMB'000 人民幣千元	Level 2 第二級 RMB'000 人民幣千元	Level 3 第三級 RMB'000 人民幣千元
<b>Recurring fair value measurements</b>	<b>經常性公平值計量</b>				
<i>Financial assets:</i>	<i>金融資產:</i>				
Trading securities:	交易性證券:				
– Listed equity securities in Hong Kong	– 香港上市權益證券	82,775	82,775	–	–
Other financial assets:	其他金融資產:				
– Non-trading listed equity securities	– 非交易性證券	249,419	249,419	–	–
– Unlisted equity securities	– 非上市股本證券	352,914	–	–	352,914
Derivative financial instruments:	衍生金融工具:				
– Redemption call options embedded in senior notes	– 贖回優先票據認購期權	62,533	–	62,533	–
– Foreign exchange forward contracts	– 外匯遠期合約	31,799	–	31,799	–
– Interest rate swap contracts	– 利率掉期合約	552	–	552	–
<i>Financial liabilities:</i>	<i>金融負債:</i>				
Derivative financial instruments:	衍生金融工具:				
– Foreign exchange rate swap contract	– 外匯匯率掉期合約	77,252	–	77,252	–

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(continued)*

#### (f) Fair value measurement *(continued)*

##### (i) Financial assets and liabilities measured at fair value *(continued)*

###### *Fair value hierarchy (continued)*

During the years ended 31 December 2018 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

###### *Valuation techniques and inputs used in Level 2 fair value measurements*

The fair value of redemption call options in Level 2 are determined by assessing the difference between the fair value of the senior notes by quoted price and the pure bond value.

The fair value of foreign exchange forward contracts and foreign exchange rate swap contract in Level 2 are determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant interest rate swap and cross currency basis swap yield curve as at the end of the reporting period plus an adequate credit spread.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.

### 34 財務風險管理及公平值 (續)

#### (f) 公平值計量 (續)

##### (i) 以公平值計量的金融資產及負債 (續)

###### *公平值層級 (續)*

於截至2018年及2019年12月31日止年度，第一級與第二級之間並無轉撥，亦無轉撥入第三級或自第三級轉撥出。本集團之政策為於轉撥發生之報告期末確認各公平值層級之間的轉撥。

###### *於第二級公平值計量採用之估值方法及輸入數據*

於第二級的優先票據贖回認購期權的公平值，乃評估優先票據按報價計算的公平值與純債券價值之間差額後釐定。

第二級外匯掉期合約及外匯匯率掉期合約之公平值乃由合約遠期價格貼現及扣除現行即期匯率後釐定。使用的貼現率為報告期末相關利率掉期及貨幣掉期交易收益率曲線加上足夠的信貸息差而得出。

利率掉期的公平值是指本集團於報告期末，經考慮當前利率及掉期對手方的當前信貸狀況，將收取或支付以終止掉期的估計金額。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (f) Fair value measurement (continued)

##### (i) Financial assets and liabilities measured at fair value (continued)

##### Valuation techniques and inputs used in Level 2 fair value measurements (continued)

For Level 2 financial assets at FVPL, fair values are generally obtained through the use of valuation methodologies with observable market inputs or by reference to recent transaction prices.

##### Information about Level 3 fair value measurements

The fair value of unlisted equity instruments is determined by reference to the net asset value of these investments.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

### 34 財務風險管理及公平值 (續)

#### (f) 公平值計量 (續)

##### (i) 以公平值計量的金融資產及負債 (續)

##### 於第二級公平值計量採用之估值方法及輸入數據 (續)

就第二級以公平值計量且其變動計入當期損益的金融資產而言，公平值一般透過使用估值方法（具有可觀察市場輸入數據）或參考最近交易價格獲得。

##### 有關第三級公平值計量之資料

非上市權益投資之公平值乃參考該等投資之資產淨值而釐定。

期內於第三級公平值計量結餘的變動情況如下：

2019  
2019年  
RMB'000  
人民幣千元

Unlisted equity securities:	非上市權益投資：	
At 1 January	於1月1日	352,914
Addition	添置	60,000
Net unrealised gains or losses recognised in other comprehensive income during the period	期內於其他全面收益表中確認的未變現收益或虧損淨額	25,864
At 31 December	於12月31日	438,778
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	報告期末持有的資產的期間總收益或虧損（計入損益）	-

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 34 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

#### (f) Fair value measurement (continued)

##### (i) Financial assets and liabilities measured at fair value (continued)

##### Information about Level 3 fair value measurements (continued)

Any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

##### (ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2018 and 2019.

### 35 COMMITMENTS

#### (a) Capital commitments outstanding at 31 December 2019 not provided for in the financial statements are as follows:

##### Capital commitments for property development

##### 物業發展的資本承擔

- Authorised but not contracted for
- Contracted but not provided for

- 已授權但尚未訂約
- 已訂約但尚未撥備

2019	2018
2019年	2018年
RMB'000	RMB'000
人民幣千元	人民幣千元
49,306,769	44,534,992
25,865,751	24,153,219
75,172,520	68,688,211

### 34 財務風險管理及公平值 (續)

#### (f) 公平值計量 (續)

##### (i) 以公平值計量的金融資產及負債 (續)

##### 有關第三級公平值計量之資料 (續)

本集團為戰略目的持有的未上市權益證券重新計量而產生的任何收益或虧損於其他全面收益表中確認為公平值儲備 (不可轉回)。於權益證券出售後，其他全面收益表中累計款項直接轉入保留溢利。

##### (ii) 按公平值以外列值金融工具之公平值

於2018年及2019年12月31日，本集團按攤銷成本列賬的金融工具之賬面值與其公平值均無重大分別。

### 35 承擔

#### (a) 於2019年12月31日，並無於財務報表內撥備的未履行的資本承擔如下：



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 35 COMMITMENTS *(continued)*

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

		Properties 物業 RMB'000 人民幣千元
Within 1 year	一年內	25,619
After 1 year but within 5 years	一年後但五年內	93,459
After 5 years	五年後	517,617
		<hr/> 636,695 <hr/>

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 1(c)). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 1(l), and the details regarding the Group's future lease payments are disclosed in note 30.

### 35 承擔 (續)

(b) 於2018年12月31日，根據不可撤銷經營租賃的應付未來最低租賃款項總額如下：

本集團為根據租賃持有的多項物業的承租人，該等租賃之前根據香港會計準則第17號分類為經營租賃。本集團已首次採納香港財務報告準則第16號而選用經修訂追溯法。根據此方法，本集團調整於2019年1月1日的期初結餘，以確認有關該等租賃的租賃負債（見附註1(c)）。自2019年1月1日起，未來租賃款項乃根據附註1(l)所載政策於財務狀況表內確認為租賃負債，有關本集團未來租賃款項的詳情於附註30披露。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 36 FINANCIAL GUARANTEE

#### (a) Guarantees given to financial institutions for mortgage facilities granted to buyers of the Group's and joint ventures' properties

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's and joint ventures' properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the buyers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the buyers of the Group's and joint ventures' properties at 31 December 2019 is as follows:

### 36 財務擔保

#### (a) 就向本集團及合營企業物業買家提供按揭貸款向金融機構作出擔保

本集團就若干銀行向本集團及合營企業的物業買方所提供的按揭貸款作出擔保。根據擔保條款，倘該等買家拖欠按揭付款，則本集團須向銀行償還欠付的按揭貸款與任何應計利息及買家拖欠銀行貸款的罰金。本集團的擔保期自相關按揭貸款授出日期開始，於買家獲發所購置物業的個別產權證時屆滿。於2019年12月31日，為本集團及合營企業的物業買家所獲授按揭貸款而向銀行提供的擔保金額如下：

		2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
Guarantees given to banks for mortgage facilities granted to buyers of:	為以下買家所獲按揭貸款向銀行作出的擔保：		
– the Group's properties	– 本集團物業	37,561,304	27,135,358
– the joint ventures' properties (the Group's shared portion)	– 合營企業物業 (本集團分佔部分)	4,821,070	2,387,633
		42,382,374	29,522,991

## Notes to the Financial Statements *(Continued)*

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 36 FINANCIAL GUARANTEE *(continued)*

##### (a) Guarantees given to financial institutions for mortgage facilities granted to buyers of the Group's and joint ventures' properties *(continued)*

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods as the Group and the joint ventures have not applied for individual building ownership certificates for these buyers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group/joint ventures to the banks. The Group and joint ventures have not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group and joint ventures in the event the buyers default payments to the banks.

##### (b) Guarantees given to financial institutions for bank loans and other loans granted to joint ventures and associates

The Group provided guarantees to bank loans and other loans of joint ventures and associates amounting to RMB10,046,993,000 at 31 December 2019 (2018: RMB4,984,799,000). The Group closely monitors the repayment progress of the relevant loans by those joint ventures. At the end of the reporting period, the directors do not consider it probable that claims will be made against the Group under these guarantees.

#### 36 財務擔保 (續)

##### (a) 就向本集團及合營企業物業買家提供按揭貸款向金融機構作出擔保 (續)

由於本集團及合營企業並未就該等買家申請個別房屋產權證，並可接收相關物業擁有權並出售有關物業，以抵銷本集團／合營企業向銀行支付的任何款項，故董事認為本集團不大可能於該等期間因擔保遭受損失。因董事認為該等擔保的公平值極低，故本集團及合營企業並無確認有關該等擔保的任何遞延收入。董事亦認為，倘買家拖欠銀行付款，相關物業的公平市值足夠繳清未償還的本集團及合營企業按揭貸款。

##### (b) 就授予合營企業及聯營公司的銀行借款及其他借款向金融機構作出擔保

本集團於2019年12月31日就合營企業及聯營公司的銀行借款及其他借款人民幣10,046,993,000元（2018年：人民幣4,984,799,000元）提供擔保。本集團密切監察該等合營企業相關借款的還款進度。於報告期末，董事認為本集團不大可能因該等擔保而面臨申索。

## Notes to the Financial Statements *(Continued)*

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 36 FINANCIAL GUARANTEE *(continued)*

**(c) Guarantee given to Henan Hongdao Business Information Consultation Company Limited 河南弘道商務信息諮詢有限公司 (“Henan Hongdao”)**

On 24 December 2019, the Group entered into an arrangement to provide guarantee to Henan Hongdao, an entity controlled by Mr. Wu Po Sum, in respect of its five-year bank loan amounting to RMB500,000,000, with annual guarantee fee at 1% of the principal amount outstanding.

**(d) Liquidity support given to 河南建業物業管理有限公司 (for identification purpose, in English, Henan Jianye Property Management Company Limited (“Jianye Property Management”)):**

The Group provided liquidity support, not exceeding RMB650,000,000, in favour of Jianye Property Management, a subsidiary of Central China New Life, for outstanding amount in relation to Asset-backed Securities of RMB850,000,000 issued by Jianye Property Management in April 2016. In April 2019, Jianye Property Management repaid all remaining balance of the Asset-backed Securities. The liquidity support fee of RMB533,000 was recognised for the year ended 31 Dec 2019 (2018: RMB915,000).

#### 36 財務擔保 (續)

**(c) 向河南弘道商務信息諮詢有限公司 (「河南弘道」) 提供擔保**

於2019年12月24日，本集團訂立一項安排，就其五年期人民幣500,000,000元的銀行貸款向由胡葆森先生控制的實體河南弘道提供擔保，年度擔保費用為未償還本金的1%。

**(d) 向河南建業物業管理有限公司 (「建業物業管理」) 提供流動資金支持：**

於2016年4月，本集團就人民幣850,000,000元資產支持證券的未償還金額以河南建業新生活之附屬公司建業物業管理為受益人提供金額不超過人民幣650,000,000元的流動資金支持。於2019年4月，建業物業管理已償還資產支持證券的所有餘下款項。本集團於截至2019年12月31日止年度確認流動資金支持費人民幣533,000元 (2018年：人民幣915,000元)。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 37 MATERIAL RELATED PARTY TRANSACTIONS

#### (a) Related party transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, major related party transactions entered by the Group during the year ended 31 December 2019 are as follows:

### 37 重大關聯交易

#### (a) 關聯交易

除綜合財務報表其他部分所披露的交易及結餘外，截至2019年12月31日止年度，本集團訂立之主要關聯交易如下：

			2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
	Note 附註			
Project management service income from joint ventures or associates		來自合營企業或聯營公司的項目管理服務收入	73,470	70,446
Interest income from joint ventures	(i)	自合營企業的利息收入	101,402	66,642
Receiving services from entities controlled by the ultimate controlling shareholder	(ii)&(iv) (ii)及(iv)	自最終控股股東控制實體接收服務	(836,674)	(114,080)
Rental income from entities jointly controlled by a close family member of the ultimate controlling shareholder	(iii)	來自由最終控股股東的一名近親共同控制實體的租金收入	5,741	—
Hotel and other miscellaneous income from entities controlled by the ultimate controlling shareholder		自最終控股股東控制實體的酒店及其他雜項收入	11,341	4,437

## Notes to the Financial Statements *(Continued)*

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 37 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

##### (a) Related party transactions *(continued)*

Notes:

- (i) The amounts represent interest income in relation to advances to joint ventures.
- (ii) Central China New Life, an entity controlled by Mr. Wu Po Sum, the ultimate controlling shareholder of the Company, together with its subsidiaries, provides various types of services for the Group, mainly including property management service, real estate agency service, consultation and management service, intelligent technology service, membership maintenance and management service and other miscellaneous services.
- (iii) In March 2019, a close family member of Mr. Wu Po Sum acquired 50% of the equity interest in Shanghai Meihua from its former equity interest owner. Shanghai Meihua, together with its subsidiaries, leases properties from the Group.
- (iv) In July 2019, the ultimate controlling shareholder of the Company acquired 100% of the equity interest in Drawin Intelligent Manufacture from its former equity interest owner. Drawin Intelligent Manufacture, together with its subsidiaries, provides engineering services for the Group.
- (v) On 30 January 2019, the extraordinary general meeting held by the Group approved the entering into of the equity transfer agreement with Joy Bright Investments Limited ("Joy Bright"), the equity interest of which was 100% held by Mr. Wu Po Sum, dated 14 December 2018 to acquire 100% equity interest in Pacific Prestige Holdings Limited at the consideration of RMB765,000,000.

#### 37 重大關聯交易 (續)

##### (a) 關聯交易 (續)

附註：

- (i) 該金額指有關向合營企業墊款的利息收入。
- (ii) 河南建業新生活（一間由本公司最終控股股東胡葆森先生控制的實體）連同其附屬公司，為本集團提供多種服務，主要包括物業管理服務、房地產代理服務、諮詢及管理服務、智能科技服務、會員維護及管理服務以及其他雜項服務。
- (iii) 於2019年3月，胡葆森先生的近親成員自其前股權擁有人收購上海美華50%股權。上海美華連同其附屬公司向本集團租賃物業。
- (iv) 於2019年7月，本公司最終控股股東自其前股權擁有人收購築友智造的全部股權。築友智造連同其附屬公司為本集團提供工程服務。
- (v) 於2019年1月30日，本集團召開的股東特別大會上批准與恩輝投資有限公司（「恩輝」）（其股權由胡葆森先生全資擁有）訂立日期為2018年12月14日的股權轉讓協議，以代價人民幣765,000,000元收購和威控股有限公司的全部股權。



# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 37 MATERIAL RELATED PARTY TRANSACTIONS (continued)

#### (a) Related party transactions (continued)

Notes: (continued)

(v) (continued)

On 3 May 2019, the Group entered into an equity interest transfer agreement with Southern Lake Investments Limited whose equity interest was 100% held by Mr. Wu Po Sum, pursuant to which the Group agreed to acquire 10% equity interests in Henan Jianye Zhengjing Property Co., Ltd. at the consideration of RMB85,000,000. Upon completion of the equity transfer Henan Jianye Zhengjing Property Co., Ltd. was 100% owned by the Group.

#### (b) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of rendering service to, receiving services and acquiring equity interests from entities controlled by the ultimate controlling shareholder above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in sections "Connected transactions" and "Continuing connected transactions" of the Directors' Report except those transactions which are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

### 37 重大關聯交易 (續)

#### (a) 關聯交易 (續)

附註：(續)

(v) (續)

於2019年5月3日，本集團與香港南湖投資有限公司（其股權由胡葆森先生全資擁有）訂立股權讓協議，據此，本集團同意收購河南建業鄭經置業有限公司10%股權，代價為人民幣85,000,000元。股權轉讓完成後，本集團擁有河南建業鄭經置業有限公司的全部股權。

#### (b) 與關連交易相關之上市規則之適用性

涉及上述向最終控股股東控制實體提供服務、接受有關實體的服務及自有關實體收購股權的關聯人士交易構成上市規則第14A章界定的關連交易或持續關連交易。上市規則第14A章規定的披露資料載於董事會報告「關連交易」及「持續關連交易」兩節，惟因低於第14A.76(1)條的最低標準而獲豁免遵守上市規則第14A章的披露規定的交易除外。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

#### (a) Acquisitions of subsidiaries

##### (i) Acquisitions in 2019

During the year ended 31 December 2019, the Group acquired equity interests in certain entities which held property development projects. After the completion of the acquisition, these entities become the Group's subsidiaries. Acquisitions of these subsidiaries enable the Group to expand its land banks and strengthen the Group's property development business in Henan, the PRC. Acquisitions of subsidiaries during the year are summarised as follows:

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interest held before acquisition	Percentage of equity interest acquired	Percentage of equity interest held after acquisitions	Consideration
收購日期	收購附屬公司名稱	收購前所持的權益百分比	所收購權益的百分比	收購後所持的權益百分比	代價 RMB'000 人民幣千元
January 2019 2019年1月	Henan Longyu Real Estate Company Limited 河南龍宇房地產開發有限公司	60%	40%	100%	159,183
February 2019 2019年2月	Henan Zhongyi technology City Company Limited 河南中以科技城有限公司	0%	45%	45%	72,000
April 2019 2019年4月	Henan Luxin Real Estate Company Limited 河南省魯鑫置業有限公司	0%	53%	53%	49,464
May 2019 2019年5月	Henan Song Mountain International Innovation Park Company Limited 河南嵩山國際創新園有限公司	0%	100%	100%	187,333
May 2019 2019年5月	Central China New Land Henan, the PRC (Henan) Real Estate Company Limited 河南建業恒新置業有限公司	28.57%	71.43%	100%	709,685
June 2019 2019年6月	Henan Wanchao Real Estate Company Limited 河南萬潮置業有限公司	0%	50.49%	50.49%	25,500

### 38 收購及出售附屬公司

#### (a) 收購附屬公司

##### (i) 於2019年收購

截至2019年12月31日止年度，本集團收購若干持有物業開發項目的實體之股權。收購事項完成後，該等實體成為本集團的附屬公司。收購該等附屬公司使本集團得以擴張其土地儲備及加強本集團於中國河南的物業開發業務。年內收購的附屬公司摘要如下：

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)

#### (a) Acquisitions of subsidiaries (continued)

##### (i) Acquisitions in 2019 (continued)

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interest held before acquisition	Percentage of equity interest acquired	Percentage of equity interest held after acquisitions	Consideration
收購日期	收購附屬公司名稱	收購前所持的權益百分比	所收購權益的百分比	收購後所持的權益百分比	代價 RMB'000 人民幣千元
June 2019 2019年6月	Anyang Jianbang Real Estate Development Co., Ltd. 安陽建邦房地產開發有限公司	49%	51%	100%	–
July 2019 2019年7月	Zhengzhou Changchuan Real Estate Development Co., Ltd. 鄭州昌川房地產開發有限公司	0%	60%	60%	54,000
July 2019 2019年7月	Hainan Jinghua Information Service Co., Ltd. 海南錦樺信息服務有限公司	0%	95%	95%	134,000
July 2019 2019年7月	Hebi Jianqi Real Estate Development Co., Ltd. 鶴壁建淇房地產開發有限公司	0%	51%	51%	–
July 2019 2019年7月	Kaifeng Central China Real Estate Company Limited 開封建業地產有限公司	60%	40%	100%	606,458
August 2019 2019年8月	Luoyang Zhuzong Yutai Real Estate Development Co., Ltd. 洛陽住總宇泰房地產開發有限公司	40%	60%	100%	721,211
August 2019 2019年8月	Yuzhou Jianxiang Real Estate Development Co., Ltd. 禹州市建翔房地產開發有限公司	0%	60%	60%	143,358
August 2019 2019年8月	Luohe Jiancheng Real Estate Company Limited 漯河建城置業有限公司	0%	60%	60%	125,320
September 2019 2019年9月	Henan Bailihui Industrial Co., Ltd. 河南百力匯實業有限公司	0%	51%	51%	510,000
November 2019 2019年11月	Yucheng Jianheng Real Estate Development Co., Ltd. 虞城縣建恒房地產開發有限公司	0%	50.49%	50.49%	–
December 2019 2019年12月	Weihui Xingui Real Estate Development Co., Ltd. 衛輝市鑫桂房地產開發有限公司	0%	95%	95%	243,212

\* The English names of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

### 38 收購及出售附屬公司 (續)

#### (a) 收購附屬公司 (續)

##### (i) 於2019年收購 (續)

\* 上述中國公司的英文名稱僅由管理層就該等財務報表目的而翻譯，原因是並無登記或不可獲得英文名稱。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)

#### (a) Acquisitions of subsidiaries (continued)

##### (i) Acquisitions in 2019 (continued)

The acquisitions of subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

		Carrying amount	Adjustments	Recognised values on acquisition
		賬面值 RMB'000 人民幣千元	調整 RMB'000 人民幣千元	收購時 確認的價值 RMB'000 人民幣千元
Property, plant and equipment	物業、廠房及設備	169,830	–	169,830
Tax recoverable	可回收稅項	241,556	–	241,556
Inventories and other contract costs	存貨及其他合約成本	11,631,046	1,009,737	12,640,783
Trade and other receivables	貿易及其他應收款項	3,554,353	–	3,554,353
Deposits and prepayments	按金及預付款	2,109,719	284,041	2,393,760
Restricted cash	受限制現金	28,016	–	28,016
Cash and cash equivalents	現金及現金等價物	939,206	–	939,206
Bank loans	銀行借款	(499,000)	–	(499,000)
Other loans	其他借款	(1,554,300)	–	(1,554,300)
Taxation payables	應付稅項	(114,082)	–	(114,082)
Trade and other payables	貿易及其他應付款項	(6,659,996)	–	(6,659,996)
Contract liabilities	合約負債	(4,784,824)	–	(4,784,824)
Net identified assets and liabilities	可識別資產淨值及負債淨額	5,061,524	1,293,778	6,355,302 (991,924)
Non-controlling interests	非控股權益			5,363,378
Satisfied by:	以下列方式支付：			
Cash	現金			3,332,402
Fair value of previously held interests in joint ventures and associates as at acquisition date	於收購日期於合營企業及聯營公司先前持有權益的公平值			2,030,976
				5,363,378
Total consideration paid	已付代價總額			3,332,402
Total cash and cash equivalents acquired	所收購現金及現金等價物總額			(939,206)
Net cash outflow	現金流出淨額			2,393,196

### 38 收購及出售附屬公司 (續)

#### (a) 收購附屬公司 (續)

##### (i) 於2019年收購 (續)

收購該等附屬公司於收購日期對本集團的資產及負債產生的合併影響如下：

## Notes to the Financial Statements *(Continued)*

### 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

#### 38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(continued)*

##### (a) Acquisitions of subsidiaries *(continued)*

###### (i) Acquisitions in 2019 *(continued)*

The above subsidiaries contributed an aggregate revenue of RMB2,619,610,000 and profit attributable to the equity shareholders of the Company of RMB126,713,000 to the Group for the year ended 31 December 2019. Should the acquisitions had occurred on 1 January 2019, the consolidated revenue and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2019 would have been RMB31,741,165,000 and RMB2,090,668,000 respectively.

The Group incurred acquisition-related costs of RMB Nil, and have been included in "general and administrative expenses".

#### 38 收購及出售附屬公司 (續)

##### (a) 收購附屬公司 (續)

###### (i) 於2019年收購 (續)

於截至2019年12月31日止年度內，上述附屬公司對本集團貢獻的收益總額為人民幣2,619,610,000元，而本公司權益持有人應佔溢利為人民幣126,713,000元。倘該等收購發生於2019年1月1日，則於截至2019年12月31日止年度內的綜合收益及本公司權益持有人應佔綜合溢利將分別為人民幣31,741,165,000元及人民幣2,090,668,000元。

本集團產生收購相關成本為人民幣零元，並已計入「一般及行政開支」。

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)

#### (a) Acquisitions of subsidiaries (continued)

##### (ii) Acquisitions in 2018

During the year ended 31 December 2018, the Group acquired equity interests in certain entities which held property development projects. After the completion of the acquisition, these entities become the Group's subsidiaries. Acquisitions of these subsidiaries enable the Group to expand its land banks and strengthen the Group's property development business in Henan, the PRC. Acquisitions of subsidiaries during the year are summarised as follows:

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interest held before acquisition	Percentage of equity interest acquired	Percentage of equity interest held after acquisitions	Consideration
收購日期	收購附屬公司名稱	收購前所持的權益百分比	所收購權益的百分比	收購後所持的權益百分比	代價 RMB'000 人民幣千元
January 2018 2018年1月	Xinyang Jigongshan Central China Tianming Construction Development Company Limited* 信陽雞公山建業天明建設發展有限公司*	0%	60%	60%	109,700
January 2018 2018年1月	Xinyang Jigongshan Central China Tianming Mancheng Real Estate Company Limited* 信陽市雞公山建業天明慢城置業有限公司*	0%	60%	60%	6,000
January 2018 2018年1月	Kaifeng Dingsheng Real Estate Company Limited* 開封市鼎勝置業有限公司*	0%	50.98%	50.98%	5,100
March 2018 2018年3月	Zhengzhou Central China Tianming Property Company Limited* 鄭州建業天明置業有限公司*	66.66%	33.34%	100%	560,750
March 2018 2018年3月	Zhengzhou Dengcao Group Tianzhong Daguan Yuan Company Limited 鄭州磴槽企業集團天中大觀園有限公司	0%	60%	60%	147,982
July 2018 2018年7月	Jiyuan Huling Jingkai Real Estate Company Limited* 濟源市虎嶺經開置業有限公司*	0%	51%	51%	15,300

### 38 收購及出售附屬公司 (續)

#### (a) 收購附屬公司 (續)

##### (ii) 於2018年收購

截至2018年12月31日止年度，本集團收購若干家持有物業開發項目的實體之股權。收購事項完成後，該等實體成為本集團的附屬公司。收購該等附屬公司使本集團得以擴張其土地儲備及加強本集團於中國河南的物業開發業務。年內收購的附屬公司摘要如下：



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)

#### (a) Acquisitions of subsidiaries (continued)

##### (ii) Acquisitions in 2018 (continued)

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interest held before acquisition	Percentage of equity interest acquired	Percentage of equity interest held after acquisitions	Consideration
收購日期	收購附屬公司名稱	收購前所持的權益百分比	所收購權益的百分比	收購後所持的權益百分比	代價 RMB'000 人民幣千元
July 2018 2018年7月	Nanyang Zhonghe Real Estate Company Limited* 南陽中核置業有限公司*	0%	55%	55%	30,315
July 2018 2018年7月	Xinmi Lizhi Real Estate Company Limited* 新密市利智置業有限公司*	0%	90%	90%	54,200
October 2018 2018年10月	Great Fine Investments Limited 巨佳投資有限公司	0%	100%	100%	290,000
October 2018 2018年10月	Anyang Central China City Development Company Limited* 安陽建業城市發展有限公司*	49.5%	5.5%	55%	5,500
October 2018 2018年10月	Luoyang Guotai Meijule Properties Co., Ltd 洛陽國泰美居樂置業有限公司	34%	27%	61%	85,660
November 2018 2018年11月	Nanyang Guoxing Real Estate Company Limited* 南陽國興置業有限公司*	0%	100%	100%	11,764

\* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

\* 上述中國公司的英文名稱僅由管理層就該等財務報表目的而翻譯，原因是並無登記或不可獲得英文名稱。

### 38 收購及出售附屬公司 (續)

#### (a) 收購附屬公司 (續)

##### (ii) 於2018年收購 (續)

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)

#### (a) Acquisitions of subsidiaries (continued)

##### (ii) Acquisitions in 2018 (continued)

The acquisitions of subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

### 38 收購及出售附屬公司 (續)

#### (a) 收購附屬公司 (續)

##### (ii) 於2018年收購 (續)

收購該等附屬公司於收購日期對本集團的資產及負債產生的合併影響如下：

		Carrying amount	Adjustments	Recognised values on acquisition
		賬面值 RMB'000 人民幣千元	調整 RMB'000 人民幣千元	收購時 確認的價值 RMB'000 人民幣千元
Property, plant and equipment	物業、廠房及設備	218,284	70,095	288,379
Intangible assets	無形資產	5	—	5
Deferred tax assets	遞延稅項資產	2,856	—	2,856
Tax recoverable	可回收稅項	70,706	—	70,706
Inventories and other contract costs	存貨及其他合約成本	4,735,873	386,300	5,122,173
Trade and other receivables	貿易及其他應收款項	2,637,720	—	2,637,720
Deposits and prepayments	按金及預付款	54,609	246,305	300,914
Restricted bank deposits	受限制銀行存款	24,698	—	24,698
Cash and cash equivalents	現金及現金等價物	814,323	—	814,323
Bank loans	銀行借款	(453,500)	—	(453,500)
Taxation payables	應付稅項	(48,701)	(6,763)	(55,464)
Trade and other payables	貿易及其他應付款	(3,134,385)	—	(3,134,385)
Contract liabilities	合約負債	(2,591,172)	—	(2,591,172)
Net identified assets and liabilities	可識別資產淨值及負債淨額	2,331,316	695,937	3,027,253
Non-controlling interests	非控股權益			(411,005)
				2,616,248
Satisfied by:	以下列方式支付：			
Cash	現金			1,322,271
Fair value of previously held interests in joint ventures as at acquisition date	於收購日期於合營企業先前持有權益的公平值			1,293,977
				2,616,248
Total consideration paid	已付代價總額			1,322,271
Total cash and cash equivalents acquired	所收購現金及現金等價物總額			(814,323)
Net cash outflow	現金流出淨額			507,948

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(continued)*

#### (a) Acquisitions of subsidiaries *(continued)*

##### (ii) *Acquisitions in 2018 (continued)*

The above subsidiaries contributed an aggregate revenue of RMB1,443,159,000 and profit attributable to the equity shareholders of the Company of RMB292,054,000 to the Group for the year ended 31 December 2018. Should the acquisitions had occurred on 1 January 2018, the consolidated revenue and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2018 would have been RMB15,066,651,000 and RMB1,189,607,000 respectively.

The Group incurred acquisition-related costs of RMB Nil for the year ended 31 December 2019.

#### (b) Disposal of subsidiaries

##### (i) *Disposals in 2019*

During the year ended 31 December 2019, the Group disposed equity interests in the below entities. After the completion of the disposal, these entities were no longer subsidiaries of the Group and certain of these subsidiaries became joint ventures or associates of the Group respectively. Disposals of subsidiaries during the year are summarised as follows:

### 38 收購及出售附屬公司 (續)

#### (a) 收購附屬公司 (續)

##### (ii) 於2018年收購 (續)

於截至2018年12月31日止年度內，上述附屬公司對本集團貢獻的收益總額為人民幣1,443,159,000元，而本公司權益持有人應佔溢利為人民幣292,054,000元。倘該等收購發生於2018年1月1日，則於截至2018年12月31日止年度內的綜合收益及本公司權益持有人應佔綜合溢利將分別為人民幣15,066,651,000元及人民幣1,189,607,000元。

本集團截至2019年12月31日止年度產生收購相關成本為人民幣零元。

#### (b) 出售附屬公司

##### (i) 於2019年出售

截至2019年12月31日止年度，本集團出售下列實體的股權。出售完成後，該等實體不再為本集團的附屬公司，而若干該等附屬公司分別成為本集團的合營企業或聯營公司。年內出售的附屬公司概述如下：

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)

#### (b) Disposal of subsidiaries (continued)

##### (i) Disposals in 2019 (continued)

Dates of disposal	Name of subsidiaries disposed	Percentage of equity interest held before disposal	Percentage of equity interest disposed	Percentage of equity interest held after disposal	Consideration
出售日期	出售附屬公司名稱	出售前所持的權益百分比	所出售權益的百分比	出售後所持的權益百分比	代價 RMB'000 人民幣千元
March 2019 2019年3月	Zhengzhou Jianye Zhihui Real Estate Company Limited 鄭州建業智慧置業有限公司	100%	49%	51%	14,700
April 2019 2019年4月	Zhumadian Jianheng Real Estate Company Limited 駐馬店建恆置業有限公司	75%	22%	53%	4,400
May 2019 2019年5月	Fugou Zhiteng Real Estate Company Limited 扶溝縣置騰置業有限公司	100%	47%	53%	14,100
May 2019 2019年5月	Zhengzhou Jianze Real Estate Company Limited 鄭州建澤置業有限公司	100%	30%	70%	15,000
May 2019 2019年5月	Yanshi Yaxin Real Estate Company Limited 偃師亞新房地產開發有限公司	60%	60%	0%	30,000
June 2019 2019年6月	Kaifeng Jiandong Properties Co., Ltd. 開封建東置業有限公司	100%	100%	0%	153,000
June 2019 2019年6月	Henan Central China Real Estate Development Company Limited 河南建業城房地產開發有限公司	100%	49%	51%	14,700

### 38 收購及出售附屬公司 (續)

#### (b) 出售附屬公司 (續)

##### (i) 於2019年出售 (續)

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (continued)

#### (b) Disposal of subsidiaries (continued)

##### (i) Disposals in 2019 (continued)

Dates of disposal	Name of subsidiaries disposed	Percentage of equity interest held before disposal	Percentage of equity interest disposed	Percentage of equity interest held after disposal	Consideration
出售日期	出售附屬公司名稱	出售前所持的權益百分比	所出售權益的百分比	出售後所持的權益百分比	代價 RMB'000 人民幣千元
June 2019 2019年6月	Henan Central China Realistic Performance Cultural Development Co., Ltd. 河南建業實景演出文化發展有限公司	100%	43%	57%	43,000
July 2019 2019年7月	Xiangcheng Central China Green Base Development Company Limited 襄城建業綠色基地發展有限公司	100%	40%	60%	-
November 2019 2019年11月	Shangqiu City Zhiyuan Real Estate Development Co., Ltd. 商丘市致遠房地產開發有限公司	51%	51%	0%	15,300
December 2019 2019年12月	Henan CCRE Huayi Brothers Culture Tourism Industry Company Limited 河南建業華誼兄弟文化旅遊產業有限公司	90%	25%	65%	35,000

\* The English names of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

### 38 收購及出售附屬公司 (續)

#### (b) 出售附屬公司 (續)

##### (i) 於2019年出售 (續)

\* 上述中國公司的英文名稱僅由管理層就該等財務報表目的而翻譯，原因是並無登記或不可獲得英文名稱。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 38 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(continued)*

#### (b) Disposal of subsidiaries *(continued)*

##### (i) Disposals in 2019 *(continued)*

The disposals of subsidiaries had the following combined effect on the financial position:

		RMB'000 人民幣千元
Property, plant and equipment	物業、廠房及設備	1,685,316
Intangible assets	無形資產	504,115
Inventories and other contract costs	存貨及其他合約成本	8,939,550
Trade and other receivables	貿易及其他應收款項	6,357,776
Tax recoverable	可回收稅項	25,263
Deposits and prepayments	按金及預付款	99,482
Cash and cash equivalents	現金及現金等價物	291,421
Bank loans	銀行借款	(2,430,840)
Other loan	其他借款	(4,175,250)
Trade and other payables	貿易及其他應付款項	(8,900,516)
Contract liabilities	合約負債	(1,772,591)
Taxation payable	應付稅項	(2,611)
Non-controlling interests	非控股權益	(97,953)
Net assets	資產淨值	523,162
Net gain on disposals of subsidiaries <i>(note 3)</i>	出售附屬公司收益淨額 (附註3)	68,138
		591,300
Satisfied by:	以下列方式支付:	
Cash	現金	339,200
Interests in joint ventures	於合營企業之權益	241,500
Interests in associates	於聯營公司之權益	10,600
		591,300
Total consideration received	已收代價總額	339,200
Total cash and cash equivalents disposed	所出售現金及現金等價物總額	(291,421)
Net cash inflow	現金流入淨額	47,779

##### (ii) Disposals in 2018

During the year ended 31 December 2018, the Group did not dispose any subsidiaries.

### 38 收購及出售附屬公司 (續)

#### (b) 出售附屬公司 (續)

##### (i) 於2019年出售 (續)

出售該等附屬公司對財務狀況產生的合併影響如下:

##### (ii) 於2018年出售

截至2018年12月31日止年度，本集團並無出售任何附屬公司。



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 39 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

### 39 公司層面財務狀況表

		Note 附註	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元
<b>Non-current asset</b>	<b>非流動資產</b>			
Interest in subsidiary	於附屬公司的權益		15,408,659	12,138,931
<b>Current assets</b>	<b>流動資產</b>			
Derivative financial instruments	衍生金融工具		93,820	94,862
Cash and cash equivalents	現金及現金等價物		3,050,009	14,644
Deposits and prepayments	按金及預付款項		1,340,989	76,240
Trade and other receivables	貿易及其他應收款項		—	7,126
			4,484,818	192,872
<b>Current liabilities</b>	<b>流動負債</b>			
Trade and other payables	貿易及其他應付款		(350,407)	(274,908)
Derivative financial instruments	衍生金融工具		(20,136)	(77,252)
Bank loans	銀行借款		(267,021)	(256,940)
Senior notes	優先票據		(4,857,923)	—
			(5,495,487)	(609,100)
<b>Net current liabilities</b>	<b>流動負債淨值</b>		(1,010,669)	(416,228)
<b>Total assets less current liabilities</b>	<b>總資產減流動負債</b>		14,397,990	11,722,703
<b>Non-current liabilities</b>	<b>非流動負債</b>			
Bank loans	銀行借款		—	(757,836)
Senior notes	優先票據		(13,117,418)	(10,190,829)
			(13,117,418)	(10,948,665)
<b>NET ASSETS</b>	<b>資產淨值</b>		1,280,572	774,038
<b>CAPITAL AND RESERVES</b>	<b>資本及儲備</b>	33(b)(ix)		
Share capital	股本		240,662	239,958
Reserves	儲備		1,039,910	534,080
<b>TOTAL EQUITY</b>	<b>權益總額</b>		1,280,572	774,038

Approved and authorised for issue by the board of directors on 23 April 2020.

於2020年4月23日獲董事會批准及授權刊發。

**Wu Po Sum**  
胡葆森  
Executive Director  
執行董事

**Wang Jun**  
王俊  
Executive Director  
執行董事

# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 39 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

*Note:* The company has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 1(c).

### 40 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

#### (a) Revenue recognition for sales of properties

Revenue from sales of properties is recognised over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. Due to the contractual restrictions with the customer, the Group shall not change or substitute the property unit or redirect the property unit for another use and thus the property unit does not have an alternative use to the Group. However, it requires management to exercise significant judgement to determine whether there is an enforceable right to payment for performance completed to date, which depends on the terms of sales and purchase agreement and the interpretation of the applicable laws that apply to the contract. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales and purchase agreements. Management uses judgments, based on legal counsel opinion, to classify sales and purchase agreements into those with right to payment for performance completed to date and those without the right.

### 39 公司層面財務狀況表

*附註：* 本集團於2019年1月1日採用經修訂追溯法首次應用香港財務報告準則第16號。根據此方法，比較資料不予重列。見附註1(c)。

### 40 會計判斷及估計

於編製財務報表時所採用的估計及判斷乃根據過往經驗及其他因素（包括在有關情況下相信對未來事件的合理預計）評估。本集團會作出有關未來的估計及假設，而所得會計估計（根據定義）極少與相關實際結果相同。對資產及負債賬面值可能有重大影響的估計及假設主要與該等物業開發業務有關。

於應用本集團會計政策的過程中，管理層作出以下會計調整：

#### (a) 物業銷售的收益確認

物業銷售收入於本集團的履約過程中不會產生對本集團有其他用途的資產並且本集團就迄今為止已履行的履約部分具有可強制執行之支付權利時按一段時間確認；否則，收入在買方獲得對已完工物業的控制權時確認。由於與客戶的合約限制，本集團不得更改或替換物業單位或將物業單位重新定向為另一用途，因此物業單位對本集團並無其他用途。但是，須由管理層對迄今已完成履約是否存在可強制執行的支付權作出重大判斷，取決於買賣協議的條款以及適用於合約的適用法律的詮釋。本集團已就買賣協議收款權的可執行性獲得法律顧問意見。管理層根據法律顧問的意見作出判斷將買賣協議分類為有權就迄今已完成履約收取付款的協議與無權收取付款的協議。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 40 ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

#### (a) Revenue recognition for sales of properties *(continued)*

The Group recognises revenue from sales of properties progressively over time by measuring the progress towards complete satisfaction of the performance obligation at the reporting date, using the cost-to-cost method based on the proportion of the actual costs incurred relative to the estimated total costs. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard monthly cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. The actual outcomes in terms of total cost or the progress towards complete satisfaction may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

#### (b) Valuation of investment property

All investment properties of the Group are revalued as at the end of the reporting period by independent professionally qualified valuers, on an open market value basis calculated by reference to the net rental income with allowance for reversionary income potential.

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sale prices for similar properties in the same location and condition and an appropriate capitalisation rate. Any change in assumptions of the valuation would affect the value of the investment properties significantly, and profit or loss in future years.

### 40 會計判斷及估計 (續)

#### (a) 物業銷售的收益確認 (續)

本集團透過根據實際產生的成本相對於估計總成本的比例，使用成本加成法計量於報告日期完成有關履約義務的進展情況而逐步確認物業銷售的收入。於釐定估計總成本的完整度及於報告日期已完成履約義務進度的準確度，須作出重大判斷及估計。本集團設有月度編製預算成本和估計完工進度的標準辦法，其中管理層複查合約的建造進度和履約義務的程度。總成本或完成履約義務進度的實際結果可能高於或低於報告期間未作出的估計，其將影響於未來年度確認的收益及溢利，作為對迄今為止記錄金額的調整。

#### (b) 投資物業的估值

本集團所有投資物業於報告期末由獨立的合資格專業估值師根據公開市場價值重估。公開市場價值參考淨租金收入計算，並就重續租約潛在收入作出調整。

物業估值所採用的假設乃基於報告期末的市場狀況，並參考位置及條件相同的類似物業當時的市場售價以及適當的資本化率。估值假設的任何變化將顯著影響投資物業的價值及未來年度的損益。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 40 ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

#### (c) Impairment for buildings and construction in progress

As explained in note 1(m), the Group makes impairment for the buildings and construction in progress taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

#### (d) Assessing the net realisable value of properties for sale

As explained in note 1(o), the Group's properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

### 40 會計判斷及估計 (續)

#### (c) 在建樓宇及工程的減值

按附註1(m)所述，本集團考慮對在建樓宇及工程可收回金額的估計後，就其作出減值。可收回金額乃根據使用價值計算，並會參考最新市場信息及過往經驗。該等計算及估值需要運用判斷及估計。

鑒於中國房地產市場變幻莫測，實際可收回金額於報告期末或會高或低於估計數額。任何增加或減少撥備會影響來年損益。

#### (d) 評核待售物業的可變現淨值

按附註1(o)所述，本集團待售物業乃按成本或可變現淨值的較低者入賬。根據本集團近期經驗及所涉物業性質，本集團根據當時市況作出有關售價、在建待售物業的竣工成本及銷售物業所涉成本的估計。

倘竣工成本增加或淨銷售價值減少，則可變現淨值將會減少，並可能導致待售物業需要撥備。該等撥備需要運用判斷及估計。倘預期與最初估計不同，則物業的賬面值及撥備於有關估計變動期間作出相應調整。

此外，鑒於中國房地產市場變幻莫測且個別物業的特點，有關成本及收入的實際結果於報告期末或會高或低於估計數額。任何增減撥備會影響來年損益。

# Notes to the Financial Statements *(Continued)*

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 40 ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

#### (e) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors.

Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

#### (f) CIT and LAT

As disclosed in note 5, the Group is subject to CIT and LAT under both authorised taxation method or actual taxation method in different jurisdictions. Significant judgement is required in determining the level of provision, as the calculations of which depend on the assessment and assumption of ultimate tax liability and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such assessment is made.

#### (g) Estimation of fair value of derivative financial instruments

Redemption call options embedded in senior notes, foreign exchange forward contracts and foreign exchange rate swap contract of the Group are classified as derivative financial instruments and stated at fair value at the end of each reporting period. The fair value of these options is measured based on the assumptions set out in note 28. Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.

### 40 會計判斷及估計 (續)

#### (e) 遞延稅項資產確認

有關結轉稅項虧損的遞延稅項資產乃根據資產賬面值預期變現或結算的方式以於報告期末已頒佈或大致頒佈的稅率確認及計算。於釐定遞延資產的賬面值時，預期應課稅溢利的估計涉及多項有關本集團經營環境的假設，且董事須作出重大判斷。

任何有關假設及判斷變動或會影響待確認之遞延稅項資產賬面值及以後年份的純利。

#### (f) 企業所得稅及土地增值稅

如附註5所述，本集團須於不同司法權區按核定徵收法或實際徵收法繳納企業所得稅及土地增值稅。因所得稅撥備須按最終稅額評核及假設計算，且存在不確定因素，故釐定撥備水平時須作出重大判斷。採用的方法不同亦可能影響撥備水平。倘該等事宜的最終稅務結果與初步入賬的金額不同，則有關差額會影響評核所涉期間的所得稅撥備。

#### (g) 估計衍生金融工具的公平值

本集團的優先票據、外匯遠期合約及外匯匯率掉期合約所附的贖回認購期權分類為衍生金融工具並於各報告期末按公平值列賬。該等期權的公平值根據附註28所述的假設計量。估值假設的任何變動均會對該等期權的價值產生重大影響，亦會影響未來年度的損益。



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 41 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (a) On 9 January 2020 and 5 February 2020, the Company issued senior notes with principal amount of US\$200,000,000 due in 2024 and US\$300,000,000 due in 2021, interest-bearing at 7.25% and 6.875% per annum, respectively, which is payable semi-annually in arrears. The details are disclosed in the relevant announcements published by the Company.
- (b) On 17 January 2020, the Group entered into an acquisition agreement with Guangzhou R&F Properties Co., Ltd. ("Guangzhou R&F"), pursuant to which, the Group agreed to acquire 10% equity interests and debt due to Guangzhou R&F in CCRE Fuju at the consideration of RMB1,000,000,000. Upon completion of the acquisition, CCRE Fuju was 55% owned by the Group, and became a subsidiary of the Group.
- (c) On 12 February 2020, the Group entered into an arrangement to provide guarantee to Jiayao Global Investments Limited, an entity controlled by Mr. Wu Po Sum, in respect of its bonds issued amounting to US\$203,000,000 due in 2021, with annual guarantee fee at 1% of the principal amount of the bond.
- (d) The coronavirus outbreak since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

As far as the Group's businesses are concerned, the outbreak has caused delay of the project constructions and pre-sale of the properties. The Group has been closely monitoring the impact of the developments on the Group's businesses. Based on the information currently available, the management estimated that the coronavirus outbreak will not have a significant impact on the Group's financial position and operation results for 2019. The Group will continue to monitor and evaluate the impact in 2020 as situation continues to evolve and further information may become available.

### 41 報告期後非調整事項

- (a) 於2020年1月9日及2020年2月5日，本公司分別發行於2024年到期的本金為200,000,000美元及於2021年到期的本金為300,000,000美元的優先票據，年利率分別為7.25%及6.875%，須每半年支付利息。詳情於本公司刊發的相關公告內。
- (b) 於2020年1月17日，本集團與廣州富力地產股份有限公司（「廣州富力」）訂立收購協議。據此，本集團同意以代價人民幣1,000,000,000元收購建業富居之廣州富力應付的10%股權及債務。收購完成後，本集團擁有建業富居55%股權，其成為本集團的附屬公司。
- (c) 於2020年2月12日，本集團就其於2021年到期的203,000,000美元已發行債券訂立安排，向由胡葆森先生控制的實體Jayao Global Investments Limited提供擔保，年度擔保費用為債券本金的1%。
- (d) 自2020年初爆發的冠狀病毒為本集團的經營環境帶來額外的不確定因素，並對本集團的營運及財務狀況造成影響。

就本集團的業務而言，該爆發已導致項目建設及物業預售延期。本集團一直密切關注事態發展對本集團業務的影響。根據目前可獲得的資料，管理層估計冠狀病毒爆發將不會對本集團於2019年的財務狀況及經營業績造成重大影響。隨著情況繼續發展及根據可獲得的進一步資料，本集團將繼續關注及評估其對2020年的影響。



# Notes to the Financial Statements (Continued)

## 財務報表附註 (續)

(Expressed in Renminbi) (以人民幣列賬)

### 41 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD (continued)

(e) After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 33(c)(i).

### 42 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 1(c).

### 43 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

### 41 報告期後非調整事項 (續)

(e) 於報告期末後，董事建議派付末期股息。進一步詳情披露於附註33(c)(i)。

### 42 比較數字

本集團於2019年1月1日首次採用經修訂追溯法應用於香港財務報告準則第16號。在此方法下，比較資料不會重列。有關會計政策變動的進一步詳情披露於附註1(c)。

### 43 截至2019年12月31日止年度已頒佈但尚未生效的修訂本、新準則及詮釋可能產生的影響

截至本財務報表刊發日期為止，香港會計師公會已頒佈於截至2019年12月31日止年度尚未生效且並無於本財務報表採納的數項修訂本及一項新準則（即香港財務報告準則第17號保險合約），包括以下可能與本集團有關者。

		Effective for accounting periods beginning on or after 於下列日期或之後開始的會計期間生效
Amendments to HKFRS 3, Definition of a business	香港財務報告準則第3號的修訂，業務的定義	1 January 2020 2020年1月1日
Amendments to HKAS 1 and HKAS 8, Definition of material	香港會計準則第1號及香港會計準則第8號的修訂，重大修訂的定義	1 January 2020 2020年1月1日

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

本集團現正評估該等發展項目於首次應用期間的影響。到目前為止，我們的結論是，採納該等準則不大可能對綜合財務報表產生重大影響。

# Independent Auditor's Report



## **Independent auditor's report to the shareholders of Central China Real Estate Limited**

*(Incorporated in the Cayman Islands with Limited Liability)*

### **OPINION**

We have audited the consolidated financial statements of Central China Real Estate Limited ("the Company") and its subsidiaries ("the Group") set out on pages 132 to 282, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report (Continued)

## Revenue from the sale of properties recognised at a point in time

Refer to note 2 to the consolidated financial statements, changes in accounting policies in note 1(c) and the accounting policies in note 1(y).

### The Key Audit Matter

### How the matter was addressed in our audit

The Group is an integrated property developer in Mainland China focusing on residential property development in Henan Province.

Revenue from the sale of properties recognised at a point in time for the year ended 31 December 2018 totalled RMB5,967 million, which accounted for 40% of the Group's total revenue for the year.

Revenue arising from the sale of properties is recognised at a point in time when customer obtains the ability to direct the use of the property and substantially all of the remaining benefits of the property, unless at the time of entering into the contract, the sales and purchase agreement satisfied the criteria for recognising revenue over time by containing an enforceable right to payment for performance completed to date.

Payments received in respect of pre-sale of properties prior to the date of revenue recognition are included in the consolidated statement of financial position as contract liabilities.

We identified revenue from the sale of properties recognised at a point in time as a key audit matter because revenue is one of the key performance indicators of the Group and is significant to the consolidated financial statements, both of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet expectations or targets.

Our audit procedures to assess revenue from the sale of properties recognised at a point in time included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue on the sale of properties;
- selecting property sale transactions, on a sample basis, from the total property sales recorded for the year (with a particular emphasis on property sales close to the financial reporting date) and inspecting the underlying documentation in respect of the related revenue, which included signed sales and purchase agreements, property completion certifications, notice of delivery and records of proceeds received, to assess the amount recorded and assess whether the related revenue had been properly recognised in the appropriate accounting period;
- assessing whether the proceeds from sales and pre-sales of property had been received by comparing the amounts receivable for a sample of signed sales and purchase agreements with bank statements and assessing whether the related revenue should have been recorded in the current period or should have been deferred as contract liabilities from pre-sale of properties;
- scrutinising all manual journal entries raised during the year relating to revenue and inspecting relevant underlying documentation for journal entries which were considered to be material or unusual items that meet other specific risk-based criteria.

# Independent Auditor's Report (Continued)

## Revenue from the sale of properties recognised over time

Refer to note 2 to the consolidated financial statements, changes in accounting policies in note 1(c) and the accounting policies in note 1(y).

### The Key Audit Matter

### How the matter was addressed in our audit

The Group is an integrated property developer in Mainland China focusing on residential property development in Henan Province.

Revenue from the sale of properties recognised over time for the year ended 31 December 2018 totalled RMB7,662 million, which accounted for 52% of the Group's total revenue for the year.

Revenue arising from the sale of properties is recognised over time when the Group's performance under a sales and purchase agreement does 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.

The Group recognises revenue by measuring the progress towards complete satisfaction of the performance obligation at the reporting date, using cost-to-cost method based on the proportion of the Group's actual costs incurred relative to the estimated total costs.

Our audit procedures to assess revenue from the sale of properties recognised over time included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the recognition of revenue on the sale of properties;
- inspecting the key terms of sales and purchase agreements, on a sample basis, to assess right to payment based on the contract terms;
- obtaining the opinion of the Group's legal counsel, in particular, the legal counsel's interpretation of the applicable laws and their implication on the assessment of the enforceability of the right to payment;
- assessing the competence, experience and objectivity of the legal counsel engaged by the management;
- selecting property sale transactions, on a sample basis, from the total property sales recorded for the year and inspecting the underlying documentation in respect of the related revenue, which included signed sales and purchase agreements and records of proceeds received, to assess whether the proceeds from pre-sales of property had been received in accordance with the respective sales and purchase agreements;

# Independent Auditor's Report (Continued)

The Key Audit Matter	How the matter was addressed in our audit
<p>Payments received in respect of pre-sale of properties prior to the date of revenue recognition are included in the consolidated statement of financial position as contract liabilities.</p> <p>We identified revenue from the sale of properties recognised over time as a key audit matter because revenue is one of the key performance indicators of the Group, is significant to the consolidated financial statements and involves significant accounting judgement and estimates to assess whether the Group has an enforceable right to payment for performance completed to date and to measure the progress towards complete satisfaction of the performance obligation, all of which give rise to an inherent risk that revenue could be recorded in the incorrect period or could be subject to manipulation to meet expectations or targets.</p>	<ul style="list-style-type: none"> <li>comparing, on a sample basis, the most recent budget forecasts for development projects with the relevant underlying contracts;</li> <li>discussing with management, on a sample basis, the development progress of the projects and challenging management's development budgets reflected in the latest forecasts with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;</li> <li>selecting samples from the total actual costs incurred up to the reporting period end to inspect the supporting documents including underlying contracts, supplier invoices, bank slips and the survey reports from external supervising engineers, where applicable;</li> <li>checking the mathematical accuracy of the calculation of cost allocation and completion progress of the property projects;</li> <li>conducting site visits, on a sample basis, to property development projects for which revenue had been recognised in the current year and discussing with site management to observe the completion status; and</li> <li>scrutinising all manual journal entries raised during the year relating to revenue and inspecting relevant underlying documentation for journal entries which were considered to be material or unusual items that meet other specific risk-based criteria.</li> </ul>

# Independent Auditor's Report (Continued)

## Assessing the net realisable value of properties for sale

Refer to note 19 to the consolidated financial statements and the accounting policies in note 1(o).

### The Key Audit Matter

As at 31 December 2018, the Group held a number of property development projects for sale located in various cities in Henan Province, including properties held for future development, properties under development for sale and completed properties held for sale, which totalled RMB50,199 million, which represented 49% of the Group's total assets as at that date.

Properties for sale are stated at the lower of cost and net realisable value. The calculation of the net realisable value of each property for sale at the financial reporting date is performed by management.

The calculation of net realisable value of these properties involves significant management judgement and estimation in preparing and updating project feasibility studies and estimations of the future costs to complete each property development project as well as in assessing the expected selling prices (by reference to recent pre-sale/sales prices of the properties or the prices of comparable properties in nearby locations) and the estimated future selling costs (including price discounts which may be required to stimulate sales).

We identified the assessment of the net realisable value of properties for sale as a key audit matter because of the inherent risks involved in estimating the net realisable values, particularly in light of the current economic circumstances and various property market cooling measures implemented by local governments in various cities across Mainland China.

### How the matter was addressed in our audit

Our audit procedures to assess the net realisable value of properties held for sale included the following:

- assessing the design, implementation and operating effectiveness of key internal controls over the preparation and monitoring of management budgets and forecasts of construction and other costs for property developments;
- comparing, on a sample basis, the most recent budget forecasts for development projects with the relevant underlying contracts;
- conducting site visits, on a sample basis, to property development projects at various developing stages and discussing with site management to observe the completion status;
- for those properties held for future development and properties under development for sale, discussing with management, on a sample basis, the development progress and challenging management's development budgets reflected in the latest forecasts with reference to signed construction contracts and/or unit construction costs of recently completed projects developed by the Group;



# Independent Auditor's Report (Continued)

## The Key Audit Matter

## How the matter was addressed in our audit

- discussing with management and challenging the key estimates and assumptions adopted in their assessment of the net realisable values of properties for sale, on a sample basis by: (1) comparing expected selling prices with, where available, recent pre-sale/sales prices of the properties or the prices of comparable properties in nearby locations and the sales budget plans maintained by the management; and (2) comparing estimated future selling costs to historical statistics and market available data;
- checking the mathematical accuracy of the calculations made by management in arriving at the year-end assessment of net realisable values of properties for sale;
- performing sensitivity analyses to determine the extent of change in those estimates that, either individually or collectively, would be required for properties for sale to be materially misstated and considering the likelihood of such a movement in those key estimates arising.

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

# Independent Auditor's Report (Continued)

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with 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 directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

## Independent Auditor's Report (Continued)

- 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 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 *Tse Wong Pui*.

### **KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

27 March 2019

# Consolidated Income Statement

for the year ended 31 December 2018  
(Expressed in Renminbi)

		2018	2017
	Note	RMB'000	(Note) RMB'000
<b>Revenue</b>	2	<b>14,783,480</b>	13,879,207
Cost of sales		<b>(9,692,377)</b>	(10,598,430)
<b>Gross profit</b>		<b>5,091,103</b>	3,280,777
Other revenue	3	<b>234,854</b>	155,437
Other net income	3	<b>64,192</b>	258,358
Selling and marketing expenses		<b>(1,188,393)</b>	(697,149)
General and administrative expenses		<b>(1,552,404)</b>	(1,087,227)
Impairment losses on trade and other receivables, including contract assets		<b>(54,623)</b>	–
		<b>2,594,729</b>	1,910,196
Finance costs	4(a)	<b>(226,152)</b>	(408,051)
Share of profits less losses of associates	15	<b>(17,905)</b>	(4,422)
Share of profits less losses of joint ventures	16	<b>15,638</b>	198,943
<b>Profit before change in fair value of investment property and income tax</b>		<b>2,366,310</b>	1,696,666
Net valuation gain on investment property	11	<b>605,673</b>	243,400
<b>Profit before taxation</b>	4	<b>2,971,983</b>	1,940,066
Income tax	5(a)	<b>(1,556,860)</b>	(1,040,784)
<b>Profit for the year</b>		<b>1,415,123</b>	899,282
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>1,154,262</b>	811,365
Non-controlling interests		<b>260,861</b>	87,917
<b>Profit for the year</b>		<b>1,415,123</b>	899,282
<b>Earnings per share</b>	8		
– Basic (RMB cents)		<b>44.30</b>	33.19
– Diluted (RMB cents)		<b>43.51</b>	32.95

Note:

- (i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).
- (ii) The Group has aggregated the line item of “other operating income”, which was presented separately in prior years, into “other revenue” due to materiality consideration and reclassified the comparative information to conform to change in presentation in the current period.

The notes on pages 141 to 282 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 32(c).

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2018  
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
<b>Profit for the year</b>		<b>1,415,123</b>	899,282
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>	9		
<i>Items that will not be reclassified to profit or loss:</i>			
Equity investments at fair value through other comprehensive income			
– net movement in fair value reserve (non-recycling)		<b>64,627</b>	–
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on:			
– Translation of financial statements to the presentation currency		<b>(358,273)</b>	151,780
– Arising on a monetary item that forms part of net investment in foreign operations		<b>(338,350)</b>	243,334
Cash flow hedge: net movement in the hedging reserve		<b>529</b>	41,156
<b>Other comprehensive income for the year</b>		<b>(631,467)</b>	436,270
<b>Total comprehensive income for the year</b>		<b>783,656</b>	1,335,552
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>524,555</b>	1,246,481
Non-controlling interests		<b>259,101</b>	89,071
<b>Total comprehensive income for the year</b>		<b>783,656</b>	1,335,552

Note:

- (i) The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 141 to 282 form part of these financial statements.

# Consolidated Statement of Financial Position

at 31 December 2018  
(Expressed in Renminbi)

		2018	2017
	Note	RMB'000	(Note) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	10	4,808,494	3,793,340
Investment property	11	2,916,000	1,297,000
Intangible assets	12	518,008	204,300
Biological assets	13	203,946	–
Interests in associates	15	449,913	536,549
Interests in joint ventures	16	9,915,331	9,026,377
Other financial assets	17	651,865	486,366
Deferred tax assets	31(b)	248,318	100,742
		<b>19,711,875</b>	15,444,674
<b>Current assets</b>			
Trading securities	18	82,775	97,105
Biological assets	13	32,778	–
Inventories and other contract costs	19	50,315,979	24,341,214
Contract assets	20	137,691	–
Trade and other receivables	21	2,577,140	1,664,421
Deposits and prepayments	22	9,161,824	6,554,002
Tax recoverable	31(a)	2,160,457	1,016,854
Restricted bank deposits	23	3,579,597	2,125,062
Cash and cash equivalents	24	14,202,259	11,283,853
		<b>82,250,500</b>	47,082,511
<b>Current liabilities</b>			
Bank loans	25	(1,756,130)	(450,118)
Other loans	26	(593,150)	(90,000)
Trade and other payables	27	(28,924,187)	(22,034,089)
Receipts in advance	20	–	(15,087,593)
Contract liabilities	20	(40,829,626)	–
Corporate bonds	29	(2,996,760)	–
Senior notes	28	–	(3,890,692)
Taxation payable	31(a)	(833,264)	(1,116,940)
		<b>(75,933,117)</b>	(42,669,432)
<b>Net current assets</b>		<b>6,317,383</b>	4,413,079
<b>Total assets less current liabilities</b>		<b>26,029,258</b>	19,857,753

# Consolidated Statement of Financial Position (Continued)

at 31 December 2018  
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
<b>Non-current liabilities</b>			
Bank loans	25	(4,074,351)	(3,437,460)
Other loans	26	(240,030)	(210,000)
Trade and other payables		–	(58,302)
Corporate bonds	29	–	(2,986,914)
Senior notes	28	(10,190,829)	(4,518,961)
Deferred tax liabilities	31(b)	(1,254,264)	(172,947)
		(15,759,474)	(11,384,584)
<b>NET ASSETS</b>			
		10,269,784	8,473,169
<b>CAPITAL AND RESERVES</b>			
Share capital	32(a)	239,958	216,916
Reserves		8,597,132	7,477,757
<b>Total equity attributable to equity shareholders of the Company</b>			
		8,837,090	7,694,673
<b>Non-controlling interests</b>			
		1,432,694	778,496
<b>TOTAL EQUITY</b>			
		10,269,784	8,473,169

Approved and authorised for issue by the board of directors on 27 March 2019

**Wu Po Sum**  
Executive Director

**Liu Weixing**  
Executive Director

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 141 to 282 form part of these financial statements.



# Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company											Non-controlling interests	Total equity
	Note	Share capital (Note 32(a)(i)) RMB'000	Share premium (Note 32(b)(i)) RMB'000	Statutory reserve fund (Note 32(b)(iii)) RMB'000	Other capital reserve (Note 32(b)(iii)) RMB'000	Exchange reserve (Note 32(b)(iv)) RMB'000	Share-based compensation reserve (Note 32(b)(iv)) RMB'000	Property revaluation reserve (Note 32(b)(iv)) RMB'000	Hedging reserve (non-recycling) (Note 32(b)(vii)) RMB'000	Fair value reserve (non-recycling) (Note 32(b)(viii)) RMB'000	Retained profits RMB'000	Total RMB'000		
<b>Balance at 1 January 2018</b>		216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	-	-	3,087,376	7,694,673	778,496	8,473,169
Impact on initial application of HKFRS 15	1(c)	-	-	-	-	-	-	-	-	-	164,619	164,619	13,741	178,360
Impact on initial application of HKFRS 9	1(c)	-	-	-	-	-	-	-	-	24,752	(34,078)	(9,326)	-	(9,326)
<b>Adjusted balance at 1 January 2018</b>		216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	-	24,752	3,217,917	7,849,966	792,237	8,642,203
<b>Changes in equity for 2018:</b>														
Profit for the year		-	-	-	-	-	-	-	-	-	1,154,262	1,154,262	260,861	1,415,123
Other comprehensive income		-	-	-	-	(694,863)	-	-	529	64,627	-	(629,707)	(1,760)	(631,467)
<b>Total comprehensive income</b>		-	-	-	-	(694,863)	-	-	529	64,627	1,154,262	524,555	259,101	783,656
Dividend approved in respect of the previous year	32(c)	-	-	-	-	-	-	-	-	-	(243,915)	(243,915)	-	(243,915)
Dividend declared in respect of the current year	32(c)	-	-	-	-	-	-	-	-	-	(165,000)	(165,000)	-	(165,000)
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	(85,130)	(85,130)
Appropriation to statutory reserve fund	32(b)(i)	-	-	244,681	-	-	-	-	-	-	(244,681)	-	-	-
Capital contribution from non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	65,226	65,226
Issue of ordinary shares	32(a)(i)	23,042	809,114	-	-	-	-	-	-	-	-	832,156	-	832,156
Equity settled share-based payment		-	-	-	-	-	43,059	-	-	-	-	43,059	-	43,059
Acquisitions of additional interests in subsidiaries		-	-	-	(3,731)	-	-	-	-	-	-	(3,731)	(9,745)	(13,476)
Acquisitions of subsidiaries	37(a)(i)	-	-	-	-	-	-	-	-	-	-	-	411,005	411,005
		23,042	809,114	244,681	(3,731)	-	43,059	-	-	-	(653,596)	462,569	381,356	843,925
<b>Balance at 31 December 2018</b>		239,958	2,489,835	2,555,359	460,330	(793,351)	69,989	6,479	529	89,379	3,718,583	8,837,090	1,432,694	10,269,784

# Consolidated Statement of Changes in Equity (Continued)

for the year ended 31 December 2018  
(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company										Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve fund	Other capital reserve	Exchange reserve	Share-based compensation reserve	Property revaluation reserve	Hedging reserve	Retained profits	Total		
	(Note 32(a)(i))	(Note 32(b)(i))	(Note 32(b)(ii))	(Note 32(b)(iii))	(Note 32(b)(iv))	(Note 32(b)(v))	(Note 32(b)(vi))	(Note 32(b)(vii))	(Note 32(b)(viii))	(Note 32(b)(ix))		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2017</b>	216,322	1,666,254	1,966,919	462,807	(492,448)	17,116	6,479	(41,156)	2,619,770	6,422,063	575,263	6,997,326
<b>Changes in equity for 2017:</b>												
Profit for the year	-	-	-	-	-	-	-	-	811,365	811,365	87,917	899,282
Other comprehensive income	-	-	-	-	393,960	-	-	41,156	-	435,116	1,154	436,270
<b>Total comprehensive income</b>	-	-	-	-	393,960	-	-	41,156	811,365	1,246,481	89,071	1,335,552
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(64,859)	(64,859)
Appropriation to statutory reserve fund	-	-	343,759	-	-	-	-	-	(343,759)	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	-	99,600	99,600
Shares issued under share option scheme	594	14,467	-	-	-	(2,444)	-	-	-	12,617	-	12,617
Equity settled share-based payment	-	-	-	-	-	12,258	-	-	-	12,258	-	12,258
Disposal of subsidiaries	37(b)(i)	-	-	-	-	-	-	-	-	-	(24,802)	(24,802)
Disposal of partial interest in subsidiaries	-	-	-	448	-	-	-	-	-	448	8,509	8,957
Acquisitions of additional interests in subsidiaries	-	-	-	806	-	-	-	-	-	806	(10,806)	(10,000)
Acquisitions of subsidiaries	37(b)(i)	-	-	-	-	-	-	-	-	-	106,520	106,520
	594	14,467	343,759	1,254	-	9,814	-	-	(343,759)	26,129	114,162	140,291
<b>Balance at 31 December 2017 (Note)</b>	216,916	1,680,721	2,310,678	464,061	(98,488)	26,930	6,479	-	3,087,376	7,694,673	778,496	8,473,169

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

The notes on pages 141 to 282 form part of these financial statements.

# Consolidated Cash Flow Statement

for the year ended 31 December 2018  
(Expressed in Renminbi)

		2018	2017
	Note	RMB'000	(Note) RMB'000
<b>Operating activities</b>			
Profit before taxation		<b>2,971,983</b>	1,940,066
Adjustments for:			
Interest income	3	<b>(219,138)</b>	(91,309)
Depreciation and amortisation	4(c)	<b>268,459</b>	255,448
Equity settled share-based payment expenses	4(b)	<b>43,059</b>	12,258
Dividend income from equity securities	3	<b>(5,155)</b>	(13,776)
Net increase in fair value of investment properties	11	<b>(605,673)</b>	(243,400)
Net (gain)/loss on disposals of property, plant and equipment	3	<b>(19,383)</b>	412
Share of profits less losses of associates	15	<b>17,905</b>	4,422
Share of profits less losses of joint ventures	16	<b>(15,638)</b>	(198,943)
Finance costs	4(a)	<b>226,152</b>	408,051
Net gain on disposals of subsidiaries	3	–	(189,647)
Net gain on deemed disposal of a subsidiary	3	–	(280)
Net loss/(gain) on disposal of a joint venture	3	<b>17,292</b>	(12,577)
Net fair value gain on deemed disposals of joint ventures	3	<b>(91,432)</b>	–
Net exchange loss/(gain)	3	<b>37,652</b>	(59,362)
<b>Operating profit before changes in working capital carried forward</b>		<b>2,626,083</b>	1,811,363

# Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2018  
(Expressed in Renminbi)

	Note	2018 RMB'000	2017 (Note) RMB'000
<b>Operating profit before changes in working capital brought forward</b>		<b>2,626,083</b>	1,811,363
Decrease in trading securities		<b>14,330</b>	1,081
Increase in biological assets		<b>(236,724)</b>	–
Increase in inventories and other contract costs		<b>(20,513,456)</b>	(5,109,370)
Increase in contract assets		<b>(137,691)</b>	–
Decrease/(increase) in trade and other receivables		<b>1,321,305</b>	(1,268,363)
Decrease/(increase) in deposits and prepayments		<b>(2,306,909)</b>	(5,324,714)
Increase in restricted bank deposits		<b>(1,429,837)</b>	(656,910)
Increase in trade and other payables		<b>3,852,505</b>	10,261,724
Decrease/(increase) in receipts in advance		<b>(15,087,593)</b>	7,331,682
Increase in contract liabilities		<b>38,128,806</b>	–
<b>Cash generated from operations</b>		<b>6,230,819</b>	7,046,493
PRC tax paid		<b>(2,127,876)</b>	(1,286,610)
<b>Net cash generated from operating activities</b>		<b>4,102,943</b>	5,759,883
<b>Investing activities</b>			
Payment for purchase of property, plant and equipment		<b>(922,228)</b>	(998,311)
Proceeds from disposals of property, plant and equipment		<b>21,395</b>	480
Payment for purchase of intangible asset		–	(106,039)
Net cash paid upon acquisitions of subsidiaries	37(a)(i)	<b>(507,948)</b>	(624,326)
Acquisitions of additional interests in subsidiaries		<b>(13,477)</b>	(10,000)
Net cash inflow upon disposals of subsidiaries	37(b)(i)	–	283,588
Net cash outflow upon deemed disposal of a subsidiary	37(b)(ii)	–	(903)
Net cash inflow upon disposal of partial interest in subsidiaries		–	8,957
Disposals of joint ventures		<b>52,846</b>	15,560
Investments in joint ventures		<b>(882,803)</b>	(124,694)
Advances to joint ventures		<b>(2,996,652)</b>	(2,650,790)
Repayment from joint ventures		<b>1,344,285</b>	52,417
Investment in associates		<b>(100,914)</b>	(120,000)
Advances to associates		<b>(46,141)</b>	(393,803)
Repayment from associates		<b>212,493</b>	–
Payment for investment in other financial assets		–	(300,000)
Proceeds from disposals of other financial assets		–	3,714
Dividend received from joint ventures		<b>385,905</b>	130,139
Dividend received from equity securities		<b>5,155</b>	13,776
Interest received		<b>210,427</b>	91,309
<b>Net cash used in investing activities</b>		<b>(3,237,657)</b>	(4,728,926)

The notes on pages 141 to 282 form part of these financial statements.

# Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2018  
(Expressed in Renminbi)

		2018	2017
	Note	RMB'000	(Note) RMB'000
<b>Financing activities</b>			
Proceeds from new bank loans	24(b)	2,629,500	2,791,858
Repayment of bank loans	24(b)	(1,201,671)	(1,212,674)
Proceeds from other loans	24(b)	653,180	–
Repayment of other loans	24(b)	(120,000)	(90,000)
Net proceeds from issue of senior notes	24(b)	4,967,851	1,330,129
Repayment of redemption upon maturity senior notes	24(b)	(4,110,979)	(1,098,655)
Proceeds from shares issued under share option scheme		–	12,617
Issue of ordinary shares	32(a)	832,156	–
Interest paid	24(b)	(1,195,384)	(1,228,316)
Dividend paid		(408,915)	–
Dividend paid to non-controlling interests		(85,130)	(64,859)
Capital contribution from non-controlling interests		65,225	99,600
<b>Net cash generated from financing activities</b>		<b>2,025,833</b>	<b>539,700</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,891,119</b>	<b>1,570,657</b>
<b>Cash and cash equivalents at 1 January</b>		<b>11,283,853</b>	<b>9,776,310</b>
<b>Effect of foreign exchange rate changes</b>		<b>27,287</b>	<b>(63,114)</b>
<b>Cash and cash equivalents at 31 December</b>		<b>14,202,259</b>	<b>11,283,853</b>

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.  
See note 1(c).

The notes on pages 141 to 282 form part of these financial statements.

# Notes to the Financial Statements

(Expressed in Renminbi)

Central China Real Estate Limited ("the Company") is a limited liability company incorporated in the Cayman Islands on 15 November 2007. Its principal place of business is at Room 7701B-7702A, 77th Floor, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong and has its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal activity of the Company is investment holding and its subsidiaries are principally engaged in property development in Henan Province in the People's Republic of China ("the PRC").

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation and functional and presentation currency

- (i) The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and joint ventures. The consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand, while the Company's functional currency is the Hong Kong dollar ("HK\$").
- (ii) The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:
  - investment property (see note 1(i));
  - investments in debt and equity securities (see note 1(f)); and
  - derivative financial instruments (see note 1(g)).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (b) Basis of preparation and functional and presentation currency (Continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 39.

### (c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- (i) HKFRS 9, *Financial instruments*
- (ii) HKFRS 15, *Revenue from contracts with customers*
- (iii) HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, Prepayment features with negative compensation which have been adopted at the same time as HKFRS 9.

- (i) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

- (i) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)*

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	RMB'000
<b>Retained earnings</b>	
Recognition of additional expected credit losses on:	
– financial assets measured at amortised cost	(42,255)
– contract assets	(3,182)
Related tax	11,359
Net decrease in retained earnings at 1 January 2018	(34,078)
<b>Fair value reserve (non-recycling)</b>	
Recognition of fair value changes relating to equity securities which were measured at cost less impairment losses and are now measured at FVOCI (non-recycling) and increase in fair value reserve (non-recycling) at 1 January 2018	33,002
Related tax	(8,250)
Net decrease in retained earnings at 1 January 2018	24,752

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

- a. Classification of financial assets and financial liabilities
- HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)

a. Classification of financial assets and financial liabilities (Continued)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 RMB'000	Reclassification RMB'000	Remeasurement RMB'000	HKFRS 9 carrying amount at 1 January 2018 RMB'000
<b>Financial assets carried at amortised cost</b>				
Cash and cash equivalents	11,283,853	–	–	11,283,853
Trade and other receivables (note (i))	1,620,572	(42,542)	(42,255)	1,535,775
	12,904,425	(42,542)	(42,255)	12,819,628
<b>Financial assets measured at FVOCI (non-recyclable)</b>				
Equity securities (note (iii))	–	486,366	33,002	519,368
<b>Financial assets classified as available-for-sale measured at cost less impairment losses under HKAS 39</b>				
Equity securities (note (iii))	486,366	(486,366)	–	–
<b>Financial assets carried at FVPL</b>				
Trading securities (note (iii))	97,105	–	–	97,105
Other derivative assets (note (iii))	43,849	–	–	43,849
	140,954	–	–	140,954

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

(i) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)*

a. Classification of financial assets and financial liabilities (Continued)

Notes:

- (i) Trade and other receivables of RMB42,542,000 were reclassified to contract assets at 1 January 2018 as a result of the initial application of HKFRS 15 (see note 1(c)).
- (ii) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investments in these investments at FVOCI (non-recycling), as these investments are held for strategic purposes.
- (iii) Trading securities and derivative financial assets (except for those designated as hedging instruments in cash flow hedges) were classified as financial assets at FVPL under HKAS 39. These assets continue to be measured at FVPL under HKFRS 9.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 1(f), (g), (m)(i), (q) and (r).

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts (see note 1(m)(ii)). The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

b. Credit losses

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the “expected credit loss” (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

(i) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)*

b. Credit losses (Continued)

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and other financial assets measured at amortised cost);
- contract assets as defined in HKFRS 15 (see note 1(p));
- debt securities measured at FVOCI (recycling);
- lease receivables; and
- financial guarantee contracts issued (see note 1(m)(ii)).

For further details on the Group's accounting policy for accounting for credit losses, see notes 1(m)(i) and (ii).

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	RMB'000
Loss allowance at 31 December 2017 under HKAS 39	–
Additional credit loss recognised at 1 January 2018 on:	
– Contract assets recognised on adoption of HKFRS 15	3,182
– Trade debtors and bills receivable	12,932
– Other debtors	29,323
Loss allowance at 1 January 2018 under HKFRS 9	45,437

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

(i) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Continued)*

#### c. Hedge accounting

The Group has elected to adopt the new general hedge accounting model in HKFRS 9. Depending on the complexity of the hedge, this new accounting model allows a more qualitative approach to assess hedge effectiveness compared to HKAS 39 to be applied, and the assessment is always forward-looking. The adoption of HKFRS 9 has not had a significant impact on the Group's financial statements in this regard.

For an explanation of how the Group applies hedge accounting, see note 1(h).

#### d. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):
  - the determination of the business model within which a financial asset is held; and
  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.
- All hedging relationships designated under HKAS 39 at 31 December 2017 met the criteria for hedge accounting under HKFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships. Changes to hedge accounting policies have been applied prospectively.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

#### (ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to HKFRS 15 on retained earnings and the related tax impact at 1 January 2018:

	RMB'000
<b>Retained earnings</b>	
Earlier revenue and profit recognition for certain sales of properties	201,380
Capitalisation of sales commissions	35,489
Related tax	(74,288)
Net increase in share of profit in joint ventures resulted from application of HKFRS 15	15,779
Less: attributable to non-controlling interests	(13,741)
	<hr/>
Net increase in retained earnings at 1 January 2018	164,619

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

#### (ii) HKFRS 15, Revenue from contracts with customers (Continued)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

##### a. Timing of revenue recognition

Previously, revenue arising from provision of services was recognised over time, whereas revenue from sale of properties was generally recognised at a point in time when the risks and rewards of ownership of the properties had passed to the customers. In the comparative period, revenue from sales of properties was recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which was taken to be the point in time when the risks and rewards of ownership of the property had passed to the buyer. The management considers the completion of the properties to be the point in time when completion of construction is certified jointly by the Group and four external parties which are responsible for inspection, design, construction and supervision respectively.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

#### (ii) HKFRS 15, Revenue from contracts with customers (Continued)

##### a. Timing of revenue recognition (Continued)

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from provision of services (see note 1(y)). However, the timing of revenue recognition for sales of properties is affected as follows:

- Sales of properties: the Group's property development activities are carried out in Mainland China only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of the PRC, certain property pre-sale contracts meet the criteria for recognising revenue over time. Previously the Group recognised revenue from property sales upon the later of the signing of the sale and purchase agreement and the completion of the property development, which was taken to be the point in time when the risks and rewards of ownership of the property were transferred to the customer. Certain fully prepaid pre-sales of properties under development, when the properties under development have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from the customer for performance completed to date, satisfy the criteria for category C for recognising revenue over time during the developing process, whereas previously the Group did not recognise revenue until the risks and rewards of ownership of the property were transferred to the customer. Accordingly, revenue and the associated costs for these contracts are recognised in profit or loss earlier under HKFRS 15 than under HKAS 18.

For other sales of properties, revenue is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Accordingly, revenue and the associated costs for these contracts are recognised in profit or loss later under HKFRS 15 than under HKAS 18.

As a result of this change in policy, the Group has made adjustments to opening balance at 1 January 2018 which increased retained earnings by RMB138,002,000, increased non-controlling interests by RMB13,741,000 increased deferred tax liabilities by RMB60,313,000, increased in investment in joint ventures by RMB15,779,000, decreased receipts in advance by RMB1,113,672,000, decreased inventories by RMB912,292,000 and decreased deferred tax assets by RMB5,103,000 as at 1 January 2018.

##### b. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

#### (ii) HKFRS 15, Revenue from contracts with customers (Continued)

##### b. Significant financing component (Continued)

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

Advance payments are common in the Group's arrangement with its customers, when properties are marketed by the Group while the property is still under construction.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in note 1(aa).

As a result of this change in policy, the Group has made adjustments which increased inventories and contract liabilities by RMB205,154,000 at 1 January 2018. As all of the accrued interest was eligible to be capitalised into projects still under construction, this change in policy has had no effect on retained earnings as at 1 January 2018.

##### c. Sales commissions payable related to property sales contracts

The Group previously recognised sales commissions payable related to property sales contracts as distribution costs when they were incurred. Under HKFRS 15, the Group is required to capitalise these sales commissions as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as selling and marketing expenses at that time.

As a result of this change in accounting policy, the Group has capitalised sales commissions payable related to property sales contracts and increased other contract costs by RMB35,489,000, increased deferred tax liabilities by RMB8,872,000 and increased retained earnings by RMB26,617,000 at 1 January 2018.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

#### (ii) HKFRS 15, Revenue from contracts with customers (Continued)

##### d. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue (see note 1(y)) before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis (see note 1(p)).

Previously, contract balances relating to sales of properties and provision of services were presented in the statement of financial position under “trade and other receivables” or “receipts in advance” respectively, and properties under development in respect of the such property sales which meet the situations for recognising revenue over time was included within inventory until such properties were delivered to the customers, and the risk and reward of ownership of revenue was recognised for the reasons explained in paragraph (a) above.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

- (i) “Trade debtors and bills receivable” amounting to RMB42,542,000 relating to provision of services, which were previously included in trade and other receivables are now included under contract assets;
  - (ii) “Receipts in advance” amounting to RMB13,973,921,000 are now included under contract liabilities;
  - (iii) As explained in a. above, reclassification to opening balances have been made to contract liabilities by RMB1,113,672,000 from “Receipts in advance” related to sale of properties and decrease inventories (properties under development) by RMB912,292,000 in respect of the Group’s properties sales which meet the situations for recognising revenue over time.
- e. Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

#### (ii) HKFRS 15, Revenue from contracts with customers (Continued)

##### e. (Continued)

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKAS 18 (B) RMB'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) RMB'000
<b>Line items in the consolidated income statement for year ended 31 December 2018 impacted by the adoption of HKFRS 15:</b>			
Revenue	14,783,480	19,165,066	(4,381,586)
Cost of sales	(9,692,377)	(13,372,934)	3,680,557
<b>Gross profit</b>	5,091,103	5,792,132	(701,029)
Selling and marketing expenses	(1,188,393)	(1,266,024)	77,631
<b>Profit from operations</b>	2,594,729	3,218,127	(623,398)
Share of profits less losses of associates	(17,905)	(20,598)	2,693
Share of profits less losses of joint ventures	15,638	138,702	(123,064)
<b>Profit before taxation</b>	2,971,983	3,715,752	(743,769)
Income tax	(1,556,860)	(1,876,128)	319,268
<b>Profit for the year</b>	1,415,123	1,839,623	(424,500)
<b>Profit attributable to equity shareholders of the Company</b>	1,154,262	1,588,450	(434,188)
<b>Profit attributable to non-controlling interests</b>	260,861	251,173	9,688
<b>Earnings per share</b>			
Basic (RMB cents)	44.30	60.96	(16.66)
Diluted (RMB cents)	43.51	59.88	(16.37)

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKAS 18 (B) RMB'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) RMB'000
<b>Line items in the consolidated statement of comprehensive income for year ended 31 December 2018 impacted by the adoption of HKFRS 15:</b>			
<b>Total comprehensive income for the year</b>	783,656	1,208,156	(424,500)
<b>Total comprehensive income attributable to the equity shareholders of the Company</b>	524,555	958,743	(434,188)
<b>Total comprehensive income attributable to non-controlling interests</b>	259,101	249,413	9,688

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKAS 18 (B) RMB'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) RMB'000
<b>Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of HKFRS 15:</b>			
Interests in joint ventures	9,915,331	10,022,615	(107,284)
Interests in associates	449,913	447,220	2,693
Deferred tax assets	248,318	235,731	12,587
<b>Total non-current assets</b>	<b>19,711,875</b>	<b>19,803,879</b>	<b>(92,004)</b>
Inventories and other contract costs	50,315,979	47,616,615	2,699,364
Contract assets	137,691	–	137,691
Trade and other receivables	2,577,140	2,714,831	(137,691)
Tax recoverable	2,160,457	2,074,964	85,493
<b>Total current assets</b>	<b>82,250,500</b>	<b>79,465,643</b>	<b>2,784,857</b>
Trade and other payables	(28,924,187)	(30,353,926)	1,429,739
Contract liabilities	(40,829,626)	–	(40,829,626)
Receipts in advance	–	(36,313,994)	36,313,994
Taxation payable	(833,264)	(1,860,957)	1,027,693
<b>Total current liabilities</b>	<b>(75,933,117)</b>	<b>(73,874,917)</b>	<b>(2,058,200)</b>
<b>Net current assets</b>	<b>6,317,383</b>	<b>5,590,726</b>	<b>726,657</b>
<b>Total assets less current liabilities</b>	<b>26,029,258</b>	<b>25,394,605</b>	<b>634,653</b>
Deferred tax liabilities	(1,254,264)	(373,471)	(880,793)
<b>Total non-current liabilities</b>	<b>(15,759,474)</b>	<b>(14,878,681)</b>	<b>(880,793)</b>
<b>Net assets</b>	<b>10,269,784</b>	<b>10,515,924</b>	<b>(246,140)</b>
Reserves	8,597,132	8,866,701	(269,569)
<b>Total equity attributable to equity shareholders of the Company</b>	<b>8,837,090</b>	<b>9,106,659</b>	<b>(269,569)</b>
<b>Non-controlling interests</b>	<b>1,432,694</b>	<b>1,409,265</b>	<b>23,429</b>
<b>Total equity</b>	<b>10,269,784</b>	<b>10,515,924</b>	<b>(246,140)</b>

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

(ii) HKFRS 15, Revenue from contracts with customers (Continued)

e. (Continued)

	Amounts reported in accordance with HKFRS 15 (A) RMB'000	Hypothetical amounts under HKAS 18 (B) RMB'000	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B) RMB'000
<b>Line items in the reconciliation of profit before taxation to cash generated from operations for year ended 31 December 2018 (note 24) impacted by the adoption of HKFRS 15:</b>			
Profit before taxation	2,971,983	3,715,752	(743,769)
Increase in inventories and other contract costs	(20,513,456)	(17,814,092)	(2,699,364)
Decrease in trade and other receivables	1,321,305	1,183,614	137,691
Increase in contract assets	(137,691)	–	(137,691)
Increase in trade and other payables	3,852,505	5,298,024	(1,445,519)
(Decrease)/increase in receipts in advance	(15,087,593)	18,451,293	(33,538,886)
Increase in contract liabilities	38,128,806	–	38,128,806

The significant differences arise as a result of the changes in accounting policies described above.



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (c) Changes in accounting policies (Continued)

#### (iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

### (d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-Group balances, transactions and cash flows and any unrealised profits arising from intra-Group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-Group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net identifiable assets.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (d) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 1(t) or (u) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 1(e)).

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment losses (see note 1(m)).

### (e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (e) Associates and joint ventures (Continued)

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(m)(iii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(f)).

In the Company's statement of financial position investments in associates and joint ventures are stated at cost less impairment losses (see note 1(m)).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 33(f). These investments are subsequently accounted for as follows, depending on their classification.

#### (A) Policy applicable from 1 January 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 1(y)(vi)).
- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

#### Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 1(y)(v).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (f) Other investments in debt and equity securities (Continued)

(B) *Policy applicable prior to 1 January 2018*

Investments in securities held for trading were classified as financial assets measured at FVPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost (for impairment see note 1(m)(i) – policy applicable prior to 1 January 2018).

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments was recognised in profit or loss in accordance with the policies set out in note 1(y)(v). When the investments were derecognised or impaired (see note 1(m)(i) – policy applicable prior to 1 January 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

### (g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 1(h)).

### (h) Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from variable rate borrowings (cash flow hedges). The hedge accounting policy applied from 1 January 2018 is similar to that applicable prior to 1 January 2018. However, under the new hedge accounting policy, depending on the complexity of the hedge, the Group applies a more qualitative approach to assessing hedge effectiveness, and the assessment is always forward-looking.

Where a derivative financial instrument is designated as a hedging instrument in a cash flow hedge, the effective portion of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (h) Cash flow hedges (Continued)

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset such as inventory, the associated gain or loss is reclassified from equity to be included in the initial cost of the non-financial asset.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve is reclassified from equity to profit or loss in the same period or periods during which the hedged cash flows affect profit or loss (such as when a forecast sale occurs or interest expense is recognised).

If a hedge no longer meets the criteria for hedge accounting (including when the hedging instrument expires or is sold, terminated or exercised), then hedge accounting is discontinued prospectively. When hedge accounting is discontinued, but the hedged forecast transaction is still expected to occur, the amount that has been accumulated in the hedging reserve remains in equity until the transaction occurs and it is recognised in accordance with the above policy. If the hedged transaction is no longer expected to take place, the amount that has been accumulated in the hedging reserve is reclassified from equity to profit or loss immediately.

### (i) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 1(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 1(y)(iii).

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 1(l)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 1(l).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Property, plant and equipment

#### (i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(m)):

- buildings held for own use which are situated on leasehold land classified as held under operating leases (see note 1(l)); and
- other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(aa)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over the estimated useful lives as follows:

- Buildings held for own use (including hotel properties) which are situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 30 years after the date of completion
- Furniture, fixtures and equipment 5 to 10 years
- Motor vehicles 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (j) Property, plant and equipment (Continued)

#### (ii) Construction in progress

Construction in progress is stated at cost less impairment losses (see note 1(m)). Cost comprises direct costs of construction during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use are substantially complete, notwithstanding any delays in the issue of the relevant completion certificates by the relevant PRC authorities.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

### (k) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(m)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

–	Licences	10 years
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Both the period and method of amortisation are reviewed annually.

### (l) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific assets or asset for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

#### (i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

- property held under operating leases that would otherwise meet the definition of an investment property is classified as investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 1(i)); and

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (1) Leased assets (Continued)

#### (i) Classification of assets leased to the Group (Continued)

- land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

#### (ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 1(i)) or properties for sale (see note 1(o)(i)).

### (m) Credit losses and impairment of assets

#### (i) Credit losses from financial instruments, contract assets and lease receivables

##### (A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);
- contract assets as defined in HKFRS 15 (see note 1(p)); and
- lease receivables.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

#### Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Credit losses and impairment of assets (Continued)

#### (i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

##### (A) Policy applicable from 1 January 2018 (Continued)

##### Measurement of ECLs (Continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate; and
- lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Credit losses and impairment of assets (Continued)

#### (i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

##### (A) Policy applicable from 1 January 2018 (Continued)

###### Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are Grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Credit losses and impairment of assets (Continued)

#### (i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

##### (A) Policy applicable from 1 January 2018 (Continued)

###### Basis of calculation of interest income

Interest income recognised in accordance with note 1(y)(vi) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

###### Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Credit losses and impairment of assets (Continued)

#### (i) Credit losses from financial instruments, contract assets and lease receivables (Continued)

##### (B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an “incurred loss” model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, available-for-sale investments and held-to-maturity debt securities). Under the “incurred loss” model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Credit losses and impairment of assets (Continued)

(i) *Credit losses from financial instruments, contract assets and lease receivables (Continued)*

(B) Policy applicable prior to 1 January 2018 (Continued)

If any such evidence existed, an impairment loss was determined and recognised as follows:

- For trade and other receivables and other financial assets carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

If in a subsequent period the amount of an impairment loss decreased and the decrease could be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss was reversed through profit or loss. A reversal of an impairment loss was only recognised to the extent that it did not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

When the recovery of a trade debtor or other financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

- For unquoted equity securities carried at cost, the impairment loss was measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting was material. Impairment losses for equity securities carried at cost were not reversed.



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Credit losses and impairment of assets (Continued)

#### (ii) Credit losses from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within “trade and other payables” at fair value, which is determined by reference to fees charged in an arm’s length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group’s policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued (see note 1(y)(viii)).

#### (A) Policy applicable from 1 January 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in “trade and other payables” in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 1(m)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Credit losses and impairment of assets (Continued)

#### (ii) Credit losses from financial guarantees issued (Continued)

##### (B) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee and (ii) the amount of the claim on the Group was expected to exceed the amount carried in “trade and other payables” in respect of the guarantee.

#### (iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- intangible asset; and
- investments in subsidiaries, associates and joint ventures in the Company’s statement of financial position.

If any such indication exists, the asset’s recoverable amount is estimated.

##### – Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

##### – Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or Group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (m) Credit losses and impairment of assets (Continued)

#### (iii) Impairment of other non-current assets (Continued)

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

#### (iv) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(m)(i) and (ii)).

### (n) Biological assets

Biological assets are measured at fair value less costs to sell, with any change therein recognised in profit or loss.

### (o) Inventories and other contract costs

#### (i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value as follows:

- Properties held for future development and under development for sale

The cost of properties held for future development and properties under development for sale comprises specifically identified cost, including the acquisition cost of land, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of overheads and borrowing costs capitalised (see note 1(aa)). Net realisable value represents the estimated selling price less estimated costs of completion and costs to be incurred in selling the property.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (o) Inventories and other contract costs (Continued)

#### (i) Inventories (Continued)

- Completed properties held for sale

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

#### (ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 1(o)(i)), property, plant and equipment (see note 1(j)) or intangible assets (see note 1(k)).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 1(y).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (p) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 1(y)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(m)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 1(q)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 1(y)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 1(q)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 1(y)).

### (q) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 1(p)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 1(m)(i)).

### (r) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 1(m)(i).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (s) Senior notes

Senior notes of the Company are issued with early redemption clause at the option of the Company.

At initial recognition the redemption option is measured at fair value and presented as derivative financial instruments (see note 1(g)). Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the liability component. Transaction costs that relate to the issue of the senior notes are allocated to the liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The derivative component is subsequently remeasured in accordance with note 1(g). The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method.

### (t) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 1(aa)).

### (u) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(m)(ii), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (v) Employee benefits

#### (i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values. Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labor rules and regulations in the PRC and the Hong Kong Mandatory Provident Fund Schemes Ordinance are expensed in the period in which they are incurred, except to the extent that they are included in properties under development for sale and investment properties under development not yet recognised as an expense.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (v) Employee benefits (Continued)

#### (ii) *Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

### (w) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (w) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 1(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (w) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### (x) Provisions and contingent liabilities

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (y) Revenue and other income

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

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

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (y) Revenue and other income (Continued)

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

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

#### (i) Sales of properties

Sales of the Group's properties are recognised as follows:

- Sales of certain fully prepaid pre-sales of properties under development  
For certain fully prepaid pre-sales of properties, the Group's performance under the sales and purchase agreement does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised progressively over time by measuring the progress towards complete satisfaction of the performance obligation at the reporting date, using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.
- Sales of other properties  
For other sales of properties, revenue is recognised when legal assignment is completed, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Advance payments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 1(p)).

If the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of legal assignment. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in note 1(aa).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (y) Revenue and other income (Continued)

#### (i) Sales of properties (Continued)

In the comparative period, revenue from sales of properties was recognised upon the later of the signing of the sale and purchase agreement and the completion of the properties, which was taken to be the point in time when the risks and rewards of ownership of the property had passed to the buyer. The management considers the completion of the properties to be the point in time when completion of construction is certified jointly by the Group and four external parties which are responsible for inspection, design, construction and supervision respectively. Deposits and instalments received on properties sold prior to the date of revenue recognition were included in the statement of financial position under "receipts in advance" and no interest expense was accrued on payments received in advance. As a result of the change in accounting policy for accruing interest on payments in advance, adjustments have been made to opening balances as at 1 January 2018 (see note 1(c)(ii)).

#### (ii) Project management service fee income

Project management service fee income is recognised when the service is performed or on a systematic basis during the service period.

#### (iii) Rental income from operating leases

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

#### (iv) Hotel operations

Revenue arising from hotel operations is recognised on a basis that reflects the timing, nature and value when relevant services are provided.

#### (v) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the time investment goes ex-dividend.

#### (vi) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 1(m)(i)).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (y) Revenue and other income (Continued)

#### (vii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are included in the statement of financial position under “trade and other payables” and is released to profit or loss over the expected useful life of the relevant asset.

#### (viii) Income from financial guarantees issued

Income from financial guarantees issued is recognised over the term of the guarantees (see 1(m)(iii)).

### (z) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (aa) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### (bb) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 1 SIGNIFICANT ACCOUNTING POLICIES (Continued)

### (bb) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies: *(Continued)*

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

### (cc) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 2 REVENUE AND SEGMENT REPORTING

### (a) Revenue

The principal activities of the Group are property development, property leasing, hotel operations and provision of project management service. Revenue of the Group for the period is analysed as follows:

#### (i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018	2017
	RMB'000	(Note) RMB'000
<b>Revenue from contracts with customers within the scope of HKFRS15</b>		
Disaggregated by major products or service lines		
– Sales of properties	13,629,185	13,210,985
– Revenue from hotel operations	284,628	265,530
– Revenue from project management service	675,266	307,762
– Others	47,479	–
	<b>14,636,558</b>	13,784,277
<b>Revenue from other sources</b>		
– Rental income from investment properties	106,669	28,568
– Rental income from properties for sale	40,253	66,362
	<b>146,922</b>	94,930
	<b>14,783,480</b>	13,879,207

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 2 REVENUE AND SEGMENT REPORTING (Continued)

### (a) Revenue (Continued)

#### (i) Disaggregation of revenue (Continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition is as follows:

	2018	2017
	RMB'000	(Note) RMB'000
<b>Point in time</b>		
– Sales of properties	5,967,104	13,210,985
– Revenue from hotel operations	284,628	265,530
– Others	47,479	–
	<b>6,299,211</b>	13,476,515
<b>Over time</b>		
– Sales of properties	7,662,081	–
– Revenue from project management service	675,266	307,762
– Rental income from investment properties	106,669	28,568
– Rental income from properties for sale	40,253	66,362
	<b>8,484,269</b>	402,692
	<b>14,783,480</b>	13,879,207

*Note:* The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see note 1(c)).

The Group's customer base is diversified and none of the customers of the Group with whom transactions have exceeded 10% of the Group's revenue.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 2 REVENUE AND SEGMENT REPORTING (Continued)

### (a) Revenue (Continued)

#### (ii) *Revenue expected to be recognised in the future arising from sales of properties and project management service*

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RMB57,867,866,000. This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development and project management service entered into by the customers with the Group. This amount includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers (see note 1(y)(i)). The Group will recognise the expected revenue in future when or as the control is transferred or by measuring the progress towards complete satisfaction of the performance obligation, which is expected to occur over the next 12 to 36 months.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's project management service contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

#### (iii) *Lease income*

The Group leases out its investment properties and certain completed properties held for sale under operating leases. The leases typically run for an initial period of one to ten years, with an option to renew the lease after that date at which time all terms are renegotiated.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 2 REVENUE AND SEGMENT REPORTING (Continued)

### (a) Revenue (Continued)

#### (iii) Lease income (Continued)

The Group's total future minimum lease income under non-cancellable operating leases are receivable as follows:

	2018 RMB'000	2017 RMB'000
<b>Total future minimum lease income from:</b>		
Investment properties:		
Within 1 year	<b>105,782</b>	24,767
After 1 year but within 5 years	<b>293,840</b>	86,843
After 5 years	<b>359,995</b>	47,444
	<b>759,617</b>	159,054
Properties held for sale:		
Within 1 year	<b>16,294</b>	119,230
After 1 year to 5 years	<b>40,026</b>	166,246
After 5 years	<b>32,083</b>	333,414
	<b>88,403</b>	618,890

For properties held for sale under operating leases, the directors confirm that the Group intends to sell the properties together with the respective leases.

### (b) Segment reporting

#### (i) Services from which reportable segments derive their revenue

Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more focused on the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the performance on property development. Resources are allocated based on what is beneficial for the Group in enhancing its property development activities as a whole rather than any specific service. Performance assessment is based on the results of the Group as a whole. Therefore, management considers there is only one operating segment under the requirements of HKFRS 8, *Operating segments*.

#### (ii) Geographical information

No geographical information is shown as the revenue and profit from operations of the Group is substantially derived from activities in Henan province in the PRC.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 3 OTHER REVENUE AND OTHER NET INCOME

	2018 RMB'000	2017 RMB'000
<b>Other revenue</b>		
Interest income on financial assets measured at amortised cost	152,496	58,753
Other interest income	66,642	32,556
Dividend income from equity securities	5,155	13,776
Government grants	8,814	1,725
Others	1,747	48,627
	<b>234,854</b>	155,437
<b>Other net income</b>		
Net realised and unrealised loss on trading securities	(37,655)	(1,081)
Inventory write-down ( <i>note 19(a)</i> )	(20,271)	(64,766)
Changes in fair value of biological assets less cost to sell ( <i>note 13(a)</i> )	11,979	–
Net gain/(loss) on disposals of property, plant and equipment	19,383	(412)
Net gain on disposals of subsidiaries ( <i>notes 37(b)(i)</i> )	–	189,647
Net gain on deemed disposal of a subsidiary ( <i>notes 37(b)(iii)</i> )	–	280
Net (loss)/gain on disposal of a joint venture	(17,292)	12,577
Net fair value gain on deemed disposals of joint ventures ( <i>notes 16(a)</i> )	91,432	–
Net exchange (loss)/gain	(37,652)	59,362
Others	54,268	62,751
	<b>64,192</b>	258,358

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2018 RMB'000	2017 RMB'000
<b>(a) Finance costs</b>		
Interest on bank loans and other borrowings ( <i>note 24(b)</i> )	<b>1,296,349</b>	1,083,562
Interest accrued on advance payments from customers ( <i>note 20</i> )	<b>1,042,564</b>	–
Total interest expense on financial liabilities not at fair value through profit or loss	<b>2,338,913</b>	1,083,562
Less: Borrowing costs capitalised into properties under development*	<b>(2,074,731)</b>	(846,043)
	<b>264,182</b>	237,519
Net change in fair value of derivatives		
– call options ( <i>note 28</i> )	<b>(1,591)</b>	(12,242)
– foreign exchange rate swap contract ( <i>note 28</i> )	<b>(5,990)</b>	108,549
– foreign exchange forward contracts ( <i>note 21</i> )	<b>(30,449)</b>	–
– reclassification adjustment for cash flow hedge transferred to finance costs ( <i>note 9(b)</i> )	–	74,225
	<b>(38,030)</b>	170,532
	<b>226,152</b>	408,051

\* The capitalisation rate used to capitalise interest on general borrowings in 2018 was 7.18% per annum (2017: 7.05% per annum).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 4 PROFIT BEFORE TAXATION (Continued)

	2018	2017
	RMB'000	(Note) RMB'000
<b>(b) Staff costs</b>		
Contributions to defined contribution retirement plan	<b>105,350</b>	68,849
Equity settled share-based payment expenses (note 30)	<b>43,059</b>	12,258
Salaries, wages and other benefits	<b>662,242</b>	507,363
	<b>810,651</b>	588,470

Employees of the Company's subsidiaries in the PRC ("PRC subsidiaries") are required to participate in defined contribution retirement schemes which are administered and operated by the local municipal government. The PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group also participates in a Mandatory Provident Fund Scheme ("the MPF Scheme") for all qualifying employees in Hong Kong. The Group's and employee's contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employee (up to a cap of monthly relevant income of HK\$30,000) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 4 PROFIT BEFORE TAXATION (Continued)

	2018	2017
	RMB'000	(Note) RMB'000
<b>(c) Other items</b>		
Amortisation ( <i>note 12</i> )	<b>23,868</b>	21,290
Depreciation ( <i>note 10</i> )	<b>244,591</b>	234,158
Impairment losses on trade and other receivables, including contract assets	<b>(54,623)</b>	–
Group auditor's remuneration		
– audit services	<b>4,646</b>	4,546
– review and other services	<b>2,850</b>	1,300
Local statutory auditors' remuneration		
– audit services	<b>3,393</b>	1,645
– review and other services	<b>752</b>	574
Cost of inventories ( <i>note 19(a)</i> )	<b>9,415,270</b>	10,385,586
Sponsorship fee for local football events	<b>298,245</b>	137,100
Operating lease charges in respect of properties	<b>26,481</b>	30,973
Rental income from investment properties less direct outgoing of RMB2,209,000 (2017: RMB5,000)	<b>(104,460)</b>	(28,563)
Rental income from properties for sale less direct outgoings of RMB7,925,000 (2017: RMB1,339,000)	<b>(32,328)</b>	(65,023)

*Note:* The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 1(c).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

### (a) Taxation in the consolidated income statement represents:

	2018 RMB'000	2017 RMB'000
<b>Current tax (note 31(a))</b>		
PRC Corporate Income Tax	476,472	554,960
PRC Land Appreciation Tax		
– Provision for the year	213,496	386,314
– Over-provision in prior years	(22,528)	(13,901)
Withholding tax	48,400	–
	<b>715,840</b>	927,373
<b>Deferred tax (note 31(b))</b>		
PRC Corporate Income Tax	386,967	113,411
PRC Land Appreciation Tax	454,053	–
	<b>841,020</b>	113,411
	<b>1,556,860</b>	1,040,784

- (i) Pursuant to the rule and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.
- (ii) No Hong Kong Profits Tax has been provided for as the Group has no estimated assessable profits in Hong Kong.
- (iii) *PRC Corporate Income Tax ("CIT")*  
The provision for CIT is based on the respective applicable rates on the estimated assessable profits of the PRC subsidiaries as determined in accordance with the relevant income tax rules and regulations of the PRC.

Certain PRC subsidiaries were subject to CIT calculated based on the deemed profit which represents 10% (2017: 10%) of their revenue in accordance with the authorised taxation method pursuant to the applicable PRC tax regulations. The tax rate was 25% (2017: 25%) on the deemed profit. Other PRC subsidiaries, which were subject to the actual taxation method, were charged CIT at a rate of 25% (2017: 25%) on the estimated assessable profits for the year.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 5 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (Continued)

### (a) Taxation in the consolidated income statement represents: (Continued)

#### (iv) Land Appreciation Tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) effective on 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例實施細則》) effective from 27 January 1995, all income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties (普通標準住宅) if their appreciation values do not exceed 20% of the sum of the total deductible items.

#### (v) Withholding tax

Withholding taxes are levied on the Company's subsidiaries in Hong Kong ("Hong Kong subsidiaries") in respect of dividend distributions arising from profit of PRC subsidiaries earned after 1 January 2008 and interest on inter-company balance received by Hong Kong subsidiaries from PRC subsidiaries ranged from 5% to 10%.

### (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2018 RMB'000	2017 RMB'000
Profit before taxation	2,971,983	1,940,066
Tax on profit before tax, calculated at 25% (2017: 25%)	742,996	485,017
Difference in tax rates for certain subsidiaries	32,854	68,069
Tax effect of non-taxable income	(18,727)	(76,333)
Tax effect of non-deductible expenses	225,738	194,374
Tax effect of unused tax losses not recognised	60,916	104,591
Utilisation of tax loss not recognised in prior years	(19,083)	(14,244)
Withholding tax	48,400	—
LAT	667,549	386,314
Over-provision of LAT in prior years	(22,528)	(13,901)
Tax effect of LAT	(161,255)	(93,103)
Income tax expense	1,556,860	1,040,784

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 6 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and chief executive's emoluments are as follows:

### 2018

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors</b>						
Wu Po Sum	–	4,272	–	–	–	4,272
Yan Yingchun (Resigned on 21 August 2018)	–	1,307	–	–	3,971	5,278
Liu Weixing	–	4,876	55	–	3,527	8,458
Wang Jun (Appointed on 21 August 2018)	–	3,460	20	–	5,960	9,440
<b>Non-executive directors</b>						
Lucas Ignatius Loh Jen Yuh	84	–	–	–	–	84
Puah Tze Shyang	84	–	–	–	–	84
Wu Wallis (alias Li Hua)	–	219	11	–	–	230
<b>Independent non-executive directors</b>						
Cheung Shek Lun	202	–	–	–	–	202
Xin Luo Lin	202	–	–	–	–	202
Sun Yuyang (Appointed on 8 January 2018)	198	–	–	–	–	198
<b>Chief executive</b>						
Yuan Xujun	–	5,342	65	4,577	3,527	13,511
<b>Total</b>	<b>770</b>	<b>19,476</b>	<b>151</b>	<b>4,577</b>	<b>16,985</b>	<b>41,959</b>

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 6 DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

2017

	Directors' fees	Salaries, allowances and benefits in kind	Retirement scheme contributions	Discretionary bonuses	Share-based payments (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive directors</b>						
Wu Po Sum	–	676	–	–	–	676
Yan Yingchun	–	997	–	–	1,316	2,313
Liu Weixing (Appointed on 24 March 2017)	–	6,360	51	514	2,633	9,558
<b>Non-executive directors</b>						
Lucas Ignatius Loh Jen Yuh	87	–	–	–	–	87
Puah Tze Shyang	87	–	–	–	–	87
Wu Wallis (alias Li Hua)	–	225	11	–	–	236
<b>Independent non-executive directors</b>						
Cheung Shek Lun	208	–	–	–	–	208
Xin Luo Lin	208	–	–	–	–	208
Muk Kin Yau (Resigned on 1 January 2018)	208	–	–	–	–	208
<b>Chief executive</b>						
Yuan Xujun (Appointed on 24 March 2017)	–	3,784	–	539	2,633	6,956
Chen Jianye (Resigned on 24 March 2017)	–	931	–	–	–	931
Total	798	12,973	62	1,053	6,582	21,468

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(v)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 30.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2017: one) are directors and one (2017: one) is CEO whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the other two (2017: three) individuals are as follows:

	2018 RMB'000	2017 RMB'000
Salaries, allowances and benefits in kind	2,643	6,100
Discretionary bonuses	21,205	7,375
Share-based payments	2,320	1,141
Retirement scheme contributions	74	56
	<b>26,242</b>	14,672

The emoluments of these two (2017: three) individuals with the highest emoluments are within the following bands:

	2018	2017
HKD5,000,001 to HKD5,500,000	–	1
HKD5,500,001 to HKD6,000,000	–	1
HKD8,500,001 to HKD9,000,000	–	1
HKD13,500,001 to HKD14,000,000	1	–
HKD17,500,001 to HKD18,000,000	1	–

## 8 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,154,262,000 (2017: RMB811,365,000) and the weighted average of 2,605,807,674 ordinary shares (2017: 2,444,333,701 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2018 '000	2017 '000
Issued ordinary shares at 1 January	2,444,334	2,442,271
Effect of ordinary shares issued ( <i>note 32(a)</i> )	161,474	–
Effect of share options exercised ( <i>note 30(g)</i> )	–	2,063
Weighted average number of ordinary shares at 31 December	<b>2,605,808</b>	2,444,334

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 8 EARNINGS PER SHARE (Continued)

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB1,154,262,000 (2017: RMB811,365,000 and the weighted average number of ordinary shares of 2,652,760,163 shares (2017: 2,462,316,916 shares), calculated as follows:

#### (i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2018 RMB'000	2017 RMB'000
Profit attributable to equity shareholders (diluted)	<b>1,154,262</b>	811,365

#### (ii) Weighted average number of ordinary shares (diluted)

	2018 '000	2017 '000
Weighted average number of ordinary shares at 31 December	<b>2,605,808</b>	2,444,334
Effect of deemed issue of shares under the Company's share option scheme	<b>46,952</b>	17,983
Weighted average number of ordinary shares (diluted) at 31 December	<b>2,652,760</b>	2,462,317



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 9 OTHER COMPREHENSIVE INCOME

### (a) Tax effects relating to each component of other comprehensive income

	2018			2017		
	Before-tax amount RMB'000	Tax expense RMB'000	Net-of- tax amount RMB'000	Before- tax amount RMB'000	Tax expense RMB'000	Net- of-tax amount RMB'000
Exchange differences on translation of:						
– financial statements of overseas subsidiaries	(358,273)	–	(358,273)	151,780	–	151,780
– arising on a monetary item that forms part of net investment in foreign operations	(338,350)	–	(338,350)	243,334	–	243,334
	(696,623)	–	(696,623)	395,114	–	395,114
Cash flow hedge: net movement in hedging reserve	529	–	529	41,156	–	41,156
Equity investments at FVOCI: net movement in fair value reserve (non- recycling)	86,169	(21,542)	64,627	–	–	–
Other comprehensive income	(609,925)	(21,542)	(631,467)	436,270	–	436,270

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 9 OTHER COMPREHENSIVE INCOME (Continued)

### (b) Components of other comprehensive income, including reclassification adjustments

	2018 RMB'000	2017 RMB'000
<b>Cash flow hedges:</b>		
Effective portion of changes in fair value of hedging instruments recognised during the period	529	(33,069)
Reclassification adjustments for amounts transferred to finance costs	–	74,225
Net deferred tax credited to other comprehensive income	–	–
Net movement in the hedging reserve during the period recognised in other comprehensive income	529	41,156
<b>Equity investments measured at FVOCI</b>		
Changes in fair value recognised during the period	86,169	–
Net deferred tax debited to other comprehensive income	(21,542)	–
Net movement in the fair value reserve (non-recycling) during the period recognised in other comprehensive income	64,627	–

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 10 PROPERTY, PLANT AND EQUIPMENT

2018

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>Cost:</b>						
At 1 January 2017	285,305	2,599,828	434,022	354,756	50,934	3,724,845
Additions	14,641	3,360	959,843	12,276	8,191	998,311
Disposals	–	(951)	–	(3,282)	(6,996)	(11,229)
Transfer	–	13,108	(16,515)	4,707	–	1,300
Acquisitions of subsidiaries (note 37(a)(iii))	–	5,900	–	2,477	2,373	10,750
Disposals of subsidiaries (note 37(b)(i))	–	–	–	(662)	(454)	(1,116)
Deemed disposal of a subsidiary (note 37(b)(iii))	–	–	–	(345)	–	(345)
At 31 December 2017	299,946	2,621,245	1,377,350	369,927	54,048	4,722,516
At 1 January 2018	299,946	2,621,245	1,377,350	369,927	54,048	4,722,516
Additions	–	3,258	879,273	28,057	11,640	922,228
Disposals	(435)	(1,086)	–	(3,347)	(2,139)	(7,007)
Transfer	–	356,415	(357,757)	52,492	–	51,150
Acquisitions of subsidiaries (note 37(a)(i))	–	278,844	5,113	7,260	1,527	292,744
At 31 December 2018	299,511	3,258,676	1,903,979	454,389	65,076	5,981,631
<b>Accumulated depreciation and amortisation:</b>						
At 1 January 2017	(41,752)	(398,392)	–	(220,390)	(39,509)	(700,043)
Charge for the year	(6,557)	(143,519)	–	(78,532)	(5,550)	(234,158)
Written back on disposals	–	887	–	2,586	6,864	10,337
Acquisitions of subsidiaries (note 37(a)(iii))	–	(3,766)	–	(1,643)	(754)	(6,163)
Disposals of subsidiaries (note 37(b)(i))	–	–	–	252	358	610
Deemed disposal of a subsidiary (note 37(b)(iii))	–	–	–	241	–	241
At 31 December 2017	(48,309)	(544,790)	–	(297,486)	(38,591)	(929,176)

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 10 PROPERTY, PLANT AND EQUIPMENT (Continued) 2018 (Continued)

	Interests in leasehold land held for own use under operating lease RMB'000	Buildings RMB'000	Construction in progress RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At 1 January 2018	(48,309)	(544,790)	–	(297,486)	(38,591)	(929,176)
Charge for the year	(8,173)	(171,002)	–	(58,805)	(6,611)	(244,591)
Written back on disposals	71	69	–	3,069	1,786	4,995
Acquisitions of subsidiaries (note 37(a)(i))	–	–	–	(3,849)	(516)	(4,365)
At 31 December 2018	(56,411)	(715,723)	–	(357,071)	(43,932)	(1,173,137)
<b>Net book value:</b>						
At 31 December 2017	251,637	2,076,455	1,377,350	72,441	15,457	3,793,340
At 31 December 2018	243,100	2,542,953	1,903,979	97,318	21,144	4,808,494

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 10 PROPERTY, PLANT AND EQUIPMENT (Continued)

The analysis of carrying value of leasehold land is set out as follows:

In the PRC:	2018 RMB'000	2017 RMB'000
Long leases	6,996	7,231
Medium-term leases	236,104	244,406
	<b>243,100</b>	251,637

All the property, plant and equipment of the Group are located in the PRC.

As at 31 December 2018, certain of the Group's property, plant and equipment were pledged as securities of the Group's bank loans and other loans. Details are set out in notes 25 and 26.

As at 31 December 2018, none of the Group's property, plant and equipment (2017: RMB160,050,000) was pledged as securities of a joint venture's loan.

## 11 INVESTMENT PROPERTY

	Total RMB'000
At 1 January 2017	575,870
Transfer from properties for sale	477,730
Change in fair value	243,400
At 31 December 2017	1,297,000
At 1 January 2018	<b>1,297,000</b>
Transfer from properties for sale	<b>1,013,327</b>
Change in fair value	<b>605,673</b>
At 31 December 2018	<b>2,916,000</b>

Properties held for sale of RMB1,013,327,000 (2017: RMB477,730,000) were transferred from "property for sale" to "investment properties" as a result of change of use. The properties were measured at fair value at the time of transfer and revaluation gain of RMB574,872,000 (2017: RMB215,274,000) had been recognised in the consolidated income statement.

As at 31 December 2018, certain of the Group's investment properties were pledged as securities of the Group's other loans. Details are set out in note 26.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 11 INVESTMENT PROPERTY (Continued)

### (a) The analysis of fair value of investment properties is set out as follows:

	2018 RMB'000	2017 RMB'000
In the PRC		
– long leases	262,100	246,900
– medium-term leases	2,653,900	1,050,100
	<b>2,916,000</b>	1,297,000

### (b) Fair value measurement of investment properties

#### (i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 11 INVESTMENT PROPERTY (Continued)

### (b) Fair value measurement of investment properties (Continued)

#### (i) Fair value hierarchy (Continued)

Fair value at 31 December 2018 RMB'000	Fair value measurements as at 31 December 2018 categorised into		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000

#### Recurring fair value measurement

Investment properties:

– In the PRC	2,916,000	–	–	2,916,000
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Fair value at 31 December 2017 RMB'000	Fair value measurements as at 31 December 2017 categorised into		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000

#### Recurring fair value measurement

Investment properties:

– In the PRC	1,297,000	–	–	1,297,000
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During the year ended 31 December 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2018 and 2017. The valuations were carried out by an independent firm of surveyors, Savills Valuation and Professional Services Limited, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued. The management has discussion with the surveyors on the valuation assumptions and valuation results when the valuation is performed at each interim and annual reporting date.



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 11 INVESTMENT PROPERTY (Continued)

### (b) Fair value measurement of investment properties (Continued)

#### (ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range	Weighted average
Investment properties in the PRC	Income capitalisation approach	Daily market rent (RMB/sq.m.)	0.42 to 8.90 (2017: 0.42 to 8.51)	3.12 (2017: 3.09)
		Capitalisation rates	4.0% to 7.0% (2017: 4.5% to 7.0%)	5.95% (2017: 5.36%)

In undertaking the valuation of investment properties, the independent firm of surveyors have mainly adopted the income capitalisation approach whereby the rental incomes of contractual tenancies are capitalised for the unexpired terms of tenancies. They have also taken into account the reversionary market rents after the expiry of tenancies in capitalisation. The fair value measurement is positively correlated to the market rent and negatively correlated to the capitalisation rates.

The movements during the year in the balance of these Level 3 fair value measurements are set out in note 11.

Fair value adjustment of investment property is recognised in the line item "net valuation gain on investment property" on the face of the consolidated income statement.

All the gains/losses recognised in profit or loss for the year arise from the properties held at the end of the reporting period.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 12 INTANGIBLE ASSETS

	<b>Licences</b> RMB'000
<b>Cost:</b>	
At 1 January 2017	150,000
Addition during the year	94,340
	<hr/>
At 31 December 2017	244,340
	<hr/>
At 1 January 2018	244,340
Addition	337,575
	<hr/>
At 31 December 2018	581,915
	<hr/>
<b>Accumulated amortisation:</b>	
At 1 January 2017	(18,750)
Charge for the year	(21,290)
	<hr/>
At 31 December 2017	(40,040)
	<hr/>
At 1 January 2018	(40,040)
Charge for the year	(23,867)
	<hr/>
At 31 December 2018	(63,907)
	<hr/>
<b>Net book value:</b>	
At 31 December 2018	518,008
	<hr/>
At 31 December 2017	204,300
	<hr/>

The Group's intangible assets represent usage fee of trademark licences and copyright licences for externally developed intellectual properties including scene design and drama works, which are still under development and expected to be completed in 2020.

The amortisation charge for the year is included in "general and administrative expenses" in the consolidated income statement.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 13 BIOLOGICAL ASSETS

### (a) Reconciliation of carrying amount

The Group cultivates certain agricultural plants, mainly including landscape flowers, seedlings and trees, which are sold to customers after harvested. These plants are generally harvested between 6 to 60 months after plantation.

	Plants RMB'000
At 1 January 2018	—
Transfer from Inventory	159,311
Addition due to purchases	87,539
Decrease due to sales	(22,105)
Change in fair value less cost to sell	11,979
	<hr/>
At 31 December 2018	236,724
	<hr/>
Representing:	
Non-current	203,946
current	32,778
	<hr/>
	236,724
	<hr/>

### (b) Measurement of fair value

#### (i) Fair value hierarchy

The fair value measurements of the Group's biological assets have been categorised as Level 2 fair values based on observable market sales data.

#### (ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the Group's biological assets is determined using market comparison approach by reference to recent sales price of comparable plants with market data which is publicly available.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affect the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Anyang Central China City Construction Company Limited*	Henan, the PRC	RMB130,000,000	–	100%	Property development	Limited liability company
Anyang Central China City Development Company Limited*	Henan, the PRC	RMB100,000,000	–	55%	Property development	Limited liability company
Anyang Central China Real Estate Company Limited*	Henan, the PRC	–	–	55%	Property development	Limited liability company
Anyang Cheer World Management and Consulting Services Co. Ltd*	Henan, the PRC	RMB100,000,000	–	55%	Management consulting service	Limited liability company
Artstar Investments Limited	The British Virgin Islands and Hong Kong	US\$10,000	–	95%	Investments holding	Private company
Central China Real Estate Group (Sanmenxia) Company Limited*	Henan, the PRC	RMB155,000,000	–	100%	Property development	Limited liability company
Central China Forest Peninsula (Henan) Real Estate Company Limited*	Henan, the PRC	RMB120,000,000	–	100%	Property development	Limited liability company
Central China Hotel Investments & Management (Zhengzhou) Company Limited*	Henan, the PRC	RMB171,060,000	–	100%	Hotel operation	Limited liability company
Central China Nanyang Hotel Company Limited*	Henan, the PRC	RMB598,120,000	–	100%	Hotel operation	Limited liability company
Central China Premier Service (Zhengzhou) Company Limited*	Henan, the PRC	RMB110,000,000	–	100%	Business service	Limited liability company
Central China Properties Development Limited	Hong Kong	HK\$1	–	100%	Investments holding	Private company
Central China Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB863,900,000	–	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate (Zhengzhou) Company Limited*	Henan, the PRC	RMB65,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Gold Dragon Company Limited*	Henan, the PRC	RMB190,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group (China) Company Limited*	Henan, the PRC	RMB2,360,000,000 and RMB3,000,000,000 corporate bonds with interest bearing at 6% due in 2021 (note 29)	–	100%	Property development	Wholly owned foreign enterprise
Central China Real Estate Group (Lingbao) Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Group Pingdingshan Company Limited*	Henan, the PRC	RMB310,200,000	–	100%	Property development	Limited liability company
Central China Real Estate Holdings Limited	The British Virgin Islands and Hong Kong	US\$10,000	–	100%	Investments holding	Private company

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Central China Real Estate Investments Limited	Hong Kong	HK\$1	–	100%	Investments holding	Private company
Central China Real Estate Nanyang Company Limited*	Henan, the PRC	RMB579,590,000	–	100%	Property development	Limited liability company
Central China Real Estate Wugang Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Central China Real Estate Xinxiang Jili Company Limited*	Henan, the PRC	RMB60,000,000	–	60%	Property development	Limited liability company
Central China Triumph Real Estate (Luoyang) Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Change City Yicheng Real Estate Development Co., Ltd. *	Henan, the PRC	RMB16,000,000	–	64%	Property development	Limited liability company
Change Jianzhi Real Estate Development Company Limited *	Henan, the PRC	RMB16,000,000	–	100%	Property development	Limited liability company
Changyuan Central China City Development Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Country Star Holdings Limited	Hong Kong	HK\$1	–	95%	Investments holding	Private company
Dengfeng Cheer World Properties Co., Ltd.*	Henan, the PRC	–	–	99%	Property development	Limited liability company
Fugou Zhiteng Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Gongyi New Town Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	99%	Property development	Limited liability company
Gushi Jianhe Properties Co. Ltd*	Henan, the PRC	RMB10,000,000	–	51%	Property development	Limited liability company
Hebi CCRE Green Base Construction Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Agriculture investment	Limited liability company
Hebi Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Hebi Central China Real Estate Zhiye Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Henan CCRE Huayi Brothers Culture Tourism Industry Company Limited*	Henan, the PRC	RMB100,000,000	–	65%	Property development	Limited liability company
Henan Central China Commercial Properties Management Company Limited*	Henan, the PRC	RMB80,000,000	–	100%	Property development	Limited liability company
Henan Central China Construction Materials Commerce and Trading Company Limited*	Henan, the PRC	RMB410,000,000	–	80%	Commerce and trading	Limited liability company
Henan Central China Modern Agriculture Investments Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Agriculture investments	Limited liability company
Henan Central China Real Estate Company Limited*	Henan, the PRC	RMB390,000,000	–	100%	Property development	Limited liability company

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Henan Central China Real Estate Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Henan Central China Real Estate Kanghui Company Limited*	Henan, the PRC	RMB100,000,000	–	60%	Property development	Limited liability company
Henan Central China Realistic Performance Cultural Development Co., Ltd.*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Henan Central China Shihefu Real Estate Company Limited*	Henan, the PRC	RMB23,865,000	–	51%	Property development	Limited liability company
Henan Central China Sun City Real Estate Company Limited*	Henan, the PRC	RMB120,100,000	–	100%	Property development	Limited liability company
Henan Central China Union Real Estate Company Limited*	Henan, the PRC	RMB960,000,000	–	100%	Property development	Limited liability company
Henan Central China Zhizun Hotel Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Hotel operation	Limited liability company
Henan Coal Chemical Central China Real Estate Development Investments Company Limited*	Henan, the PRC	RMB977,600,000	–	100%	Property development	Limited liability company
Henan Jiaheng Properties Co., Ltd. *	Henan, the PRC	RMB30,000,000	–	55%	Property development	Limited liability company
Henan Shanhao Real Estate Development Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Henan St. Andrews Real Estate Company Limited*	Henan, the PRC	RMB8,000,000	–	60%	Property development	Limited liability company
Henan United Clubs Management Company Limited*	Henan, the PRC	RMB735,180,000	–	100%	Hotel operation	Limited liability company
Henan United New Town Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Henan Yuanda Company Limited*	Henan, the PRC	RMB620,000,000	–	100%	Property development	Limited liability company
Henan Yuxuan Real Estate Development Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Henan Zhenghe Real Estate Development Company Limited*	Henan, the PRC	RMB100,000,000	–	60%	Property development	Limited liability company
Henan Zhiteng Business Service Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Henan Zhongyuan Central China City Development Company Limited*	Henan, the PRC	RMB150,000,000	–	100%	Property development	Limited liability company
Huaiyang Central China Real Estate Limited*	Henan, the PRC	RMB110,000,000	–	100%	Property development	Limited liability company
Huaxian Central China City Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Huixian Zhiteng Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Jiaozuo Central China Real Estate Company Limited*	Henan, the PRC	RMB35,000,000	–	100%	Property development	Wholly owned foreign enterprise
Jiaozuo Cheer World Real Estate Development Co., Ltd*	Henan, the PRC	RMB10,000,000	–	99%	Property development	Limited liability company
Jiaozuo Shihefu Properties Co., Ltd*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Jiyuan Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Jiyuan Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	99%	Property development	Limited liability company
Jiyuan Jianteng Real Estate Development Company Limited*	Henan, the PRC	RMB50,000,000	–	78%	Property development	Limited liability company
Joy Ascend Holdings Limited	The British Virgin Islands and Hong Kong	US\$14,618	100%	–	Investments holding	Private company
Kaifeng Dingjiu Real Estate Company Limited*	Henan, the PRC	RMB50,000	–	100%	Property development	Limited liability company
Kaifeng Jiandong Properties Co., Ltd*	Henan, the PRC	RMB153,000,000	–	100%	Property development	Limited liability company
Kaifeng Luda Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	51%	Property development	Limited liability company
Luohe Central China Changjian Real Estate Company Limited*	Henan, the PRC	RMB60,000,000	–	100%	Property development	Limited liability company
Luohe Central China Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Luoyang Fengdu Real Estate Company Limited*	Henan, the PRC	RMB30,000,000	–	95%	Property development	Limited liability company
Luoyang Guotai Meijule Properties Co., Ltd.* ("Luoyang Guotai Meijule")	Henan, the PRC	RMB100,000,000	–	61% (2017: 34%)	Property development	Limited liability company
Luoyang Liye Real Estate Development Company Limited* ("Luoyang Liye")	Henan, the PRC	RMB30,000,000	–	51%	Property development	Limited liability company
Luoyang Xianglin Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Luoyang Yuanwang Real Estate Company Limited*	Henan, the PRC	–	–	99%	Property development	Limited liability company
Luoyang Zunfu Real Estate Company Limited*	Henan, the PRC	RMB10,000,000	–	99%	Property development	Limited liability company
Luyi Mingdao City Investment Construction Company Limited*	Henan, the PRC	RMB30,000,000	–	41%	Property development	Limited liability company
Nanyang Hesheng Properties Co. Ltd*	Henan, the PRC	RMB840,000	–	51%	Property development	Limited liability company
Pingdingshan Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Pingdingshan Jingde Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Pingyu Jiandong Properties Co., Ltd*	Henan, the PRC	–	–	100%	Property development	Limited liability company
Precise Wish Limited	Hong Kong	HK\$1	–	100%	Investments holding	Private company
Puyang Central China Real Estate Company Limited*	Henan, the PRC	RMB145,500,000	–	100%	Property development	Limited liability company
Puyang Cheer World Industrial Co., Ltd*	Henan, the PRC	–	–	100%	Property development	Limited liability company
Puyang Jianye City Development Company Limited*	Henan, the PRC	RMB820,000,000	–	100%	Property development	Limited liability company
Qinyang City Cheer World Real Estate Development Co., Ltd*	Henan, the PRC	RMB10,000,000	–	99%	Property development	Limited liability company
Runan Jiandong Properties Co., Ltd*	Henan, the PRC	–	–	55%	Property development	Limited liability company
Ruzhou City Cheer World Real Estate Development Co., Ltd*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Sanmenxia Central China Real Estate Company Limited*	Henan, the PRC	RMB38,000,000	–	100%	Property development	Limited liability company
Sanmenxia Forest Peninsuls Zhiye Company Limited*	Henan, the PRC	RMB48,000,000	–	59%	Property development	Limited liability company
Sanmenxia Shihe Property Co., Ltd*	Henan, the PRC	RMB50,000,000	–	99%	Property development	Wholly owned foreign enterprise
Sanmenxia Zhiteng Real Estate Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Shangqiu Central China Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Shangqiu Hongda Enterprises Co., Ltd*	Henan, the PRC	RMB10,000,000	–	100% (2017: 80%)	Property development	Limited liability company
Shangqiu Jianshang Real Estate Development Co., Ltd*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Shangqiu Jianxing Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	70%	Property development	Limited liability company
Shangqiu Jianye Huarun Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Shangqiu Jinshengyuan Industrial Co. Ltd*	Henan, the PRC	RMB20,000,000	–	51%	Property development	Limited liability company
Shangqiu Xindu Properties Co., Ltd*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Shenqiu County Cheer World Properties Co., Ltd*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Suiping Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Taikang Jianzi Real Estate development Company Limited*	Henan, the PRC	RMB15,300,000	–	100%	Property development	Limited liability company
Tangyin Central China City Development Company Limited*	Henan, the PRC	RMB80,000,000	–	55%	Property development	Limited liability company
Tengye Real Estate (Xiangcheng) Company Limited*	Henan, the PRC	–	–	51%	Property development	Limited liability company
Universal Food City Development (Henan) Co., Ltd*	Henan, the PRC	RMB353,200,000	–	100%	Property development	Limited liability company
Xiangcheng City Cheer World Properties Co., Ltd*	Henan, the PRC	–	–	51%	Property development	Limited liability company
Xihua Jianzhi Real Estate Development Company Limited*	Henan, the PRC	RMB18,515,000	–	51%	Property development	Limited liability company
Xincal Jiandong City Construction Co., Ltd*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Xinxiang Central China City Construction Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Xinxiang xingui Jianzhi Real Estate Development Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Xinyang Central China Tianming Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Xiping Central China City Development Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Xiuwu Central China Real Estate Company Limited*	Henan, the PRC	RMB110,000,000	–	100%	Property development	Limited liability company
Xuchang Central China Real Estate Company Limited*	Henan, the PRC	RMB57,000,000	–	72%	Property development	Foreign-invested enterprise
Xuchang Cheer World Real Estate Development Co., Ltd*	Henan, the PRC	RMB20,000,000	–	92%	Property development	Limited liability company
Xuchang Jianteng Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Xuchang One city Development Company Limited*	Henan, the PRC	RMB30,000,000	–	100%	Property development	Limited liability company
Yanling CCRE Green Base Construction Company Limited*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Yanling Central China Real Estate company Limited*	Henan, the PRC	RMB50,000,000	–	80%	Property development	Limited liability company
Yanshi Central China City Construction Company Limited*	Henan, the PRC	RMB20,000,000	–	100%	Property development	Limited liability company
Yongcheng Jiandong Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	90%	Property development	Limited liability company
Yuzhou Cheer World Construction Co., Ltd*	Henan, the PRC	RMB20,000,000	–	92%	Property development	Limited liability company

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 14 INVESTMENTS IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Zhecheng Central China City Construction Company Limited*	Henan, the PRC	RMB50,000,000	–	100%	Property development	Limited liability company
Zhengzhou Ansheng Geological Culture Development Limited*	Henan, the PRC	RMB100,000,000	–	80%	Gemstone design, sale, and consulting service	Limited liability company
Zhengzhou Central China Tianming Property Company Limited*	Henan, the PRC	RMB1,500,000,000	–	100% (2017: 66.67%)	Property development	Limited liability company
Zhengzhou Dengcao Group Tianzhong Daguan Yuan Company Limited* ("Zhengzhou Dengcao")	Henan, the PRC	RMB30,000,000	–	60%	Property development	Limited liability company
Zhengzhou Fengtai Real Estate Company Limited*	Henan, the PRC	RMB100,000,000	–	70%	Property development	Limited liability company
Zhengzhou Haoling Commerce and Trading Company Limited*	Henan, the PRC	RMB410,000,000	–	100%	Property development	Limited liability company
Zhengzhou Jiandong Zhiye Company Limited*	Henan, the PRC	RMB110,000,000	–	60%	Property development	Limited liability company
Zhengzhou United New Town Real Estate Company Limited*	Henan, the PRC	RMB652,000,000	–	100%	Property development	Limited liability company
Zhengzhou Yipin Tianxia Zhiye Company Limited*	Henan, the PRC	RMB100,000,000	–	100%	Property development	Limited liability company
Zhenzhou Central China Lyvuan Real Estate Company Limited*	Henan, the PRC	RMB70,000,000	–	70%	Property development	Limited liability company
Zhongya Real Estate Development (Luoyang) Company Limited*	Henan, the PRC	RMB59,692,720	–	95%	Property development	Wholly owned foreign enterprise
Zhoukou Cheer World Real Estate Development Co., Ltd*	Henan, the PRC	RMB10,000,000	–	100%	Property development	Limited liability company
Zhumadian Central China Real Estate Company Limited*	Henan, the PRC	RMB37,577,000	–	100%	Property development	Limited liability company
Zhumadian Central China Real Estate Zhiye Company Limited*	Henan, the PRC	RMB256,000,000	–	100%	Property development	Limited liability company
Zhumadian City Chun Cheng Properties Co., Ltd*	Henan, the PRC	RMB20,400,000	–	31%	Property development	Limited liability company
Zhumadian Jianheng Real Estate Company Limited*	Henan, the PRC	RMB20,000,000	–	75%	Property development	Limited liability company

*Note:* The English names of the PRC subsidiaries referred to above were translated by management only for the purpose of these financial statements as no English names have been registered or available.

\* KPMG are not statutory auditors of these subsidiaries.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 14 INVESTMENTS IN SUBSIDIARIES (Continued)

The following table lists out the information relating to three subsidiaries of the Group which have material non-controlling interests (NCI). The summarised financial statements are as below:

	Luoyang Liye		Luoyang Guotai Meijule <sup>#</sup>	Zhengzhou Dengcao <sup>#</sup>
	2018	2017	2018	2018
	RMB'000	RMB'000	RMB'000	RMB'000
NCI percentage	49%	49%	39%	40%
Current assets	751,265	1,309,374	1,675,827	553,886
Non-current assets	242	365	8,552	4,398
Current liabilities	(310,996)	(1,201,914)	(1,394,564)	(315,464)
Non-current liabilities	–	–	–	–
Net assets	440,511	107,825	289,815	242,820
Carrying amount of NCI	215,850	52,834	113,028	97,128
Revenue	1,264,309	808,331	83,279	–
Profit for the year	332,687	107,548	12,255	(3,819)
Total comprehensive income	332,687	107,548	12,255	(3,819)
Profit allocated to NCI	163,017	52,699	4,779	(1,528)
Dividend paid to NCI	–	–	–	–
Cash flows from operating activities	1,957	107,381	365,376	138,574
Cash flows from investing activities	(15)	134	(25)	–
Cash flows from financing activities	–	(49,000)	(199,755)	(13,100)

<sup>#</sup> These subsidiaries were acquired by the Group during the year ended 31 December 2018.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 15 INTERESTS IN ASSOCIATES

	2018 RMB'000	2017 RMB'000
Share of net assets	202,462	122,746
Amounts due from associates	247,451	413,803
	<b>449,913</b>	536,549

Amounts due from associates are unsecured, interest-free and have no fixed terms of repayment, and are expected to be recovered after more than one year.

The following list contains the particulars of a material associate, which is an unlisted corporate entity whose quoted market price is not available:

Name of company	Place of incorporation and business	Registered capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Zhengzhou Financial Island Construction & Development Group Co., Ltd. ("Zhengzhou Financial Island")	Henan, the PRC	RMB600,000,000	–	20%	Property development	Limited liability company

*Note:* The English name of the particulars of the associate in the PRC referred to above was translated by management only for the purpose of these financial statements as no English name has been registered or available.

The above associate is accounted for using the equity method in the consolidated financial statements.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 15 INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

<b>Zhengzhou Financial Island</b>	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Gross amounts of the associate's</b>		
Current assets	<b>3,562,626</b>	2,213,223
Non-current assets	<b>2,475</b>	1,239
Current liabilities	<b>(1,808,092)</b>	(1,620,386)
Non-current liabilities	<b>(1,214,500)</b>	–
Equity	<b>542,509</b>	594,076
Revenue	<b>1,232</b>	–
Loss from continuing operations	<b>(51,567)</b>	(5,925)
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	<b>(51,567)</b>	(5,925)
Dividend received from the associate	–	–
<b>Reconciled to the Group's interests in the associate</b>		
Gross amounts of net assets of the associate	<b>542,509</b>	594,076
Group's effective interest	<b>20%</b>	20%
Group's share of net assets of the associate	<b>108,502</b>	118,815
Amount due from the associate	<b>183,585</b>	329,470
Carrying amount in the consolidated financial statements	<b>292,087</b>	448,285

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 15 INTERESTS IN ASSOCIATES (Continued)

Aggregate information of associates that are not individually material:

	2018 RMB'000	2017 RMB'000
– Aggregate share of net assets of individually immaterial associates	93,960	3,931
– Aggregate amount due from individually immaterial associates	63,866	84,333
<b>Aggregate carrying amount of individually immaterial associates in the consolidated financial statements</b>	<b>157,826</b>	<b>88,264</b>
<b>Aggregate amounts of the Group's share of those associates'</b>		
Loss from continuing operations	(7,592)	(3,237)
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	(7,592)	(3,237)

## 16 INTERESTS IN JOINT VENTURES

	2018 RMB'000	2017 RMB'000
Share of net assets	2,879,212	3,642,625
Amounts due from joint ventures	7,036,119	5,383,752
	<b>9,915,331</b>	<b>9,026,377</b>

Amounts due from joint ventures included amount of RMB607,378,000 (2017: RMB1,912,713,000) which are unsecured, interest bearing at 10%-12% per annum and have no fixed terms of payment. The remaining amounts due from joint ventures are unsecured, interest-free and have no fixed terms of payment. They are expected to be recovered after more than one year.

As at 31 December 2018, the Group's interest in a joint venture with carrying amount of RMB66,858,000 (2017: RMB53,197,000) was pledged against the Group's bank loan of RMB517,000,000 (2017: RMB546,000,000) (see note 25).



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 16 INTERESTS IN JOINT VENTURES (Continued)

The following list contains only the particulars of material joint ventures, all of which are unlisted corporate entities whose quoted market price is not available:

Name of company	Place of incorporation and business	Registered capital	Proportion of ownership interest		Principal activities	Legal form
			Held by the Company	Held by a subsidiary		
Henan Central China Hengxin Property Company Limited ("CCRE Hengxin")	Henan, the PRC	RMB220,000,000	–	28.57% <sup>(i)</sup>	Property development	Limited company
Henan Central China Taihong Real Estate Limited	Henan, the PRC	RMB231,020,000	–	51.00%	Property development	Limited company
Henan Central China Fujin Investment Company Limited	Henan, the PRC	RMB100,000,000	–	45.00%	Property development	Limited company
Henan Central China Haima Property Company Limited	Henan, the PRC	RMB100,000,000	–	60.00%	Property development	Limited company
Henan Longyu Real Estate Company Limited	Henan, the PRC	RMB77,000,000	–	60.00%	Property development	Limited company
Kaifeng Central China Real Estate Company Limited	Henan, the PRC	RMB100,000,000	–	60.00%	Property development	Limited company
Xinyang Tianheng Real Estate Company Limited	Henan, the PRC	RMB48,300,000	–	50.31%	Property development	Limited company
Zhengzhou Jianye Eighteen Cities Zhiye Company Limited	Henan, the PRC	RMB200,000,000	–	50.00%	Property development	Limited company
Zhengzhou Anyong Properties Limited	Henan, the PRC	RMB20,000,000	–	80.00%	Property development	Limited company
Zhengzhou Renji Real Estate Development Co., Ltd.	Henan, the PRC	RMB100,000,000	–	60.00%	Property development	Limited company
Luoyang Zhuzong Yutai Real Estate Development Co., Ltd.	Henan, the PRC	RMB50,000,000	–	40.00%	Property development	Limited company

Notes:

- (i) The English names of the Group's joint ventures in the PRC referred to above are translated by management only for the purpose of these financial statements as no English names have been registered or available.
- (ii) Pursuant to the investment agreement between the Group and Bridge Trust Co., Ltd., the Group paid up 54.55% of CCRE Hengxin's registered capital while the Group's effective interest in CCRE Hengxin is 28.57%, which was determined by the percentage of total investment capital paid by both joint ventures.

The above joint ventures strengthen the Group's property development business in Henan, the PRC. All of the above joint ventures are accounted for using the equity method in the consolidated financial statements.

- (a) Deemed disposal of joint ventures in step acquisitions

During the year ended 31 December 2018, the Group entered into equity transfer agreements with respective joint venturers to acquire additional equity interest. Upon completion of the above transactions, these joint ventures became subsidiaries of the Group (see note 37(a)(i)).

The net gain of RMB91,432,000 on deemed disposals of these joint ventures was recognised in profit or loss during the year, by remeasuring the Group's previously held equity interests with carrying amount of RMB1,202,545,000 in these entities at the acquisition date fair value.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 16 INTERESTS IN JOINT VENTURES (Continued)

Summarised financial information of material joint ventures, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	Henan Central China Haima Real Estate Company Limited		CORE Hengxin		Henan Central China Taisheng Real Estate Company Limited		Henan Central China Fujia Investment Company Limited		Kaifeng Central China Real Estate Company Limited		Xinyang Tianheng Real Estate Company Limited		Henan Longyu Real Estate Company Limited		Zhengzhou Jiayue Eighteen Cities Zhijie Company Limited		Zhengzhou Anyong Properties Limited		Zhengzhou Renji Real Estate Development Co., Ltd.		Luoyang Zhuozong Yutai Real Estate Development Co., Ltd.	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Gross amounts of joint ventures</b>																						
Current assets	191,339	566,807	6,293,999	5,024,892	5,117,000	4,862,009	9,649,934	9,079,503	1,386,853	1,529,825	674,516	630,227	1,044,037	1,980,035	2,734,533	2,725,422	1,613,619	1,242,240	851,507	309,286	2,429,897	1,541,458
Non-current assets	2,422	79	91,425	84,980	136,689	22,536	104,966	165,846	353,125	176,051	286	1,923	132	1,898	23	58	544	7,874	86,607	183,818	516	376
Current liabilities	(67,678)	(473,371)	(4,110,663)	(2,526,196)	(4,192,717)	(4,135,416)	(7,241,830)	(7,754,349)	(501,833)	(425,633)	(620,614)	(574,131)	(423,758)	(743,046)	(1,286,070)	(1,274,431)	(1,105,954)	(724,827)	(922,371)	(413,343)	(1,128,418)	(1,107,010)
Non-current liabilities	-	-	(1,688,900)	(1,970,000)	(745,551)	(476,303)	(2,513,090)	(2,292,000)	-	-	-	-	(369,500)	(878,300)	(1,265,898)	(1,265,898)	-	-	-	-	(90,000)	-
Equity	126,083	93,515	586,061	613,676	315,421	272,799	-	-	1,238,145	1,280,243	54,188	40,019	250,911	363,387	182,588	185,151	508,209	535,287	15,743	79,761	1,211,995	434,824
Included in the above assets and liabilities:																						
Cash and cash equivalents	8,496	50,594	40,109	46,848	134,679	229,964	603,711	447,940	7,056	3,092	1,762	3,770	32,216	11,267	1,707	4,241	275	12,675	5,199	4,032	451,599	285,622
Current financial liabilities (excluding trade and other payables and provisions)	-	-	(247,400)	-	(80,800)	(530,000)	-	-	-	-	-	-	-	(8,940)	-	-	-	-	-	-	-	-
Non-current financial liabilities (excluding trade and other payables and provisions)	-	-	(1,688,900)	(950,000)	(745,551)	(476,303)	(2,513,090)	(2,292,000)	-	-	-	-	(369,500)	(878,300)	(1,265,898)	(1,265,898)	-	-	-	-	(90,000)	-
Revenue	218,373	2,572,184	272,043	1,868,095	2,268,185	460,781	2,245,543	-	15,172	125,550	-	217,168	-	112,477	(40,267)	(2,564)	(2,640)	(17,078)	(3,598)	(71,525)	(20,238)	694,299
(Loss)/profit from continuing operations	115,568	168,138	(25,334)	163,325	302,622	120,749	(27,867)	-	(42,097)	10,487	(5,832)	(4,174)	(112,477)	(40,267)	(2,564)	(2,640)	(17,078)	(3,598)	(71,525)	(20,238)	72,438	55,998
Post-tax profit or loss from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	115,568	168,138	(25,334)	163,325	302,622	120,749	(27,867)	-	(42,097)	10,487	(5,832)	(4,174)	(112,477)	(40,267)	(2,564)	(2,640)	(17,078)	(3,598)	(71,525)	(20,238)	72,438	55,998
Dividend received from the joint ventures	49,800	77,400	-	-	132,600	45,900	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Included in the above (loss)/profit:																						
Depreciation and amortisation	(63)	(90)	(214)	(177)	(1,579)	(1,644)	(830)	(230)	(4,325)	(2,692)	(75)	(39)	(235)	(60)	(34)	-	(178)	-	(26)	(8)	(136)	(188)
Interest income	2,534	6,145	1,314	1,704	4,886	18,069	2,927	4,766	20	78	6	4	411	1,510	12	85	31	-	15	178	1,662	13,190
Interest expense	-	-	(213,435)	-	-	-	(58)	-	-	-	-	-	(75,684)	-	-	-	(11,611)	-	(50,017)	(26,467)	(15,451)	(51,533)
Income tax expense	(24,064)	(61,308)	(9,013)	(69,174)	(99,859)	(49,738)	(99,336)	-	(102)	22,058	1,592	927	(1,707)	-	-	-	(1,586)	-	12,024	-	(25,189)	(32,214)
<b>Reconciled to the Group's interest in joint ventures</b>																						
Gross amounts of net assets of the joint ventures	126,083	93,515	586,061	613,676	315,421	272,799	-	-	1,238,145	1,280,243	54,188	40,019	250,911	363,387	182,588	185,151	508,209	535,287	15,743	79,761	1,211,995	434,824
Group's effective interest	60.00%	60.00%	28.57%	28.57%	51.00%	51.00%	45.00%	45.00%	60.00%	60.00%	50.31%	50.31%	60.00%	60.00%	50.00%	50.00%	80.00%	80.00%	60.00%	60.00%	40.00%	40.00%
Group's share of net assets of the joint ventures	75,630	56,109	167,438	175,327	160,865	139,127	-	-	742,887	768,146	27,262	20,196	150,546	218,032	91,294	92,576	406,567	422,020	9,446	47,857	484,798	173,929
Amount due from joint ventures	10	16	435,239	15,664	-	-	1,481,498	2,329,824	361,512	222,733	352,222	310,821	176,090	15,395	1,273,909	1,273,909	1,085,715	474,028	607,378	412,949	14	-
Carrying amount in the consolidated financial statements	75,640	56,125	602,677	190,991	160,865	139,127	1,481,498	2,329,824	1,104,399	990,879	379,484	341,027	326,636	233,407	1,365,203	1,366,485	1,492,282	894,258	616,824	480,826	484,812	173,929

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 16 INTERESTS IN JOINT VENTURES (Continued)

Aggregate information of joint ventures that are not individually material:

	2018 RMB'000	2017 RMB'000
– Aggregate share of net assets of individually immaterial joint ventures	562,459	1,521,096
– Aggregate amount due from individually immaterial joint ventures	1,262,532	328,403
Aggregate carrying amount of individually immaterial joint ventures in the consolidated financial statements	1,824,991	1,849,499

### Aggregate amounts of the Group's share of those joint ventures'

(Loss)/profit from continuing operations	(63,700)	52,198
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income	(63,700)	52,198

## 17 OTHER FINANCIAL ASSETS

	Notes	31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
<b>Equity securities designated at FVOCI (non-recycling)</b>	(i)			
– Equity securities		602,333	519,368	–
<b>Available-for-sale financial assets</b>	(ii)			
– Equity securities, at cost		–	–	486,366
<b>Financial assets measured amortised cost</b>		49,532	–	–
		651,865	519,368	486,366

Notes:

- (i) The equity securities mainly represent equity investments in various investment fund companies and investment holding companies in which the Group does not have significant influence. The Group designated its investment in these entities at FVOCI (non-recycling), as these investments are held for strategic purposes. Dividends of RMB3,000,000 were received on these investments during the year (2017: nil).
- (ii) Available-for-sale financial assets were reclassified to equity securities designated at FVOCI (non-recycling) upon the initial application of HKFRS 9 at 1 January 2018 (see note 1(c)(i)).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 18 TRADING SECURITIES

	2018 RMB'000	2017 RMB'000
Listed equity securities at FVPL ( <i>note 33(f)(i)</i> )		
– in Hong Kong	82,775	97,105

## 19 INVENTORIES AND OTHER CONTRACT COSTS

	Notes	31 December 2018 RMB'000	1 January 2018 (i) RMB'000	31 December 2017 (i) RMB'000
<b>Inventories</b>				
– Properties held for future development and under development for sale	(ii)	46,628,504	19,078,086	19,785,224
– Completed properties held for sale		3,570,986	4,555,990	4,555,990
– Others		3,369	–	–
		50,202,859	23,634,076	24,341,214
<b>Other contract costs</b>				
	(iv)	113,120	35,489	–
		50,315,979	23,669,565	24,341,214

Notes:

- (i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balances at 1 January 2018. Comparative information has not been restated.
- (ii) Upon the adoption of HKFRS 15, opening adjustments were made as at 1 January 2018 to recognise revenue arising from certain fully prepaid sales of properties under development. This has resulted in a decrease in the amount of the Group's properties under development for sale and an increase in contract assets as at that date (see notes 1(c)(ii) and 20).
- (iii) Upon the adoption of HKFRS 15, opening adjustments were made as at 1 January 2018 to accrue interest on certain advance payments received from customers. This interest was eligible for capitalisation into the carrying value of the Group's properties under development for sale, which has resulted in an increase in that balance as at that date (see note 1(c)(ii)).
- (iv) Upon the adoption of HKFRS 15, opening adjustments were made as at 1 January 2018 to capitalise certain sales commissions which were expensed in prior periods. This has resulted in an increase in contract costs as at that date (see note 1(c)(ii)).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 19 INVENTORIES AND OTHER CONTRACT COSTS (Continued)

- (a) The analysis of the amount of properties for sale recognised as an expense and included in profit or loss is as follows:

	2018 RMB'000	2017 RMB'000
Carrying amount of inventories sold	9,415,270	10,385,586
Write down of inventories	21,180	64,766
Reversal of write-down of inventories	(909)	–
	<b>9,435,541</b>	<b>10,450,352</b>

The reversal of write-down of inventories made in prior years arose due to an increase in the estimated net realisable value of inventories as a result of a change in market price.

The amount of properties for future development and under development expected to be recovered after more than one year is RMB30,615,760,000 (2017: RMB14,700,271,000). All of the other inventories are expected to be recovered within one year.

- (b) The analysis of carrying value of leasehold land held for property development for sale is as follows:

	2018 RMB'000	2017 RMB'000
In the PRC		
– long leases	18,270,173	11,370,264
– medium-term leases	4,567,544	2,535,776
	<b>22,837,717</b>	<b>13,906,040</b>

- (c) Certain of the Group's properties for sale was pledged as securities for the Group's bank loans and other loans. Details are set out in notes 25 and 26.

At 31 December 2018, the Group's properties for sale of RMB449,954,000 (2017: Nil) were pledged as securities for a joint venture's loan.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 19 INVENTORIES AND OTHER CONTRACT COSTS (Continued)

### (d) Contract costs

Contract costs capitalised as at 31 December 2018 relate to the incremental sales commissions paid to property agents whose selling activities resulted in customers entering into sale and purchase agreements for the Group's properties which are still under construction at the reporting date. Contract costs are recognised as part of "selling and marketing expense" in the consolidated income statement in the period in which revenue from the related property sales is recognised. The amount of capitalised costs recognised in profit or loss during the year was RMB29,112,000. There was no impairment in relation to the opening balance of capitalised costs or the costs capitalised during the year.

In the comparative period, such sales commissions were recognised as "selling and marketing expense" when incurred and therefore an opening balance adjustment was made on 1 January 2018 in this regard (see note 1(c)(ii)).

The amount of capitalised contract costs that is expected to be recovered after more than one year is RMB63,884,000.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 20 CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

	Notes	31 December 2018 RMB'000	1 January 2018 (i) RMB'000	31 December 2017 (i) RMB'000
<b>Contract assets</b>				
Project management service		137,691	39,360	–
<b>Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" (note 21)</b>		<b>42,891</b>	<b>26,880</b>	

Notes:

- (i) The Group has initially applied HKFRS 9 and HKFRS 15 using the cumulative effect method and adjusted the opening balances as at 1 January 2018.
- (ii) Upon the adoption of HKFRS 9, opening adjustments were made as at 1 January 2018 to recognise additional expected credit losses (ECLs) on contract assets. This has resulted in a decrease in this balance as at that date (see note 1(c)(i)).
- (iii) Upon the adoption of HKFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones, were reclassified from "Trade debtors and bills receivable" under "Trade and other receivables" to contract assets (see note 1(c)(ii)).

Typical payment terms which impact on the amount of contract assets recognised are as follows:

- Project management service  
The Group's project management service include payment schedules which typically require a 30% deposit up front and stage payments over the project management service period once milestones are reached.

All of contract assets are expected to be recovered within one year (2017: except for RMB6,335,000 which were expected to be recovered more than one year and included under "Trade and other receivables").



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 20 CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

### (b) Contract liabilities

		31 December 2018 RMB'000	1 January 2018 (i) RMB'000	31 December 2017 (i) RMB'000
	Notes			
<b>Contract liabilities</b>				
Property development – advance payments received	(ii), (iii)	40,470,842	14,011,377	14,919,895
Project management service		358,784	167,698	167,698
		<b>40,829,626</b>	<b>14,179,075</b>	15,087,593

Notes:

- (i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.
- (ii) Upon the adoption of HKFRS 15, these amounts were reclassified from "Receipts in advance" to contract liabilities (see note 1(c)(ii)).
- (iii) Upon the adoption of HKFRS 15, an opening adjustment as at 1 January 2018 was made to accrue interest on the advance payments received from customers (see note 1(c)(ii)).

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

- Property development  
For certain fully prepaid pre-sales of properties, the Group receives 100% of the contract value as advance payments from customers when they sign the sale and purchase agreement. Such payment schemes result in contract liabilities being recognised throughout the remaining property construction period until the complete satisfaction of the performance obligation.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 20 CONTRACT ASSETS AND CONTRACT LIABILITIES (Continued)

### (b) Contract liabilities (Continued)

#### – Property development (Continued)

For other sales of properties, the Group receives no less than 20% of the contract value as advance payments from customers when they sign the sale and purchase agreement and the rest of the consideration, if any, is typically received after relevant banks' approval of customers' mortgage loans. Such payment schemes result in contract liabilities being recognised throughout the remaining property construction period. In addition, the contract liability will be increased by the amount of interest expense being accrued by the Group to reflect the effect of any financing benefit obtained from the customers during the period between the payment date and the completion date of legal assignment. As this accrual increases the amount of the contract liability during the period of construction, it therefore increases the amount of revenue recognised when control of the property is transferred to the customer at a point in time.

#### – Project management service

When the Group receives a deposit before the project management service commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The Group typically receives a 30% deposit up front and stage payments over the project management service period once milestones are reached.

#### *Movements in contract liabilities*

	<b>2018</b> <b>RMB'000</b>
Balance at 1 January	14,179,075
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the period	(5,286,526)
Increase in contract liabilities as a result of billing in advance of project management service	738,811
Increase in contract liabilities as a result of receiving advance payments during the year in respect of properties still under construction as at 31 December 2018	30,155,702
Increase in contract liabilities as a result of accruing interest expense on advances	1,042,564
Balance at 31 December	40,829,626

The amount of billings in advance of performance and advance payments received expected to be recognised as income after more than one year is RMB21,627,176,000 (2017: RMB8,892,549,000 which were included under "receipts in advance"). All of the other contract liabilities are expected to be recognised as income within one year.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 21 TRADE AND OTHER RECEIVABLES

		31 December 2018 RMB'000	1 January 2018 RMB'000	31 December 2017 RMB'000
	Notes			
Trade debtors and bills receivable, net of loss allowance	(i), (ii)	43,984	26,880	82,354
Other debtors		760,281	896,734	912,098
Amounts due from joint ventures		69,092	35,154	35,486
Amounts due from entities controlled by the ultimate controlling shareholder		15,400	15	15
Amounts due from non-controlling interests		1,593,499	576,992	590,619
Financial assets measured at amortised cost		2,482,256	1,535,775	1,620,572
Derivative financial instruments:				
– redemption call options embedded in senior notes (note 28)		62,533	43,849	43,849
– foreign exchange forward contracts (b)		31,799	–	–
– interest rate swap contracts		552	–	–
		94,884	43,849	43,849
		2,577,140	1,579,624	1,664,421

Notes:

- (i) Upon the adoption of HKFRS 9, an opening adjustment as at 1 January 2018 was made to recognise additional ECLs on trade debtors and bills receivable (see note 1(c)(i)).
- (ii) Upon the adoption of HKFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones, were reclassified to "contract assets" and disclosed in note 20 (see note 1(c)(ii)).

Amounts due from joint ventures and non-controlling interests are unsecured, interest-free and has no fixed terms of repayment.

Amount due from entities controlled by the ultimate controlling shareholder mainly represented amount receivable due from Central China New Life Service Company Limited 河南建業新生活服務有限公司 ("Central China New Life") together with its subsidiaries, which are interest free, unsecured and to be settled according to the contract terms.

The amount of derivative financial instruments expected to be recovered or recognised as expense after more than one year is RMB75,390,000 (2017: RMB43,525,000). All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 21 TRADE AND OTHER RECEIVABLES (Continued)

### (a) Aging analysis

The ageing analysis of bills and trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of loss allowance, is as follows:

	2018 RMB'000	2017 RMB'000
Within 1 month	16,241	32,853
1 to 3 months	5,764	2,593
3 to 6 months	1,073	6,199
6 to 12 months	7,910	24,131
Over 1 year	12,996	16,578
	<b>43,984</b>	<b>82,354</b>

Trade debtors and bills receivable are due upon the invoicing.

Further details of the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 33(b).

### (b) Foreign exchange forward contracts

In 2018, the Company entered into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk of the net investment denominated in RMB. The aggregate notional principal amounts of the foreign exchange forward contracts are US\$350 million and the contracts will mature in 2019 and 2020 respectively. The foreign exchange forward contracts are accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group's accounting policy.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 22 DEPOSITS AND PREPAYMENTS

As at 31 December 2018, the balance included deposits and prepayments for leasehold land of RMB4,247,968,000 (2017: RMB3,829,342,000).

## 23 RESTRICTED BANK DEPOSITS

	2018 RMB'000	2017 RMB'000
Guarantee deposits in respect of:		
– mortgage loans related to property sale	1,837,835	1,634,073
– bills payable	1,741,762	490,989
	<b>3,579,597</b>	2,125,062

## 24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

### (a) Cash and cash equivalents

	2018 RMB'000	2017 RMB'000
Deposits with banks and other financial institutions	17,924	581,884
Cash at bank and on hand	14,184,335	10,701,969
Cash and cash equivalents in the consolidated statement of financial position and in the consolidated cash flow statement	<b>14,202,259</b>	11,283,853

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (Continued)

### (b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans RMB'000 Note 25	Other loans RMB'000 Note 26	Senior notes RMB'000 Note 28	Corporate bonds RMB'000 Note 29	Options embedded in senior notes RMB'000 Note 21	Foreign exchange swap contracts RMB'000 Note 27	Foreign exchange forward contracts RMB'000 Note 21	Interest rate swap held as cash flow hedging instrument RMB'000	Other accruals RMB'000	Total RMB'000
<b>At 1 January 2018</b>	3,887,578	300,000	8,409,653	2,986,914	(43,849)	79,165	-	-	440,676	16,060,137
<b>Changes from financing cash flows</b>										
Proceeds from new bank loans	2,629,500	-	-	-	-	-	-	-	-	2,629,500
Repayment of bank loans	(1,201,671)	-	-	-	-	-	-	-	-	(1,201,671)
Proceeds from other loans	-	653,180	-	-	-	-	-	-	-	653,180
Repayment of other loans	-	(120,000)	-	-	-	-	-	-	-	(120,000)
Proceeds from new senior notes	-	-	4,967,851	-	-	-	-	-	-	4,967,851
Repayment of redemption upon maturity senior notes	-	-	(4,110,979)	-	-	-	-	-	-	(4,110,979)
Interest paid	(224,276)	(69,706)	(721,896)	(179,506)	-	-	-	-	-	(1,195,384)
Total changes from financing cash flows	1,203,553	463,474	134,976	(179,506)	-	-	-	-	-	1,622,497
<b>Exchange adjustments</b>	52,536	-	882,758	-	(17,093)	4,077	(1,350)	-	-	920,928
<b>Changes in fair value</b>	-	-	-	-	(1,591)	(5,990)	(30,449)	552	-	(37,478)
<b>Other changes:</b>										
Interest expenses (note 4(a))	56,859	60,166	85,436	21,186	-	-	-	-	40,535	264,182
Capitalised borrowing costs (note 4(a))	176,455	9,540	678,006	168,166	-	-	-	-	-	1,032,167
Acquisition of subsidiaries (note 37(a))	453,500	-	-	-	-	-	-	-	-	453,500
Total other changes	739,350	69,706	1,646,200	189,352	(18,684)	(1,913)	(31,799)	552	40,535	2,633,299
<b>At 31 December 2018</b>	5,830,481	833,180	10,190,829	2,996,760	(62,533)	77,252	(31,799)	552	481,211	20,315,933

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 25 BANK LOANS

At 31 December 2018, the bank loans were repayable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year or on demand	1,756,130	450,118
After 1 year but within 2 years	2,232,976	986,674
After 2 years but within 5 years	1,368,250	1,785,876
After 5 years	473,125	664,910
	4,074,351	3,437,460
	5,830,481	3,887,578

At 31 December 2018, the bank loans were secured as follows:

	2018 RMB'000	2017 RMB'000
Bank loans		
– secured	3,419,705	2,003,125
– unsecured	2,410,776	1,884,453
	5,830,481	3,887,578

At 31 December 2018, the secured bank loans are secured over share of interest in a subsidiary of the Group and other assets as follows:

	2018 RMB'000	2017 RMB'000
Properties for sale	2,238,693	721,365
Property, plant and equipment	792,220	792,220
Interest in a joint venture	66,858	53,197
	3,097,771	1,566,782



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 25 BANK LOANS (Continued)

The effective interest rates of bank loans of the Group at 31 December 2018 were ranged from 4.75%-9.3%(2017: 4.35%-6.50%) per annum.

Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 33(c). At 31 December 2018 and 2017, none of the covenants relating to drawn down facilities had been breached.

## 26 OTHER LOANS

At 31 December 2018, other loans represented loans from external financial institutions and were repayable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	593,150	90,000
After 1 year but within 2 years	240,030	90,000
After 2 years but within 5 years	–	90,000
After 5 years	–	30,000
	240,030	210,000
	833,180	300,000

At 31 December 2018, the other loans were secured (2017: unsecured) as follows:

	2018 RMB'000	2017 RMB'000
Other loans		
– secured	490,250	–
– unsecured	342,930	300,000
	833,180	300,000

The effective interest rates of other loans of the Group at 31 December 2018 were ranged from 7%-12% (2017: 1.2% – 7%) per annum.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 26 OTHER LOANS (Continued)

At 31 December 2018, the secured other loans are secured over share of interest in a subsidiary of the Group and other assets as follows:

	2018 RMB'000	2017 RMB'000
Properties for sale	983,577	–
Property, plant and equipment	49,082	–
Investment Property	218,336	–
	<b>1,250,995</b>	–

## 27 TRADE AND OTHER PAYABLES

	31 December 2018 RMB'000	31 December 2017 RMB'000
Trade creditors and bills payable	16,159,800	8,450,966
Other creditors and accrued charges	3,418,226	3,285,589
Patent payable	40,000	35,000
Amounts due to joint ventures	5,079,664	9,352,517
Amounts due to associates	225,607	–
Amounts due to entities controlled by the ultimate controlling shareholder	94,639	–
Amounts due to non-controlling interests	3,828,999	830,852
Financial liabilities measured at amortised cost	<b>28,846,935</b>	21,954,924
Derivative financial instruments:		
– foreign exchange rate swap contract (note 28)	77,252	79,165
	<b>28,924,187</b>	22,034,089

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 27 TRADE AND OTHER PAYABLES (Continued)

Amounts due to joint ventures and associates are unsecured, interest-free and have no fixed terms of payment.

Amounts due to entities controlled by the ultimate controlling shareholder mainly included amount due to Central China New Life together with its subsidiaries of RMB78,482,000 for receiving services from these entities as disclosed in note 36 (2017: RMBNil), which are interest free, unsecured and to be settled according to the contract terms.

Amounts due to non-controlling interests included amount of RMB873,072,000 (2017: RMB105,000,000) which are unsecured, interest bearing at 12%-17% (2017: 10%) per annum and have no fixed terms of payment. The remaining amounts due to non-controlling interests are unsecured, interest-free and have no fixed terms of payment.

The amount of retention payable and derivative financial instruments expected to be settled after more than one year are RMB61,067,000 (2017: RMB47,993,000) and RMB77,252,000 (2017: RMB79,165,000), respectively. All of the trade and other payables are expected to be settled within one year.

### (a) Aging analysis

As of the end of the reporting period, the ageing analysis of trade creditors and bills payables based on the invoice date is as follows:

	2018 RMB'000	2017 RMB'000
Within 1 month	7,839,814	1,817,736
1-3 months	2,543,872	1,711,165
3-6 months	1,440,263	2,281,060
6-12 months	905,144	1,035,045
Over 12 months	3,430,707	1,605,960
	<b>16,159,800</b>	8,450,966

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 28 SENIOR NOTES

The movements of senior notes are set out below:

	Liability component of the senior notes RMB'000 (note (a))	Redemption call option RMB'000 (note (b))	Total RMB'000
At 1 January 2017	8,622,486	(34,617)	8,587,869
Proceeds from issuance senior notes	1,339,056	(812)	1,338,244
Transaction costs	(8,927)	–	(8,927)
Net proceeds	1,330,129	(812)	1,329,317
Interest and transaction costs amortised	18,962	–	18,962
Change in fair value (note 4(a))	–	(11,430)	(11,430)
Redemption	(1,098,655)	–	(1,098,655)
Exchange difference	(463,269)	3,010	(460,259)
At 31 December 2017	8,409,653	(43,849)	8,365,804
At 1 January 2018	8,409,653	(43,849)	8,365,804
Proceeds from issuance senior notes	5,047,121	(16,525)	5,030,596
Transaction costs	(62,954)	209	(62,745)
Net proceeds	4,984,167	(16,316)	4,967,851
Interest and transaction costs amortised	25,230	–	25,230
Change in fair value (note 4(a))	–	(1,591)	(1,591)
Redemption	(4,110,979)	–	(4,110,979)
Exchange difference	882,758	(777)	881,981
At 31 December 2018	10,190,829	(62,533)	10,128,296

Liability component of senior notes represents the contractually determined stream of future cash flows discounted at the rate of interest determined by the market instruments of comparable credit status taken into account the business risk and financial risk of the Company.

Redemption call option represents the fair value of the Company's option to early redeem the senior notes and is recorded as derivative financial instruments under "Trade and other receivables" (note 21).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 28 SENIOR NOTES (Continued)

### (a) Liability component of the senior notes:

	Effective interest per annum	2018 RMB'000	2017 RMB'000
US\$200 million due in 2020	8.13%	1,368,455	1,295,951
US\$400 million due in 2018 ( <i>note (i)</i> )	6.71%	–	2,596,209
US\$300 million due in 2021	8.91%	2,047,039	1,937,635
US\$200 million due in 2021 ( <i>note (ii)</i> )	7.06%	1,359,000	1,285,374
US\$200 million due in 2018	6.70%	–	1,294,484
US\$300 million due in 2021 ( <i>note (iii)</i> )	6.50%	2,039,991	–
US\$386 million due in 2020 ( <i>note (iv)</i> )	6.875%	2,623,029	–
S\$150 million due in 2020 ( <i>note (v)</i> )	6.25%	753,315	–
		10,190,829	8,409,653
Less: amount due for maturity within 12 months (classified as current liabilities)		–	(3,890,692)
		10,190,829	4,518,961

- (i) On 4 June 2018, the Company redeemed all outstanding US\$400m Senior Notes upon maturity with principal amount of US\$400,000,000 at the pre-determined redemption price.
- (ii) On 16 July 2018, the Company redeemed all outstanding US\$200m Senior Notes upon maturity with principal amount of US\$200,000,000 at the pre-determined redemption price.
- (iii) On 5 March 2018, the Company issued senior notes with principal amount of US\$300,000,000 due in 2021. The senior notes are interest bearing at 6.5% per annum which is payable semi-annually in arrears and with a redemption call option.
- (iv) On 23 April 2018 and 5 June 2018, the Company issued senior notes with principal amount of US\$386,000,000 due in 2020. The senior notes are interest bearing at 6.875% per annum which is payable semiannually in arrears and with a redemption call option.
- (v) On 2 May 2018, the Company issued senior notes with principal amount of S\$150,000,000 due in 2020. The senior notes are interest bearing at 6.25% per annum which is payable semiannually in arrears and with a redemption call option.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 28 SENIOR NOTES (Continued)

### (b) Redemption call options embedded in senior notes:

	2018 RMB'000	2017 RMB'000
US\$200 million due in 2020	43,371	23,907
US\$400 million due in 2018	–	130
US\$300 million due in 2021	5,275	19,618
US\$200 million due in 2018	–	194
US\$300 million due in 2021	6,578	–
US\$386 million due in 2020	5,892	–
S\$150 million due in 2020	1,417	–
Amount recorded in trade and other receivables	62,533	43,849

The assumptions applied in determining the fair value of the redemption call option at 31 December 2018 are set out as follows:

### Credit spread

US\$200 million due in 2020	4.6% (2017: 5.8%)
US\$300 million due in 2021	8.4% (2017: 5.7%)
US\$300 million due in 2021	8.7%
US\$386 million due in 2020	8.0%
S\$150 million due in 2020	7.9%

### (c) Other derivative financial instruments in relation to senior notes:

The Company entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of the US\$200m Senior Notes due in 2021 by swapping the senior notes principal of US\$200,000,000 into RMB1,385,600,000. The aggregate notional principal amounts of the foreign exchange rate swap contract is US\$200,000,000 and the contract will mature on 8 November 2021. The foreign exchange rate swap contract is accounted for at fair value at the end of reporting period as derivative financial instrument in accordance with the Group's accounting policy. As at 31 December 2018, the fair value of the foreign exchange rate swap contract amounted to RMB77,252,000 (2017: RMB79,165,000) (2017: note 27) is measured based on market price quoted by brokers and the fair value change gain of RMB5,990,000 (2017: loss of RMB108,549,000) is recorded under "Finance cost".

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 29 CORPORATE BONDS

	2018 RMB'000	2017 RMB'000
At 1 January	<b>2,986,914</b>	2,978,128
Interest and transaction costs amortised	<b>9,846</b>	8,786
At 31 December	<b>2,996,760</b>	2,986,914

On 15 March 2016, China Securities Regulatory Commission approved the application of Central China Real Estate Group (China) Company Limited ("CCRE China"), a company established in the PRC and a wholly-owned subsidiary of the Company, for a proposed issue of corporate bonds of up to RMB3,000,000,000 ("Corporate Bonds").

On 13 April 2016, CCRE China issued Corporate Bonds with principal amount of RMB3,000,000,000 due in 2021 listed on the Shanghai Stock Exchange. The coupon rate of the Corporate Bonds was fixed at 6% per annum which is payable annually in arrears. The maturity date of the Corporate Bonds is 11 April 2021.

At the end of third year, CCRE China may at its option adjust the coupon rate of the Corporate Bonds and the holders of the Corporate Bonds may at their options redeem the Corporate Bonds, in whole or in part, at a pre-determined price.

The details of Corporate Bonds are disclosed in the relevant offering memorandum.

## 30 EQUITY SETTLED SHARE-BASED TRANSACTION

### (a) Share options granted on 25 May 2010

On 25 May 2010, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle three of the Company's directors and seven employees of the Group to subscribe for an aggregate of 6,000,000 shares and 14,000,000 shares of the Company respectively. The exercise price is HK\$1.9 per share. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

On 28 June 2011, upon the rights issue of the Company, the exercise price of the share options granted on 25 May 2010 was adjusted to HK\$1.853 and the number of outstanding share options was adjusted from 20,000,000 to 20,504,000.



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 30 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

### (b) Share options granted on 25 July 2011

On 25 July 2011, the Company conditionally granted certain share options to the Company's employees. The exercise of these share options would entitle six employees of the Group to subscribe for an aggregate of 12,500,000 shares of the Company. The exercise price is HK\$2.16 per share. The share option scheme was effective from 25 July 2011. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

### (c) Share options granted on 27 March 2013

On 27 March 2013, the Company conditionally granted certain share options to the Company's director and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregated of 24,000,000 shares of the Company. The exercise price is HK\$2.56 per share. The share option scheme was effective from 27 March 2013. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

### (d) Share options granted on 23 May 2017

On 23 May 2017, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 95,000,000 shares of the Company. The exercise price is HK\$1.764 per share. The share option scheme was effective from 23 May 2017. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

### (e) Share options granted on 12 June 2018

On 12 June 2018, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 64,000,000 shares of the Company. The exercise price is HK\$4.296 per share. The share option scheme was effective from 12 June 2018. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 30 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

### (e) Share options granted on 12 June 2018 (Continued)

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

#### Fair value of share options and assumption

Fair value at measurement date	HK\$1.566
Share price	HK\$4.290
Exercise price	HK\$4.296
Expected volatility	45.23%
Option life	10 years
Expected dividends	2.85%
Risk-free interest rate	2.92%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

### (f) Share options granted on 23 August 2018

On 23 August 2018, the Company conditionally granted certain share options to the Company's directors and employees. The exercise of these share options would entitle the Company's directors and employees of the Group to subscribe for an aggregate of 37,000,000 shares of the Company. The exercise price is HK\$3.470 per share. The share option scheme was effective from 23 August 2018. Under the share option scheme, no share option is exercisable within first year from the date of grant. Not more than 20% of the share options are exercisable within the second year from the date of grant and not more than 40% of the share options are exercisable in each of the third and fourth year from the date of grant. Each option gives the holders the right to subscribe for one ordinary share of the Company. All the options granted will be exercisable within 10 years after vesting.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

#### Fair value of share options and assumption

Fair value at measurement date	HK\$1.392
Share price	HK\$3.470
Exercise price	HK\$3.470
Expected volatility	45.54%
Option life	10 years
Expected dividends	3.82%
Risk-free interest rate	2.77%

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 30 EQUITY SETTLED SHARE-BASED TRANSACTION (Continued)

### (f) Share options granted on 23 August 2018 (Continued)

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

### (g) The number and the weighted average exercise price of share options are as follows:

	2018		2017	
	Weighted average exercise price HK\$	Number of options	Weighted average exercise price HK\$	Number of options
Outstanding at 1 January	1.89	116,225,920	2.33	31,217,720
Granted during the year	3.99	101,000,000	1.76	95,000,000
Exercised during the year	—	—	2.12	(6,991,800)
Lapsed during the year	2.40	(3,800,160)	1.76	(3,000,000)
Outstanding at 31 December	2.88	213,425,760	1.89	116,225,920
Exercisable at 31 December	2.09	38,825,760	2.39	24,225,920

The options outstanding at 31 December 2018 had a weighted average exercise price of HK2.88 (2017: HK\$1.89) and a weighted average remaining contractual life of 8.46 years (2017: 8.38 years).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### (a) Current taxation in the consolidated statement of financial position represents:

	<b>CIT</b> RMB'000	<b>LAT</b> RMB'000	<b>Withholding tax</b> RMB'000	<b>Total</b> RMB'000
At 1 January 2017	91,275	212,297	237,943	541,515
Charged to the consolidated income statement (note 5(a))	554,960	372,413	–	927,373
Acquisitions of subsidiaries (note 37(a)(ii))	(34,212)	(9,404)	–	(43,616)
Disposals of subsidiaries (note 37(b)(i))	10,975	(49,551)	–	(38,576)
Tax paid	(785,563)	(500,087)	(960)	(1,286,610)
At 31 December 2017	(162,565)	25,668	236,983	100,086
At 1 January 2018	<b>(162,565)</b>	<b>25,668</b>	<b>236,983</b>	<b>100,086</b>
Charged to the consolidated income statement (note 5(a))	<b>476,472</b>	<b>190,968</b>	<b>48,400</b>	<b>715,840</b>
Acquisitions of subsidiaries (note 37(a)(ii))	<b>(39,915)</b>	<b>24,672</b>	–	<b>(15,243)</b>
Tax paid	<b>(1,151,768)</b>	<b>(964,832)</b>	<b>(11,276)</b>	<b>(2,127,876)</b>
At 31 December 2018	<b>(877,776)</b>	<b>(723,524)</b>	<b>274,107</b>	<b>(1,327,193)</b>

Note: Upon the initial application of HKFRS 15, the Group has recognised current tax liabilities arising from the earlier revenue and profit recognition for sales of properties over time (see note 1(c)(ii)).

	<b>2018</b> RMB'000	2017 RMB'000
Representing:		
Taxation payable	<b>833,264</b>	1,116,940
Tax recoverable	<b>(2,160,457)</b>	(1,016,854)
	<b>(1,327,193)</b>	100,086

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

### (b) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Revaluation of investment properties RMB'000	LAT RMB'000	Revenue recognition for sales of properties over time RMB'000	Credit loss allowance RMB'000	Fair value changes relating to financial assets RMB'000	Amortisation of capitalized contract costs RMB'000	Revaluation of biological assets RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	(37,043)	127,461	–	–	–	–	–	(49,212)	41,206
Credited/(charged) to the consolidated income statement (note 5(a))	(60,850)	(26,719)	–	–	–	–	–	(25,842)	(113,411)
At 31 December 2017	(97,893)	100,742					–	(75,054)	(72,205)
Impact on initial application of HKFRS 15	–	(5,103)	(60,313)	–	–	(8,872)	–	–	(74,288)
Impact on initial application of HKFRS 9	–	–	–	11,359	(8,250)	–	–	–	3,109
At 1 January 2018	(97,893)	95,639	(60,313)	11,359	(8,250)	(8,872)	–	(75,054)	(143,384)
Credited/(charged) to the consolidated income statement (note 5(a))	(151,418)	133,494	(792,200)	7,826	–	(19,408)	(2,995)	(16,319)	(841,020)
Charged to reserves	–	–	–	–	(21,542)	–	–	–	(21,542)
At 31 December 2018	(249,311)	229,133	(852,513)	19,185	(29,792)	(28,280)	(2,995)	(91,373)	(1,005,946)

Note 1: Upon the initial application of HKFRS 15, the Group has recognised deferred tax liabilities arising from the capitalisation of contract costs which had been expensed in prior periods (see note 1(c)(ii)).

Note 2: Upon the initial application of HKFRS 9, the Group has recognised deferred tax assets on the additional credit losses recognised under the ECL model (see note 1(c)(i)).

	2018 RMB'000	2017 RMB'000
Representing:		
Deferred tax assets	248,318	100,742
Deferred tax liabilities	(1,254,264)	(172,947)
	(1,005,946)	(72,205)

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 31 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

### (c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 1(w), The Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB1,306,814,000 (2017: RMB1,139,482,000) at 31 December 2018, as it is not probable that future taxable profits against which losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will be expired within five years.

### (d) Deferred tax liabilities not recognised:

As at 31 December 2018, taxable temporary differences relating to undistributed profits of the Group's PRC subsidiaries amounted to RMB7,113,960,000 (2017: RMB5,520,889,000). No deferred tax liability was recognised in respect of these taxable temporary differences as the Company controls the dividend policy of these subsidiaries and has no plan to either distribute profit or dispose of these PRC subsidiaries in the foreseeable future.

## 32 CAPITAL, RESERVES AND DIVIDENDS

### (a) Share capital

#### (i) Authorised and issued share capital

	2018		2017	
	No. of shares '000	Amount HK\$'000	No. of shares '000	Amount HK\$'000
<b>Authorised:</b>				
Ordinary shares of HK\$0.1 each	10,000,000	1,000,000	10,000,000	1,000,000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	2,449,263	244,926	2,442,271	244,227
Issue of shares under share option scheme	–	–	6,992	699
Issue of ordinary shares	282,000	28,200	–	–
At 31 December	2,731,263	273,126	2,449,263	244,926
RMB'000 equivalent at 31 December		239,958		216,916

On 5 June 2018, the Company issued and allotted a total of 282,000,000 ordinary shares with par value of HK\$0.1 each to an entity controlled by Mr. Wu Po Sum of 240,000,000 shares and the third party subscribers of 42,000,000 shares at the price of HK\$3.65 per share, which resulted in a share premium of RMB809,114,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (b) Reserves

#### (i) *Share premium*

The share premium account is governed by the Cayman Companies Law and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to equity shareholders; (b) paying up unissued shares of the Company to be issued to equity shareholders as fully paid bonuses shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Law); (d) writing-off the preliminary expenses of the Company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the Company.

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

#### (ii) *Statutory reserve fund*

The statutory reserve fund is non-distributable and the transfer to this reserve is determined by the board of directors in accordance with the relevant laws and regulations of the PRC. This reserve can be used to offset accumulated losses and increase capital upon approval from the relevant authorities.

#### (iii) *Other capital reserve*

Other capital reserve includes the difference between the Group's considerations of acquisition of additional interests in subsidiaries from non-controlling interests and the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares issued by the Group in exchange thereafter.

#### (iv) *Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations which are dealt with in accordance with the accounting policies as set out in note 1(z).

#### (v) *Share-based compensation reserve*

Share-based compensation reserve represents the fair value of services in respect of share options granted under the share option schemes as set out in note 30.

#### (vi) *Property revaluation reserve*

In 2012, the property, plant and equipment with a carrying amount of RMB14,800,000 was transferred to investment properties. The difference between the carrying amount of RMB14,800,000 and the net book value of RMB8,321,000 was recognised directly in equity as property revaluation reserve.



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (b) Reserves (Continued)

#### (vii) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 1(h).

#### (viii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 1(c)(i)).

#### (ix) Distributability of reserves

At 31 December 2018, the aggregate amounts of the Company's reserves available for distribution to equity shareholders of the Company at 31 December 2018 was RMB421,671,000 (2017: RMB280,642,000).

The Company relies on distributions or advances from its subsidiaries to pay any dividends. The ability of these subsidiaries to make distributions to the Company and the Company's ability to receive distributions are subject to applicable legal and other restrictions, including but not limited to restrictions on payment of dividends by PRC subsidiaries to non-PRC shareholders out of the PRC. These restrictions may impact the payment of distributions from the subsidiaries to the Company.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (b) Reserves (Continued)

#### (x) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

#### Company

	Share capital (Note 32(a)) RMB'000	Share premium (Note 32 (b)(i)) RMB'000	Exchange reserve (Note 32 (b)(iv)) RMB'000	Share-based compensation reserve (Note 32 (b)(v)) RMB'000	Hedging reserve (Note 32 (b)(vii)) RMB'000	Retained profits/ accumulated losses RMB'000	Total RMB'000
<b>Balance at 1 January 2017</b>	216,322	1,666,254	70,925	17,116	(41,156)	(515,008)	1,414,453
<b>Changes in equity for 2017:</b>							
Loss for the year	-	-	-	-	-	(885,071)	(885,071)
Other comprehensive income	-	-	-	-	-	-	-
– Exchange difference on translation of financial statements	-	-	(54,252)	-	-	-	(54,252)
– Cash flow hedge:	-	-	-	-	-	-	-
– Effective position of changes in fair value	-	-	-	-	(33,069)	-	(33,069)
– Transfer from equity to profit or loss	-	-	-	-	74,225	-	74,225
<b>Total comprehensive income</b>	-	-	(54,252)	-	41,156	(885,071)	(898,167)
Issue of new shares under share option scheme	594	14,467	-	(2,444)	-	-	12,617
Equity settled share-based payment (note 4(b))	-	-	-	12,258	-	-	12,258
	594	14,467	-	9,814	-	-	24,875
<b>Balance at 31 December 2017 and 1 January 2018</b>	216,916	1,680,721	16,673	26,930	-	(1,400,079)	541,161
<b>Changes in equity for 2018:</b>							
Loss for the year	-	-	-	-	-	(259,170)	(259,170)
Other comprehensive income	-	-	-	-	-	-	-
– Exchange difference on translation of financial statements	-	-	25,218	-	-	-	25,218
– Cash flow hedge:	-	-	-	-	529	-	529
<b>Total comprehensive income</b>	-	-	25,218	-	529	(259,170)	(233,423)
Issue of new shares	23,042	809,114	-	-	-	-	832,156
Dividend approved in respect of the previous year	-	-	-	-	-	(243,915)	(243,915)
Dividend declared in respect of the current year	-	-	-	-	-	(165,000)	(165,000)
Issue of new shares under share option scheme	-	-	-	43,059	-	-	43,059
	23,042	809,114	-	43,059	-	(408,915)	466,300
<b>Balance at 31 December 2018</b>	239,958	2,489,835	41,891	69,989	529	(2,068,164)	774,038

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (c) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2018 RMB'000	2017 RMB'000
Interim dividend declared and paid of HK\$7.16 cents (equivalent to RMB6.04 cents) per ordinary share (2017: Nil)	165,000	–
Final dividend proposed after the end of the reporting period of HK\$14.12 cents (equivalent to RMB12.09 cents) per ordinary share (2017: HK\$12.29 cents (equivalent to RMB9.93 cents) per ordinary share)	330,210	243,212

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2018 RMB'000	2017 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$12.29 cents (equivalent to RMB9.96 cents) per ordinary share (2017: Nil)	243,915	–

### (d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 32 CAPITAL, RESERVES AND DIVIDENDS (Continued)

### (d) Capital management (Continued)

Consistent with industry practice, the Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total equity of the Group. Net debt is calculated as total bank and other loans, senior notes and corporate bonds less cash and cash equivalents and restricted bank deposits secured against bank loans and other loans.

The gearing ratio at 31 December 2018 and 2017 was as follows:

	2018 RMB'000	2017 RMB'000
Current liabilities		
– Bank loans	1,756,130	450,118
– Other loans	593,150	90,000
– Senior notes	–	3,890,692
– Corporate Bonds	2,996,760	–
	<b>5,346,040</b>	4,430,810
Non-current liabilities		
– Bank loans	4,074,351	3,437,460
– Other loans	240,030	210,000
– Senior notes	10,190,829	4,518,961
– Corporate Bonds	–	2,986,914
	<b>14,505,210</b>	11,153,335
Total debt	<b>19,851,250</b>	15,584,145
Less:		
– Cash and cash equivalents	<b>(14,202,259)</b>	(11,283,853)
<b>Adjusted net debt</b>	<b>5,648,991</b>	4,300,292
Total equity	<b>10,269,784</b>	8,473,169
Less:		
– Hedging reserve	<b>529</b>	–
<b>Adjusted capital</b>	<b>10,269,255</b>	8,473,169
<b>Adjusted net debt-to-capital ratio</b>	<b>55.0%</b>	50.8%

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to interest rate, credit, liquidity and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Interest rate risk

The Group's interest rate risk arises primarily from bank loans and other borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group carried out one interest rate swap contract to manage part of its interest rate exposure.

#### (i) Hedges of interest rate risk

Interest rate swaps, denominated in United States Dollars, have been entered into to achieve an appropriate mix of fixed and floating rate exposure consistent with the Group's policy.

The following table provides information on the interest rate swaps which have been designated as cash flow hedges of the interest rate risk inherent in the Group's variable rate bank borrowings at the end of the reporting period:

	2018 RMB'000	2017 RMB'000
Notional amount	1,027,758	–
Carrying amount ( <i>note</i> )		
– Asset	552	–

*Note:* Interest rate swap assets is included in the "Trade and other receivables" (note 21) line items in the consolidated statement of financial position.

The swaps mature over the next two years matching the maturity of the related loans (see note 33(c)) and have fixed swap rates ranging from 2.655% to 2.775% (2017: Nil).

The Group seeks to hedge the benchmark interest rate component only and applies a hedge ratio of 1:1. The existence of an economic relationship between the interest rate swaps and the variable rate borrowings is determined by matching their critical contract terms, including the reference interest rates, tenors, interest repricing dates, maturity dates, interest payment and/or receipt dates, the notional amounts of the swaps and the outstanding principal amounts of the loans.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (a) Interest rate risk (Continued)

#### (ii) Sensitivity analysis

At 31 December 2018, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's profit and total equity by approximately RMB54,765,000 (2017: RMB39,621,000).

The analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date.

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables and contract assets. The Group's exposure to credit risk arising from restricted bank deposits, cash and cash equivalents, bills receivable and derivative financial assets is limited because the counterparties are banks and financial institutions sound credit rating for which the Group considers to have low credit risk.

Except for the financial guarantees given by the Group as set out in note 35(a), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the end of the reporting period is disclosed in note 35. The maximum exposure to other credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. There is no significant concentration of credit risk within the Group.

#### *Trade receivables and contract assets*

There is no significant concentration of credit risk within the Group. Trade receivables are due upon the date of billing. In respect of trade receivables of mortgage sales, no credit terms will be granted to the buyers. The Group normally arranges bank financing for buyers of properties up to 70% of the total purchase price of the property and provides guarantee to secure repayment obligations of such buyers. The Group's guarantee periods commence from the dates of grants of relevant mortgage loans and end upon completion of construction and the mortgage registration documents are delivered to the relevant banks after the issue of the building ownership certificate.

If there is default in payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. Under such circumstances, the Group is able to retain the customer's deposit, take over the ownerships of relevant properties and sell the properties to recover any amounts paid by the Group to the banks since the Group has not applied for individual building ownership certificates for these purchasers until full payment are received. Sales and marketing staff of the Group is delegated to determine credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (b) Credit risk (Continued)

#### *Trade receivables and contract assets (Continued)*

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018:

	<b>Expected loss rate</b> %	<b>Gross carrying amount</b> RMB'000	<b>Loss allowance</b> RMB'000
Current (not past due) and 1 – 90 days past due	1.5%	162,130	2,433
91 – 120 days past due	4.2%	1,121	47
121 – 270 days past due	8.4%	7,087	595
271 – 365 days past due	20.2%	1,772	358
More than 365 days past due	50.0%	25,998	13,000
		198,108	16,433

Expected loss rates are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (b) Credit risk (Continued)

*Comparative information under HKAS 39*

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 1(m)(i) – policy applicable prior to 1 January 2018). At 31 December 2017, no trade receivables was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2017 RMB'000
Neither past due nor impaired	32,853
1 – 3 months past due	2,593
3 – 6 months past due	6,199
6 – 12 months past due	24,131
Over 1 year past due	16,578
	<hr/> 82,354 <hr/>

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (b) Credit risk (Continued)

*Comparative information under HKAS 39 (Continued)*

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2018 RMB'000	2017 RMB'000
Balance at 31 December 2017 under HKAS 39	–	–
Impact on initial application of HKFRS 9 (note 1(c)(i))	<b>16,114</b>	–
Balance at 1 January	<b>16,114</b>	–
Amounts written off during the year	–	–
Impairment losses recognised during the year	<b>319</b>	–
Balance at 31 December	<b>16,433</b>	–

#### *Credit risk arising from other receivables*

In respect of other receivables, the Group assesses the financial abilities of the debtors before granting the facilities to them. The Group chases the debtors to settle outstanding balances and monitors the settlement progress on an ongoing basis. Normally, the Group does not obtain collateral from debtors.

For other receivables, the Group measures a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The impairment losses on other receivables are within management's expectation.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (c) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows, sale/pre-sale results of respective property projects, maturity of loans and borrowings and the progress of the planned property development projects in order to monitor the Group's liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computing using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

	2018					
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	1,903,929	2,363,708	1,597,886	604,674	6,470,197	5,830,481
Other loans	654,095	261,333	–	–	915,428	833,180
Senior notes	743,870	5,352,276	5,594,459	–	11,690,605	10,190,829
Corporate bonds	3,003,050	–	–	–	3,003,050	2,996,760
Trade and other payables	28,947,113	101,067	–	–	29,048,180	28,924,187
	<b>35,252,057</b>	<b>8,078,384</b>	<b>7,192,345</b>	<b>604,674</b>	<b>51,127,460</b>	<b>48,775,437</b>
Financial guarantees issued: – Maximum amount guaranteed (note 35)	<b>35,131,382</b>	–	–	–	<b>35,131,382</b>	–

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (c) Liquidity risk (Continued)

	2017					
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Bank loans	527,937	1,091,567	2,001,861	827,952	4,449,317	3,887,578
Other loans	96,300	96,300	108,900	33,284	334,784	300,000
Senior notes	4,372,755	361,229	4,898,081	–	9,632,065	8,409,653
Corporate bonds	179,507	3,049,808	–	–	3,229,315	2,986,914
Trade and other payables	20,919,769	106,295	–	–	21,026,064	20,824,820
	26,096,268	4,705,199	7,008,842	861,236	38,671,545	36,408,965
Financial guarantees issued:						
– Maximum amount guaranteed (note 35)	30,503,098	–	–	–	30,503,098	–

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (d) Currency risk

The Group is exposed to currency risk primarily through bank deposits, senior notes and bank loans that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily Hong Kong Dollars, United States Dollars and Singapore Dollars.

The following table details the Group's exposure at 31 December 2018 to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2018		2017	
	Singapore Dollars '000	United States Dollars '000	Singapore Dollars '000	United States Dollars '000
Cash and cash equivalents	63	62,908	63	64,868
Senior notes	(148,880)	(1,377,411)	–	(1,294,547)
Bank loans	–	(148,105)	–	(146,732)
Gross exposure arising from recognised assets and liabilities and overall net exposure	(148,817)	(1,462,608)	63	(1,376,411)

In addition to the above, subsidiaries of the Company with functional currency of Hong Kong Dollars, have receivables from and net investment in PRC subsidiaries. The Group uses foreign exchanges forward contracts with notional principal amounts of US\$350 million to manage its exposure to foreign exchange rate risk of the net investment denominated in RMB. The contracts will mature in 2019 and 2020 respectively.

A reasonably possible increase/decrease of 5% (2017: 5%) in the foreign exchange rate of RMB against Hong Kong Dollars and United States Dollars would increase/decrease the Group's profit after tax and total equity by RMB591,060,000 (2017: RMB430,718,000). As Hong Kong Dollars are pegged to United States Dollars, the movement of exchange rate of Hong Kong Dollars against United States Dollars is considered insignificant. Moreover, the Group entered into a foreign exchange rate swap contract to manage its exposure to foreign exchange rate risk of US\$200m Senior Notes due in 2021 as discussed in notes 28(c).

The above analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2017.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (e) Equity price risk

Group is exposed to equity price changes arising from equity investments held for trading and non-trading purposes (see note 18). Other than unquoted securities held for strategic purposes, all of these investments are listed.

The Group's listed investments are listed on the Stock Exchange of Hong Kong. Decisions to buy or sell trading securities are based on daily monitoring of the performance of individual securities compared to that of Index and other industry indications, as well as the Group's liquidity needs. Listed investments that are not held for trading purposes have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by the Group.

All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

Given that the volatility of the stock markets may not have a direct correlation with the Group's investment portfolio, it is impractical to determine the impact that the changes in stock market indices would have on the Group's portfolio of equity investments.

A reasonably possible increase/decrease of 5% (2017: 5%) in the relevant stock market index (for trading securities), with all other variables held constant, the impact on the Group's profit after tax and total equity is not expected to be material.

### (f) Fair value measurement

#### (i) Financial assets and liabilities measured at fair value

##### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (f) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

The Group has a team headed by the finance controller performing valuations for the financial instruments, mainly the unlisted equity securities. The team reports directly to the chief financial officer and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the chief financial officer.

		Fair value measurements as at 31 December 2018 categorised into		
	Fair value at 31 December 2018 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurements</b>				
<i>Financial assets:</i>				
Trading securities:				
– Listed equity securities in Hong Kong	82,775	82,775	–	–
Other financial assets:				
– Non-trading listed equity securities	249,419	249,419	–	–
– Unlisted equity securities	352,914	–	–	352,914
Derivative financial instruments:				
– Redemption call options embedded in senior notes	62,533	–	62,533	–
– Foreign exchange forward contracts	31,799	–	31,799	–
– Interest rate swap contracts	552	–	552	–
<i>Financial liabilities:</i>				
Derivative financial instruments:				
– Foreign exchange rate swap contract	77,252	–	77,252	–

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (f) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued)

Fair value hierarchy (Continued)

		Fair value measurements as at 31 December 2017 categorised into		
	Fair value at 31 December 2017 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Recurring fair value measurements</b>				
<i>Financial assets:</i>				
Trading securities:				
– Listed equity securities in Hong Kong	97,105	97,105	–	–
Derivative financial instruments:				
– Redemption call options embedded in Senior Notes	43,849	–	43,849	–
<i>Financial liabilities:</i>				
Derivative financial instruments:				
– Foreign exchange rate swap contract	79,165	–	79,165	–

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (f) Fair value measurement (Continued)

#### (i) *Financial assets and liabilities measured at fair value (Continued)*

During the years ended 31 December 2017 and 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

#### *Valuation techniques and inputs used in Level 2 fair value measurements*

The fair value of redemption call options in Level 2 are determined by assessing the difference between the fair value of the senior notes by quoted price and the pure bond value.

The fair value of foreign exchange forward contracts and foreign exchange rate swap contract in Level 2 are determined by discounting the contractual forward price and deducting the current spot rate. The discount rate used is derived from the relevant interest rate swap and cross currency basis swap yield curve as at the end of the reporting period plus an adequate credit spread.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the end of the reporting period, taking into account current interest rates and the current creditworthiness of the swap counterparties.



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (Continued)

### (f) Fair value measurement (Continued)

#### (i) Financial assets and liabilities measured at fair value (Continued) Information about Level 3 fair value measurements

The fair value of unlisted equity instruments is determined by reference to the net asset value of these investments.

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	2018 RMB'000
Unlisted equity securities:	
At 1 January	326,286
Impact on initial application of HKFRS 9 at 1 January 2018	783
Net unrealised gains or losses recognised in other comprehensive income during the period	25,845
At 31 December	352,914
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	–

From 1 January 2018, any gains or losses arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings. Prior to 1 January 2018, the unlisted equity securities were stated at cost less impairment losses.

#### (ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2017 and 2018.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 34 COMMITMENTS

### (a) Capital commitments outstanding at 31 December 2018 not provided for in the financial statements are as follows:

	2018 RMB'000	2017 RMB'000
– Authorised but not contracted for	44,534,992	12,352,427
– Contracted but not provided for	24,153,219	6,814,843
	<b>68,688,211</b>	19,167,270

### (b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	25,619	4,253
After 1 year but within 5 years	93,459	17,015
After 5 years	517,617	84,370
	<b>636,695</b>	105,638

The Group is the lessee in respect of a number of properties under operating leases. The leases typically run for an initial period of one to thirty years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 35 CONTINGENT LIABILITIES

### (a) Guarantees given to financial institutions for mortgage facilities granted to buyers of the Group's and joint ventures' properties

The Group provided guarantees in respect of mortgage facilities granted by certain banks in connection with the mortgage loans entered into by buyers of the Group's and joint ventures' properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these buyers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interests and penalties owed by the defaulted buyers to banks. The Group's guarantee periods commence from the dates of grants of the relevant mortgage loans and end after the buyers obtain the individual property ownership certificate of the property purchased. The amount of guarantees given to banks for mortgage facilities granted to the buyers of the Group's and joint ventures' properties at 31 December 2018 is as follows:

	2018 RMB'000	2017 RMB'000
Guarantees given to banks for mortgage facilities granted to buyers of:		
– the Group's properties	27,135,358	18,738,540
– the joint ventures' properties (the Group's shared portion)	2,387,633	4,602,718
	<b>29,522,991</b>	23,341,258

The directors do not consider it probable that the Group will sustain a loss under these guarantees during the periods as the Group and the joint ventures have not applied for individual building ownership certificates for these buyers and can take over the ownerships of the related properties and sell the properties to recover any amounts paid by the Group/joint ventures to the banks. The Group and joint ventures have not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors. The directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans generated by the Group and joint ventures in the event the buyers default payments to the banks.

### (b) Guarantees given to financial institutions for bank loans and other loans granted to joint ventures and given to trust manager of a joint venture

The Group provided guarantees to bank loans and other loans of joint ventures amounting to RMB4,984,799,000 at 31 December 2018 (2017: RMB6,511,840,000). The Group closely monitors the repayment progress of the relevant loans by those joint ventures. At the end of the reporting period, the directors do not consider it probable that claims will be made against the Group under these guarantees. The Group also provided guarantee to trust manager of a joint venture for expected minimum return as stipulated in the corporation agreement. As at 31 December 2018, the Group extended the minimum return of RMB69,092,000 (2017: RMB35,486,000) to the trust manager, which is receivable from the joint venture. The directors consider that the likelihood of default in payment and the financial guarantees measured at fair value are minimal.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 35 CONTINGENT LIABILITIES (Continued)

### (c) Liquidity support given to Henan Jianye Property Management Company Limited 河南建業物業管理有限公司 (“Jianye Property Management”)

In April 2016, the Group provided liquidity support, not exceeding RMB650,000,000, in favour of Jianye Property Management, a subsidiary of Central China New Life, for the outstanding amount in relation to its Asset-backed Securities of RMB850,000,000. The liquidity support fee of RMB1,747,000 was recognised in 2018 (2017: RMB1,950,000).

## 36 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Related party transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, major related party transactions entered by the Group during the year ended 31 December 2018 are as follows:

	Note	2018 RMB'000	2017 RMB'000
Project management service income from joint ventures or associates		<b>70,446</b>	10,081
Interest income from joint ventures	(i)	<b>66,642</b>	32,556
Interest income from non-controlling interests	(i)	–	518
Interest expenses to non-controlling interests	(ii)	<b>(32,500)</b>	(2,527)
Receiving services from entities controlled by the ultimate controlling shareholder	(iii)	<b>(114,080)</b>	(2,915)
Hotel and other miscellaneous income from entities controlled by the ultimate controlling shareholder		<b>4,437</b>	–

Notes:

- (i) The amounts represent interest income in relation to advances to joint ventures and non-controlling interests.
- (ii) The amounts represent interest expenses in relation to loans from joint ventures and non-controlling interests.
- (iii) In December 2017, the ultimate controlling shareholder of the Company acquired 100% of the equity interest in Central China New Life from its former equity interest owner. Central China New Life, together with its subsidiaries, provides various types of services for the Group, mainly including consultation service of RMB26,297,000, hotel management service of RMB11,089,000, tourism service of RMB14,382,000, vacant property management service of RMB7,071,000, marketing centre management service of RMB7,377,000, real estate agency service of RMB34,064,000, marketing consultation service of RMB6,900,000 and VIP club member service of RMB6,900,000 and other miscellaneous services.
- (iv) On 24 September 2018, the Group entered into an acquisition agreement with Joy Bright Investments Limited whose equity interest was 100% held by Mr. Wu Po Sum, the ultimate controlling shareholder of the Company pursuant to which, the Group agreed to acquire 100% equity interests in Great Fine Investments Limited (“Great Fine Investments”) at the consideration of RMB290,000,000. Upon completion of the acquisition, Great Fine Investments was 100% owned by the Group, and became a subsidiary of the Group.

### (b) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of rendering service to, receiving services and acquiring equity interests from entities controlled by the ultimate controlling shareholder above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in sections “Connected transactions” and “Continuing connected transactions” of the Directors’ Report except those transactions which are exempt from the disclosure requirements in Chapter 14A of the Listing Rules as they are below the de minimis threshold under Rule 14A.76(1).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

### (a) Acquisitions of subsidiaries

#### (i) Acquisitions in 2018

During the year ended 31 December 2018, the Group acquired equity interests in twelve entities which held property development projects. After the completion of the acquisition, these twelve entities become the Group's subsidiaries. Acquisitions of these subsidiaries enable the Group to expand its land banks and strengthen the Group's property development business in Henan, the PRC. Acquisitions of subsidiaries during the year are summarised as follows:

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interests held before acquisition	Percentage of equity interests acquired	Percentage of equity interests held after acquisition	Consideration RMB'000
5 January 2018	Xinyang Jigongshan Central China Tianming Construction Development Company Limited*	0%	60%	60%	109,700
6 January 2018	Xinyang Jigongshan Central China Tianming Mancheng Real Estate Company Limited*	0%	60%	60%	6,000
7 January 2018	Kaifeng Dingsheng Real Estate Company Limited*	0%	50.98%	50.98%	5,100
31 March 2018	Zhengzhou Central China Tianming Property Company Limited*	66.66%	33.34%	100%	560,750
31 March 2018	Zhengzhou Dengcao	0%	60%	60%	147,982
1 July 2018	Jiyuan Huling Jingkai Real Estate Company Limited*	0%	51%	51%	15,300
1 July 2018	Nanyang Zhonghe Real Estate Company Limited*	0%	55%	55%	30,315
31 July 2018	Xinmi Lizhi Real Estate Company Limited*	0%	90%	90%	54,200
30 October 2018	Great Fine Investments	0%	100%	100%	290,000
31 October 2018	Anyang Central China City Development Company Limited*	49.5%	5.5%	55%	5,500
31 October 2018	Luoyang Guotai Meijule	34%	27%	61%	85,660
30 November 2018	Nanyang Guoxing Real Estate Company Limited*	0%	100%	100%	11,764

\* The English names of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

### (a) Acquisitions of subsidiaries (Continued)

#### (i) Acquisitions in 2018 (Continued)

The acquisitions of subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	Carrying amount RMB'000	Adjustments RMB'000	Recognised values on acquisition RMB'000
Property, plant and equipment	218,284	70,095	288,379
Intangible assets	5	—	5
Deferred tax assets	2,856	—	2,856
Tax recoverable	70,706	—	70,706
Inventories and other contract costs	4,735,873	386,300	5,122,173
Trade and other receivables	2,637,720	—	2,637,720
Deposits and prepayments	54,609	246,305	300,914
Restricted bank deposits	24,698	—	24,698
Cash and cash equivalents	814,323	—	814,323
Bank loans	(453,500)	—	(453,500)
Taxation payable	(48,701)	(6,763)	(55,464)
Trade and other payables	(3,134,385)	—	(3,134,385)
Contract liabilities	(2,591,172)	—	(2,591,172)
Net identified assets and liabilities	2,331,316	695,937	3,027,253
Non-controlling interests			(411,005)
			2,616,248
Satisfied by:			
Cash			1,322,271
Fair value of previously held interests in joint ventures as at acquisition date			1,293,977
			2,616,248
Total consideration paid			1,322,271
Total cash and cash equivalents acquired			(814,323)
Net cash outflow			507,948

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

### (a) Acquisitions of subsidiaries (Continued)

#### (i) Acquisitions in 2018 (Continued)

The above subsidiaries contributed an aggregate revenue of RMB1,443,159,000 and profit attributable to the equity shareholders of the Company of RMB292,054,000 to the Group for the year ended 31 December 2018. Should the acquisitions had occurred on 1 January 2018, the consolidated revenue and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2018 would have been RMB15,066,651,000 and RMB1,189,607,000 respectively.

The Group incurred acquisition-related costs of RMBNil, and have been included in "general and administrative expenses".

#### (ii) Acquisitions in 2017

During the year ended 31 December 2017, the Group acquired equity interests in twelve entities which held property development projects. After the completion of the acquisition, these twelve entities become the Group's subsidiaries. Acquisitions of these subsidiaries enable the Group to expand its land banks and strengthen the Group's property development business in Henan, the PRC. Acquisitions of subsidiaries during the year are summarised as follows:

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interest held before acquisition	Percentage of equity interest acquired	Percentage of equity interest held after acquisitions	Consideration RMB'000
17 January 2017	Zhumadian City Chuncheng Properties Company Limited*	0%	51%	51%	10,400
18 January 2017	Changge City Yicheng Real Estate Development Company Limited*	0%	70%	70%	36,350
29 March 2017	Puyang City Lima Beer Company Limited*	0%	60%	60%	21,288
31 March 2017	Henan Central China Union Zhiye Company Limited*	65.63%	34.37%	100%	330,000
31 March 2017	Henan Longyu Real Estate Company Limited*	70%	30%	100%	124,949
9 June 2017	Shangqiu Hongda Enterprises Company Limited*	0%	80%	80%	40,721

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

### (a) Acquisitions of subsidiaries (Continued)

#### (ii) Acquisitions in 2017 (Continued)

Dates of acquisitions	Name of subsidiaries acquired	Percentage of equity interest held before acquisition	Percentage of equity interest acquired	Percentage of equity interest held after acquisitions	Consideration RMB'000
31 July 2017	Shangqiu Xindu Properties Company Limited*	0%	100%	100%	–
3 August 2017	Henan Jiaheng Properties Company Limited*	0%	100%	100%	16,500
7 August 2017	Shangqiu City Zhiyuan Real Estate Development Company Limited*	0%	51%	51%	–
29 August 2017	Beijing Lande Hui Feng Real Estate Development Company Limited*	0%	100%	100%	230,000
30 August 2017	Shangqiu Jinshengyuan Industrial Company Limited*	0%	51%	51%	10,200
20 September 2017	Zhengzhou Fengtai Properties Company Limited*	0%	70%	70%	59,400

\* The English name of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

### (a) Acquisitions of subsidiaries (Continued)

#### (ii) Acquisitions in 2017 (Continued)

The acquisitions of subsidiaries had the following combined effect on the Group's assets and liabilities upon the dates of acquisitions:

	Carrying amount RMB'000	Adjustments RMB'000	Recognised values on acquisition RMB'000
Property, plant and equipment	4,587	—	4,587
Interests in joint ventures	20,000	—	20,000
Tax recoverable	43,616	—	43,616
Inventories and other contract costs	2,147,785	493,093	2,640,878
Trade and other receivables	1,493,269	—	1,493,269
Deposits and prepayments	108,118	—	108,118
Restricted bank deposits	85,998	—	85,998
Cash and cash equivalents	255,482	—	255,482
Bank loans	(1,022,800)	—	(1,022,800)
Trade and other payables	(901,800)	—	(901,800)
Receipts in advance	(954,032)	—	(954,032)
Net identified assets and liabilities	1,280,223	493,093	1,773,316
Non-controlling interests			(106,520)
			1,666,796
Satisfied by:			
Cash			879,808
Carrying amount of interests in joint ventures as at acquisition date			786,988
			1,666,796
Total consideration paid			879,808
Total cash and cash equivalents acquired			(255,482)
Net cash outflow			624,326

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

### (a) Acquisitions of subsidiaries (Continued)

#### (ii) Acquisitions in 2017 (Continued)

The above subsidiaries contributed an aggregate revenue of RMB1,567,973,000 and profit attributable to the equity shareholders of the Company of RMB44,729,000 to the Group for the year ended 31 December 2017. Should the acquisitions had occurred on 1 January 2017, the consolidated revenue and the consolidated profit attributable to the equity shareholders of the Company for the year ended 31 December 2017 would have been RMB13,894,349,000 and RMB813,028,000 respectively.

The Group incurred acquisition-related costs of RMB229,000, and have been included in "general and administrative expenses".

### (b) Disposal/deemed disposal of subsidiaries

During the year ended 31 December 2018, the Group did not dispose any subsidiaries.

#### (i) Disposals of subsidiaries in 2017

During the year ended 31 December 2017, the Group disposed equity interests in the below four entities. After the completion of the disposal, the Group retained certain equity interests in Zhengzhou Anyong Properties Limited and Henan Longyu Real Estate Company Limited and accounted for as joint ventures. Disposals of subsidiaries during the year are summarised as follows:

Dates of disposal	Name of subsidiaries disposed	Percentage of equity interests held before disposal	Percentage of equity interests disposed	Percentage of equity interests held after disposal	Consideration RMB'000
15 February 2017	Zhengzhou Central China Kairun Real Estate Company Limited*	85%	85%	0%	–
21 February 2017	Henan Central China Kaipu Commercial Development Company Limited*	80%	80%	0%	–
21 July 2017	Zhengzhou Anyong Properties Limited*	100%	20%	80%	150,000
27 December 2017	Henan Longyu Real Estate Company Limited*	100%	40%	6%	145,000

\* The English names of the above companies in the PRC are translated by management only for the purpose of these financial statements as no English names have been registered or available.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

### (b) Disposal/deemed disposal of subsidiaries (Continued)

#### (i) Disposals of subsidiaries in 2017 (Continued)

The disposals of subsidiaries had the following combined effect on the financial position:

	RMB'000
Property, plant and equipment	506
Inventories and other contract costs	1,792,053
Trade and other receivables	1,356,342
Deposits and prepayments	1,488
Tax recoverable	4,744
Restricted bank deposits	22,668
Cash and cash equivalents	11,412
Bank loans	(1,037,440)
Trade and other payables	(1,306,599)
Receipts in advance	(30,560)
Taxation payable	(43,320)
Non-controlling interests	(24,802)
	<hr/>
Net assets	746,492
Net gain on disposals of subsidiaries (note 3)	189,647
	<hr/>
	936,139
	<hr/>
Satisfied by:	
Cash	295,000
Interests in joint ventures	641,139
	<hr/>
	936,139
	<hr/>
Total consideration received	295,000
Total cash and cash equivalents disposed	(11,412)
	<hr/>
Net cash inflow	283,588
	<hr/>

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 37 ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES (Continued)

### (b) Disposal/deemed disposal of subsidiaries (Continued)

#### (ii) Deemed disposal of a subsidiary in 2017

During the year ended 31 December 2017, an investor invested in the below subsidiary, which diluted the Group's equity interests in the entity. Details of the deemed disposal of a subsidiary during the year are summarised as follows:

Dates of deemed disposal	Name of subsidiaries deemed disposed	Percentage of equity interests held before deemed disposal	Percentage of equity interests deemed disposed	Percentage of equity interests held after deemed disposal
9 May 2017	Zhengzhou Jianye Eighteen Cities Zhiye Company Limited*	100%	50%	50%

\* The English name of the above company in the PRC is translated by management only for the purpose of these financial statements

The deemed disposal of a subsidiary had the following effect on the Group's financial position:

	RMB'000
Property, plant and equipment	104
Inventories and other contract costs	10,523
Deposits and prepayments	2,633,456
Cash and cash equivalents	903
Trade and other payables	(2,545,546)
Net assets	99,440
Net gain on deemed disposal of a subsidiary (note 3)	280
	99,720
Satisfied by:	
Interests in a joint venture	99,720
Total cash and cash equivalents disposed	(903)
Net cash outflow	(903)

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2018 RMB'000	2017 RMB'000
<b>Non-current asset</b>			
Interests in subsidiaries		12,138,931	9,885,326
<b>Current assets</b>			
Derivative financial instruments		94,862	43,849
Cash and cash equivalents		14,644	216,264
Deposits and prepayments		76,240	6,302
Trade and other receivables		7,126	–
		192,872	266,415
<b>Current liabilities</b>			
Trade and other payables		(352,160)	(247,725)
Bank loans		(256,940)	–
Senior notes		–	(3,890,692)
		(609,100)	(4,138,417)
<b>Net current liabilities</b>		(416,228)	(3,872,002)
<b>Total assets less current liabilities</b>		11,722,703	6,013,324
<b>Non-current liabilities</b>			
Bank loans		(757,836)	(953,202)
Senior notes		(10,190,829)	(4,518,961)
		(10,948,665)	(5,472,163)
<b>NET ASSETS</b>		774,038	541,161
<b>CAPITAL AND RESERVES</b>	32(b)(ix)		
Share capital		239,958	216,916
Reserves		534,080	324,245
<b>TOTAL EQUITY</b>		774,038	541,161

Approved and authorised for issue by the board of directors on 27 March 2019.

**Wu Po Sum**  
Executive Director

**Liu Weixing**  
Executive Director

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 39 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements used in preparing the financial statements are evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that may have a significant effect on the carrying amounts of assets and liabilities mainly include those related to property development activities.

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

### (a) Revenue recognition for sales of properties

Revenue from sales of properties is recognised over time when the Group's performance do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date; otherwise, revenue is recognised at a point in time when the buyer obtains control of the completed property. Due to the contractual restrictions with the customer, the Group shall not change or substitute the property unit or redirect the property unit for another use and thus the property unit does not have an alternative use to the Group. However, it requires management to exercise significant judgement to determine whether there is an enforceable right to payment for performance completed to date, which depends on the terms of sales and purchase agreement and the interpretation of the applicable laws that apply to the contract. The Group has obtained legal counsel opinion regarding the enforceability of the right to payment for sales and purchase agreements. Management uses judgments, based on legal counsel opinion, to classify sales and purchase agreements into those with right to payment for performance completed to date and those without the right.

The Group recognises revenue from sales of properties progressively over time by measuring the progress towards complete satisfaction of the performance obligation at the reporting date, using the cost-to-cost method based on the proportion of the actual costs incurred relative to the estimated total costs. Significant judgments and estimations are required in determining the completeness of the estimated total costs and the accuracy of progress towards complete satisfaction of the performance obligation at the reporting date. The Group has a standard monthly cost budgeting and estimate completion process in which management reviews the development progress and execution of the performance obligations. The actual outcomes in terms of total cost or the progress towards complete satisfaction may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

### (b) Valuation of investment property

All investment properties of the Group are revalued as at the end of the reporting period by independent professionally qualified valuers, on an open market value basis calculated by reference to the net rental income with allowance for reversionary income potential.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 39 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### (b) Valuation of investment property (Continued)

The assumptions adopted in the property valuations are based on the market conditions existing at the end of the reporting period, with reference to current market sale prices for similar properties in the same location and condition and an appropriate capitalisation rate. Any change in assumptions of the valuation would affect the value of the investment properties significantly, and profit or loss in future years.

### (c) Impairment for buildings and construction in progress

As explained in note 1(m), the Group makes impairment for the buildings and construction in progress taking into account the Group's estimates of the recoverable amount from such properties. The recoverable amounts have been determined based on value-in-use calculations, taking into account the latest market information and past experience. These calculation and valuations require the use of judgement and estimates.

Given the volatility of the PRC property market, the actual recoverable amount may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

### (d) Assessing the net realisable value of properties for sale

As explained in note 1(o), the Group's properties for sale are stated at the lower of cost and net realisable value. Based on the Group's recent experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion in case for properties under development for sale, and the costs to be incurred in selling the properties based on prevailing market conditions.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in provision for properties for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

In addition, given the volatility of the PRC property market and the unique nature of individual properties, the actual outcomes in terms of costs and revenue may be higher or lower than that estimated at the end of the reporting period. Any increase or decrease in the provision would affect profit or loss in future years.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 39 ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### (e) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors.

Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future years.

### (f) CIT and LAT

As disclosed in note 5, the Group is subject to CIT and LAT under both authorised taxation method or actual taxation method in different jurisdictions. Significant judgement is required in determining the level of provision, as the calculations of which depend on the assessment and assumption of ultimate tax liability and are subject to uncertainty. The adoption of different methods may also affect the level of provision. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such assessment is made.

### (g) Estimation of fair value of derivative financial instruments

Redemption call options embedded in senior notes, foreign exchange forward contracts and foreign exchange rate swap contract of the Group are classified as derivative financial instruments and stated at fair value at the end of each reporting period. The fair value of these options is measured based on the assumptions set out in note 28. Any change in assumptions of the valuation would affect the value of these options significantly, and profit or loss in future years.



# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 40 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

- (a) On 29 January 2019, the Company issued senior notes with principal amount of US\$200,000,000. The senior notes are interest bearing at 7.325% per annum which is payable semi-annually in arrears. The maturity date of the senior notes is 27 January 2020. The details of the redemption price are disclosed in the relevant offering memorandum published by the Company on 30 January 2019.
- (b) On 30 January 2019, the extraordinary general meeting held by the Group approved the entering into of the equity transfer agreement with Joy Bright Investments Limited, the equity interest of which was 100% held by Mr. Wu Po Sum, the ultimate controlling shareholder of the Company, dated 14 December 2018 to acquire 100% equity interest in Pacific Prestige Holdings Limited at the consideration of RMB765,000,000.
- (c) On 29 January 2019, the Group entered into an acquisition agreement with Bridge Trust Co., Ltd., pursuant to which, the Group agreed to acquire 45.45% equity interests in CCRE Hengxin at the consideration of RMB709,685,000. Upon completion of the acquisition, CCRE Hengxin was 100% owned by the Group, and became a subsidiary of the Group.
- (d) As disclosed in Note 29, the Group may at its option adjust the coupon rate of the Corporate Bonds issued on 13 April 2016 and the holders of the Corporate Bonds may at their options redeem the Corporate Bonds, in whole or in part, at a pre-determined price. On 1 March 2019, the Group has commenced the implementation of sale back regarding the Corporate Bonds and, based on current market condition, decides to raise the coupon rate by 120 basis points to 7.20%, which will remain unchanged for the last two years of the duration (12 April 2019 to 11 April 2021).
- (e) After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 32(c)(i).

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, <i>Leases</i>	1 January 2019
HK(IFRIC) 23, <i>Uncertainty over income tax treatments</i>	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28, <i>Long-term interest in associates and joint ventures</i>	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

### HKFRS 16, *Leases*

As disclosed in note 1(l), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

# Notes to the Financial Statements (Continued)

(Expressed in Renminbi)

## 41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (Continued)

### HKFRS 16, Leases (Continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 34(b), at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to RMB636,695,000 for properties, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB267,516,000 and RMB293,136,000, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

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