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*This announcement is not for distribution, directly or indirectly, in or into the United States or to U.S. Persons (as defined under Regulation S in the Securities Act). This announcement and the information contained herein does not constitute or form part of an offer to purchase, subscribe or sell securities in the United States. Securities may not be offered or sold in the United States or to or for the account or benefit of U.S. Persons unless registered pursuant to the Securities Act, or pursuant to an applicable exemption from such registration requirements. Any public offering of securities to be made in the United States will be made by means of a prospectus that will contain detailed information about Agile Group and its management, as well as financial statements. The securities referred to herein (the "**Securities**") have not been and will not be registered under the Securities Act and no public offering of securities will be made in the United States. The Securities will be sold in accordance with all applicable laws and regulations. No money, securities or other consideration is being solicited by this announcement or the information contained herein and, if sent in response to this announcement or the information contained herein, will not be accepted.*

AGILE
雅居樂

AGILE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3383)

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 announcement of Agile Group Holdings Limited ("**Agile Group**") dated 18 November 2021 in relation to the Bonds (the "**Announcement**"). Unless otherwise defined, capitalised terms used herein have the same meanings as ascribed to them in the Announcement.

Please refer to the offering circular dated 17 November 2021 in relation to the Bonds as attached to this announcement (the "**Offering Circular**"), which is available on the website of Singapore Exchange Securities Trading Limited on 26 November 2021.

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

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

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

By order of the board
Agile Group Holdings Limited
CHEUNG Lap Kei
Company Secretary

Hong Kong, 26 November 2021

*As at the date of this announcement, the Agile Board comprises twelve members, being Mr. Chen Zhuo Lin** (Chairman and President), Mr. Chan Cheuk Yin*** (Vice Chairperson), Madam Luk Sin Fong, Fion*** (Vice Chairperson), Mr. Chan Cheuk Hung**, Mr. Huang Fengchao**, Mr. Chen Zhongqi**, Mr. Chan Cheuk Hei***, Mr. Chan Cheuk Nam***, Dr. Cheng Hon Kwan#, Mr. Kwong Che Keung, Gordon#, Mr. Hui Chiu Chung, Stephen# and Mr. Wong Shiu Hoi, Peter#.*

** *Executive Directors*

*** *Non-executive Directors*

Independent Non-executive Directors

IMPORTANT NOTICE

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

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "Offering Circular"). You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached. In accessing the attached, 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.

Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed your representation to us that (1) you and any customers you represent (a) are outside the United States and (b) are not U.S. persons (as defined in the United States Securities Act of 1933, as amended (the "Securities Act") and, to the extent you purchase the securities described in the attached Offering Circular, you will be doing so pursuant to Regulation S under the Securities Act, and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached 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 neither Goldman Sachs (Asia) L.L.C. as sole global coordinator, sole bookrunner and sole lead manager (the "Sole Bookrunner") nor any director, officer, employee, representative, agent or affiliate of the Sole Bookrunner accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. We will provide a hard copy version to you upon request.

Restrictions: The attached Offering Circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the attached Offering Circular.

The Offering Circular is not a prospectus for the purposes of Regulation (EU) 2017/1129.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The bonds described in the attached Offering Circular (the "Bonds") are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97, as amended (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 Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The Offering Circular is not a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA").

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the United Kingdom by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES, THE GUARANTEES AND THE SHARES DELIVERABLE UPON EXCHANGE OF THE BONDS DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (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 STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of either Farsail Goldman International Limited 遠航金門國際有限公司 (the "Issuer") or Agile Group Holdings Limited (the "Guarantor"), the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or the Sole Bookrunner to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver or forward this document, electronically or otherwise, to any other person. 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.

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Farsail Goldman International Limited
遠航金門國際有限公司

(incorporated in the British Virgin Islands with limited liability)

HK$2,418,000,000 7.0 per cent.
Secured Guaranteed Exchangeable Bonds due 2026
exchangeable for the H shares of

A-Living Smart City Services Co., Ltd.*
雅生活智慧城市服務股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3319.HK)

Unconditionally and Irrevocably Guaranteed by

AGILE
雅居樂

Agile Group Holdings Limited

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 3383.HK)

and

the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any)
(as defined herein)

Issue Price: 100.0 per cent.

The HK$2,418,000,000 7.0 per cent. Secured Guaranteed Exchangeable Bonds due 2026 (the "Bonds") exchangeable into the H shares of nominal value of RMB1.00 each (the "Shares") of A-Living Smart City Services Co., Ltd.* (雅生活智慧城市服服股份有限公司) ("A-Living") will be issued by Farsail Goldman International Limited (遠航金門國際有限公司) (the "Issuer") and will be unconditionally and irrevocably guaranteed ("Guarantee") by Agile Group Holdings Limited (the "Guarantor"), the Subsidiary Guarantors and the JV Subsidiary Guarantors (each as defined in "Terms and Conditions of the Bonds" (the "Conditions" or the "Terms and Conditions of the Bonds")). The Issuer is an indirect wholly-owned subsidiary of the Guarantor.

The denomination of the Bonds shall be HK$1,000,000 each. The Bonds will bear interest on their outstanding principal amount from and including 24 November 2021 (the "Issue Date") at the rate of 7.0 per cent. per annum, payable semi-annually in arrear on the Interest Payment Date (as defined in the Conditions) falling on or nearest to May 24 and November 24 of each year.

All payments of principal of, and premium (if any) on and interest on the Bonds or under the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees (each as defined in the Conditions) 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 Relevant Jurisdiction (as defined in the Conditions), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law, to the extent described in "*Terms and Conditions of the Bonds — Taxation*".

The obligations of the Guarantor under the Trust Deed (as defined in the Conditions) and the Bonds and the obligations of the Subsidiary Guarantor Pledgors (as defined in the Conditions) under the Subsidiary Guarantees will be secured by pledges by the Guarantor and the Subsidiary Guarantor Pledgors of the Capital Stock (as defined in the Conditions) of the Subsidiary Guarantors and the JV Subsidiary Guarantors held directly by the Guarantor or the Subsidiary Guarantor Pledgors (pursuant and subject to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement (each as defined in the Conditions)) on the Issue Date. In addition, the obligations of the Obligors (as defined in the Conditions) under the Bonds Documents (as defined in the Conditions) will be secured in favour of the Trustee for the benefit of the Secured Parties (as defined in the Conditions) pursuant to, and as more particularly described in the English law governed deed of charge dated on or about the Issue Date between the Issuer and the Trustee (the "Deed of Charge") and the Hong Kong law governed share mortgage dated on or about the Issue Date between Makel International (BVI) Limited 邁高國際(BVI)有限公司, Deluxe Star International Limited, 中山雅生活企業管理服務有限公司 and the Trustee (the "Hong Kong Share Mortgage"). See "*Terms and Conditions of the Bonds — Security*" for details.

The Bonds will constitute the direct, unsubordinated and unconditional obligations of the Issuer, secured in the manner provided in Condition 3 and (i) in the case of Bonds Security Assets (as defined in the Conditions), pursuant to the Deed of Charge and the Hong Kong Share Mortgage and (ii) in the case of the Collateral (as defined in the Conditions), pursuant to the terms of the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement. The Bonds will at all times rank *pari passu* without any preference or priority among themselves.

The Guarantor has made an application for the pre-issuance registration (the "Pre-Issuance Registration") with the National Development and Reform Commission of the PRC (the "NDRC") in accordance with the Notice of the National Development and Reform Commission on Promoting the Administrative Reform of the Record-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 Circular") promulgated by the NDRC on September 14, 2015 which came into effect immediately. The Guarantor has received an Enterprise Foreign Debt Filing Registration Certificate dated June 3, 2021 from the NDRC in connection with the Pre-Issuance Registration. Pursuant to the requirements of the NDRC Circular, the Guarantor will be required to file or cause to be filed with the NDRC the requisite post-issuance filing within 10 PRC Business Days (as defined in the Conditions) after the Issue Date.

Each Bondholder (as defined in the Conditions) shall have the right to require the Issuer to exchange all or any of its Bonds at any time during the Exchange Period (as defined in the Conditions) for a *pro rata* share of the Exchange Property (as defined in the Conditions) as at the relevant Exchange Date (as defined in the Conditions). The "Exchange Price" (as defined in the Conditions) will initially be HK$27.48 per Share but will be subject to adjustment in the manner provided in the Conditions. On exercise of Exchange Rights (as defined in the Conditions), Bondholders shall initially therefore be entitled to receive approximately 36,390.1019 Shares in respect of each HK$1,000,000 principal amount of Bonds delivered for exchange (before applying Condition 8(a)(iii)). The Shares are listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

Unless previously exchanged, redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount together with accrued and unpaid interest thereon on the Interest Payment Date falling on or nearest to 24 November 2026 (the "Maturity Date"). The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, at the principal amount together with interest accrued but unpaid to (but excluding) the Tax Redemption Date (as defined in the Conditions), in the event of certain changes relating to the Relevant Taxing Jurisdiction affecting taxation as further described in "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption at the Option of the Issuer — Redemption for tax reasons*". The Bonds may also be redeemed at the option of the Issuer in whole, but not in part, at the principal amount together with interest accrued but unpaid to (but excluding) the Issuer Optional Redemption Date (if any, and as defined in the Conditions) at any time if, prior to the date on which the relevant notice of redemption is given, Exchange Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued. See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption at the Option of the Issuer — Redemption for minimum outstanding amount*".

Following the occurrence of a Relevant Event or a De-listing Event (each as defined in the Conditions), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem such holder's Bonds on the relevant put dates at their principal amount together with interest accrued but unpaid to (but excluding) such date (if any). The holder of each Bond will also have the right at such holder's option, to require the Issuer to redeem that Bond on 24 November 2024 (the "Optional Put Date") at their principal amount, together with any interest accrued but unpaid to (but excluding) such date (if any). See "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption at the Option of the Bondholders*".

For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*".

Investing in the Bonds involves risks. See "*Risk Factors*" for a description of certain factors to be considered in connection with an investment in the Bonds and the Shares.

The Bonds, the Guarantees and the Shares deliverable upon exchange of the Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"). The Bonds, the Guarantees and the Shares, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")) and are only being offered and sold outside the United States in compliance with Regulation S. For a description of these and certain restrictions on offers and sales of the Bonds, the Guarantees and the Shares to be delivered upon exchange of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*".

Application will be made to the Singapore Exchange Securities Trading Limited (the "SGX-ST") for the listing and quotation of the Bonds 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 the listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Guarantor, their respective subsidiaries, their respective associated companies or the Bonds. The Bonds are not rated.

The Bonds will be represented by beneficial interests in a global certificate (the "Global Certificate") in registered form, which will be registered in the name of a nominee of, and shall be deposited on or about the Issue Date with a common depositary for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.

* *For identification purpose only*

Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager

Goldman Sachs

Offering Circular dated 17 November 2021

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Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms having made all reasonable inquiries, confirms that: (i) this Offering Circular contains all information with respect to the Issuer, the Guarantor and each of the Guarantor's subsidiaries (including for the avoidance of doubt, A-Living) taken as a whole (collectively, the ''Group''), the Issuer, the Guarantor, the Bonds, the Guarantees and the Shares which is material in the context of the issue and offering of the Bonds (including, without limitation, all information which is required by the applicable laws and regulations of the British Virgin Islands, the Cayman Islands, the PRC and by the Hong Kong Stock Exchange and the SGX-ST and the information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Guarantees, the Shares and the Bonds, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, the Guarantor, the Group and of the rights attaching to the Guarantees, the Shares and the Bonds); (ii) the statements contained in this Offering Circular relating to the Issuer, the Guarantor and the Group, are in every material respect true, accurate and not misleading and there are no facts currently known, or which on reasonable enquiry could have been known, to the Issuer, the Guarantor, any other member of the Group and/or the directors of them which are not disclosed in this Offering Circular the omission of which would make any statement herein misleading in any material particular (in light of the circumstances under which they are made) or which in the circumstances of the issue and offering of the Bonds are material for disclosure herein; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Issuer, the Guarantor and the Group 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 the Issuer, the Guarantor, the Group, the Bonds, the Guarantees or the Shares which could on reasonable enquiry have been known to the Issuer or the Guarantor, the omission of which would make any such statement or expression misleading in any material respect (in light of the circumstances under which they are made) or which will or, in the context of the issue and offering of the Bonds make any statement in this Offering Circular misleading in any material respect; (v) the Issuer and the Guarantor have made all reasonable enquiries to ascertain such facts and to verify the accuracy of all such information and statements; (vi) this Offering Circular does not include an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements herein contained, in the light of the circumstances under which they were made, not misleading in any material respect; and (vii) any statistical, industry-related and market-related data included in this Offering Circular is based on or derived from official and other publicly available sources that each of the Issuer and the Guarantor reasonably and in good faith believes to be reliable and accurate.

This Offering Circular is being provided to you solely for the purpose of enabling you to consider a purchase of the Bonds or the Shares. You should read this Offering Circular before making a decision whether to purchase the Bonds. You must not use this Offering Circular for any other purpose, or disclose any information in this Offering Circular to any other person.

No representation or warranty, express or implied, is made by Goldman Sachs (Asia) L.L.C. as sole global coordinator, sole bookrunner and sole lead manager (the "Sole Bookrunner"), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as trustee (the "Trustee"), the Agents (as defined in the Conditions), the Custodian (as defined in the Conditions) or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Sole Bookrunner, the Trustee, the Agents or the Custodian or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers. None of the Sole Bookrunner, the Trustee, the Agents or the Custodian or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers has independently verified the information contained in this Offering Circular. This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Issuer, the Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Sole Bookrunner, the Trustee, the Agents or the Custodian or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers that any recipient of this Offering Circular should purchase the Bonds and the Shares. Each potential purchaser of the Bonds or the Shares should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary. To the fullest extent permitted by law, none of the Sole Bookrunner, the Trustee, the Agents or the Custodian, or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers, accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Sole Bookrunner, the Trustee, the Agents or the Custodian or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers or on any of their behalf in connection with the Issuer, the Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Group, the Bonds, the Guarantees or the Shares. Each of the Sole Bookrunner, the Trustee, the Agents and the Custodian, and each of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives and advisers, accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. None of the Sole Bookrunner, the Trustee, the Agents or the Custodian or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers undertakes to review the financial condition or affairs of the Issuer, the Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds or the Shares of any information coming to the attention of the Sole Bookrunner, the Trustee, the Agents or the Custodian or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers.

Approval in-principle from, admission to the Official List of, and the listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Group, the Bonds, the Guarantees or the Shares. In making an investment decision, investors must rely on their own examination of the Issuer, the Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors and the Group and the terms of the offering, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that, no person has been authorized to give any information or to make any representation concerning the Issuer, the Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Group, the Bonds, the Guarantees or the Shares (other than as contained herein) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor, the Subsidiary Guarantors, the JV

Subsidiary Guarantors, the Group, the Sole Bookrunner, the Trustee, the Agents or the Custodian, or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no material change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors or the Group since the date hereof or create any implication that the information contained herein is correct as of any date subsequent to the date hereof.

None of the Issuer, the Guarantor, the Group or the Sole Bookrunner is making an offer to sell the Bonds or the Shares in any jurisdiction except where an offer or sale is permitted. The distribution of this Offering Circular and the offering of the Bonds may be restricted by law in certain jurisdictions. Persons who are in possession of this Offering Circular are required by the Issuer, the Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors and the Sole Bookrunner to inform themselves about and to observe any such restrictions. For a description of the restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*" below.

This Offering Circular summarises certain material documents and other information, and each of the Issuer, the Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors refers you to them for a more complete understanding of what is discussed in this Offering Circular. In making an investment decision, you must rely on your own examination of the Issuer, the Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors and the Group and the terms of the offering, including the merits and risks involved. None of the Issuer, the Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Group, the Sole Bookrunner, the Trustee, the Agents or the Custodian or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers, is making any representation to you regarding the legality of an investment in the Bonds or the Shares under any legal, investment or similar laws or regulations. You should not consider any information in this Offering Circular to be legal, business or tax advice. You should consult your own professional advisers for legal, business, tax and other advice regarding an investment in the Bonds.

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

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU, as amended ("MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97, as amended (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 Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

This Offering Circular is not a prospectus for the purposes of Regulation (EU) 2017/1129 as it forms part of domestic law in the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA").

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the United Kingdom by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "FSMA") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law in the United Kingdom by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the Bonds or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

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

Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore (the "SFA") — the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds 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).

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this Offering Circular using a number of conventions, which you should consider when reading the information contained herein. Unless indicated otherwise, in this Offering Circular, all references to (i) the "Issuer" are to Farsail Goldman International Limited 遠航金門國際有限公司; (ii) the "Guarantor" are to Agile Group Holdings Limited; (iii) "A-Living" are to A-Living Smart City Services Co., Ltd.* (雅生活智慧城市服務股份有限公司) and where the context requires, includes its subsidiaries, taken as a whole; and (iv) "we, " "us, " "our, " the "Company, " the "Group" and words of similar import are used, they are referring to the Guarantor and its subsidiaries, taken as a whole, unless the context indicates otherwise.

Market data and certain industry forecast and statistics in this Offering Circular have been obtained from both public and private sources, including market research, publicly available information and industry publications. Although we believe this information to be reliable, it has not been independently verified by us or the Sole Bookrunner or its respective directors and advisors, and neither us, the Sole Bookrunner nor our or its 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. This Offering Circular summarizes certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of us and the terms of the offering and the Bonds, including the merits and risks involved.

The statistics set forth in this Offering Circular relating to the PRC and the property industry in the PRC were taken or derived from various government and private publications. The Sole Bookrunner does not make any representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly inconsistent collection methods and other problems, the statistics herein may be inaccurate and should not be unduly relied upon.

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

We record and publish our financial statements in Renminbi. Unless otherwise stated in this Offering Circular, all translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.4566 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 June 30, 2021, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK$7.7658 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 June 30, 2021. All such translations in this Offering Circular are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see "Exchange Rate Information."

References to "PRC" and "China," for the purposes of this Offering Circular only, except where the context requires, do not include Hong Kong, Macau Special Administrative Region of the PRC ("Macau"), or Taiwan. "PRC government" or "State" means the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof, or, where the context requires, any of them.

References to the "Chen family" in this Offering Circular are to Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei, Chan Cheuk Nam, Lu Liqing, Lu Yanping, Chan Siu Na and Zheng Huiqiong.

References to the "Chen family" in this Offering Circular are to Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei, Chan Cheuk Nam, Lu Liqing, Lu Yanping, Chan Siu Na and Zheng Huiqiong.

References to "2013 Perpetual Securities" are to our US$700 million aggregate principal amount of subordinated perpetual capital securities. We redeemed all outstanding amount of the 2013 Perpetual Securities on July 18, 2019.

References to "Property Management Asset-backed Securities" are to our asset-backed securities in the principal amount of RMB1,100,000,000 established on February 26, 2016. We redeemed all outstanding asset-backed securities on September 26, 2017.

References to "2014 USD Notes" are to our US$500 million aggregate principal amount of 8.375% Senior Notes due 2019. We redeemed all outstanding amount of the 2014 USD Notes on September 14, 2017.

References to "Panyu Asset-backed Securities" are to our asset-backed securities in the principal amount of RMB1,111.5 million established on September 1, 2017.

References to "2015 Notes" are to our US$500 million aggregate principal amount of 9.0% Senior Notes due 2020. We redeemed all outstanding amount of the 2015 Notes on May 21, 2020.

References to "2017 Notes" are to our US$200 million aggregate principal amount of 5.125% Senior Notes due 2022.

References to "2017 HSBC Loan" are to our HK$1,170 million term loan facility with The Hongkong and Shanghai Banking Corporation Limited as facility agent and as security agent which we entered into on November 14, 2017.

References to "2017 ICBC Loan" are to our HK$300 million term loan facility with Industrial and Commercial Bank of China (Asia) Limited as lender which we entered into on November 24, 2017.

References to "2017 CCB Loan" are to our HK$400 million term loan facility with China Construction Bank Corporation, Hong Kong Branch as facility agent and as security agent which we entered into on December 19, 2017.

References to "2018 Perpetual Securities" are to our US$500 million aggregate principal amount of senior perpetual capital securities.

References to "2018 Syndicated Loan" are to our HK$8,834 million (with a greenshoe option of HK$2,500 million) and US$200 million term loan facility which we entered into on May 21, 2018.

References to "2018 HSBC Loan" are to our HK$770 million term loan facility with The Hongkong and Shanghai Banking Corporation Limited as facility agent and security agent which we entered into on December 12, 2018.

References to "June 2018 Perpetual Securities" are to our US$100 million aggregate principal amount of senior perpetual capital securities. We redeemed all outstanding amount of the June 2018 Perpetual Securities on June 28, 2021.

References to "July 2018 Notes" are to our US$600 million aggregate principal amount of 8.5% Senior Notes due 2021. We redeemed all outstanding amount of the July 2018 Notes on July 18, 2021.

Reference to "November 2018 Notes" are to our US$400 million aggregate principal amount of 9.5% Senior Notes due 2020. We redeemed all outstanding amount of the November 2018 Notes on November 23, 2020.

Reference to "March 2019 Notes" are to our US$500 million aggregate principal amount of 6.7% Senior Notes due 2022.

Reference to "June 2019 Perpetual Securities" are to our US$700 million aggregate principal amount of senior perpetual capital securities.

Reference to "July 2020 Notes" are to our US$500 million aggregate principal amount of 5.75% Senior Notes due 2025.

Reference to the "July 2021 Notes" are to our US$314 million aggregate principal amount of 5.5% Senior Notes due 2025.

References to "2019 Syndicated Loan" are to our HK$1,170 million and US$100 million (with a greenshoe option of US$500 million) term loan facility which we entered into on August 28, 2019.

Reference to "October 2019 Perpetual Securities" are to our US$500 million aggregate principal amount of senior perpetual capital securities.

Reference to "November 2019 Perpetual Securities" are to our US$200 million aggregate principal amount of senior perpetual capital securities.

References to "2020 Syndicated Loan" are to our HK$3,242 million and US$0 million (with a greenshoe option of US$600 million) term loan facility which we entered into on June 24, 2020.

References to "2021 Syndicated Loan" are to our HK$5,253,000,000 and US$28,500,000 (with a greenshoe option of US$1,200,000,000) term loan facility which we entered into on May 24, 2021.

Reference to "October 2020 Notes" are to our US$483 million aggregate principal amount of 6.05% Senior Notes due 2025.

Reference to "May 2021 Notes" are to our US$450 million aggregate principal amount of 5.5% Senior Notes due 2026.

References to "September 2021 Notes" are to our US$400 million aggregate principal amount of 4.85% Senior Notes due 2022.

References to "Existing Notes" are to the 2017 Notes, the March 2019 Notes, the July 2020 Notes, the October 2020 Notes, the May 2021 Notes, the July 2021 Notes and the September 2021 Notes.

References to "Perpetual Securities" are to the 2018 Perpetual Securities, the June 2019 Perpetual Securities, the October 2019 Perpetual Securities and the November 2019 Perpetual Securities.

References to the "Guangzhou Asian Games City Project" are to the development of certain parcels of land located in the Panyu District of Guangzhou City that we, together with certain other property developers in the PRC, acquired pursuant to a land grant contract with the PRC government dated December 22, 2009, as amended and supplemented. The development of this project is implemented through a project company (the "Asian Games JV"), in which we hold a minority equity interest. Although we hold only a minority equity interest in the Asian Games JV, we have included this project in the total number of our property projects as of December 31, 2020, and also have taken into account this project when calculating the site area or GFA data included in this Offering Circular, unless otherwise specified.

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

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

Totals presented in this Offering Circular may not equal the apparent total of individual items because of rounding of numbers.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes "**forward-looking statements.**" All statements other than statements of historical fact contained in this Offering Circular, including, without limitation, those regarding our future financial position and results of operations, strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "**believe,**" "**expect,**" "**aim,**" "**intend,**" "**will,**" "**may,**" "**anticipate,**" "**seek,**" "**should,**" "**estimate**" 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 plans;
- various business opportunities that we may pursue;
- our operations and business prospects;
- our financial condition and results of operations;
- availability of and changes to bank loans and other forms of financing;
- the industry outlook generally;
- future developments in and the performance of the property market in Guangdong Province and other areas of the PRC;
- changes in political, economic, legal and social conditions in the PRC, including the PRC government's, particularly the Guangdong provincial government's, specific policies which affect land supply, availability and cost of financing, and pre-sale, pricing and volume of our property developments;
- the timely repayments by our purchasers of mortgage loans guaranteed by us;
- changes in competitive conditions and our ability to compete under these conditions;
- the performance of the obligations and undertakings of the independent contractors under various construction, building, interior decoration and installation contracts;
- changes in currency exchange rates;
- significant delay in obtaining the occupation permits, proper legal titles or approvals for our properties under development or held for future development; and
- other factors beyond our control.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*" and elsewhere in this Offering Circular. 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 Circular. 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 Circular might not occur.

PRESENTATION OF FINANCIAL INFORMATION

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which differ in certain respects from generally accepted accounting principles ("GAAP") in certain other countries.

We use EBITDA to provide additional information about our operating performance. 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/period 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.

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

Our definition of EBITDA should not be considered in isolation or construed as an alternative to profit for the year/period 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 taxes and other non- operating cash expenses. Our EBITDA measures may not be comparable to similarly titled measures used by other companies.

"certificate of completion"	a construction project planning inspection and clearance certificate (建設工程規劃驗收合格證) issued by local urban zoning and planning bureaus or equivalent authorities, or an equivalent certificate issued by relevant authorities in China with respect to the completion of property projects subsequent to their on-site examination and inspection.
"commodity properties"	residential properties, commercial properties and other buildings that are developed by property developers for the purposes of sale or lease after their completion.
"construction land planning permit"	a construction land planning permit (建設用地規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China.
"construction permit"	a 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"	a construction works planning permit (建築工程規劃許可證) issued by local urban zoning and planning bureaus or equivalent authorities in China.
"GFA"	gross floor area.
"Hong Kong Stock Exchange". . .	The Stock Exchange of Hong Kong Limited.
"land grant confirmation agreement".	(國有土地使用權成交確認書) a confirmation given by a PRC land authority that a property developer has won the bid for the land use rights of a parcel of land in the government-organized land bidding, auction or listing-for-sale process.
"land grant contract"	(國有土地使用權出讓合同) an agreement between a property developer and a PRC land authority in respect of the grant of the state-owned land use rights of a parcel of land to such property developer.
"land grant or transfer document"	a land grant contract, land grant confirmation agreement or land use rights transfer agreement.
"land use rights certificate".	a state-owned land use rights certificate (國有土地使用證) or real property ownership certificate (不動產權證) issued by a local real estate and land resources bureau with respect to the land use rights.
"land use rights transfer agreement".	(國有土地使用權轉讓合同) an agreement in respect of the transfer of the land use rights of a parcel of land by the previous grantee of the land use rights in the secondary market.
"LAT"	land appreciation tax (土地增值稅).
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.
"low-density units"	the low-density units that we develop include stand-alone houses, semi-detached houses and townhouses.
"pre-sale"	sales of properties prior to the completion of their construction, after the satisfaction of certain conditions under PRC laws and regulations.

"pre-sale permit"	a commodity property pre-sale permit (商品房預售許可證) issued by local housing and building administrative bureaus or equivalent authorities with respect to the pre-sale of relevant properties.
"property ownership certificate" .	a property ownership and land use rights certificate (房地產權證) issued by a local real estate and land resources bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land.
"sq.ft."	square feet.
"sq.m."	square meter.

SUMMARY

This summary does not contain all the information that may be important to you in deciding to invest in the Bonds. You should read the entire Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

OVERVIEW

We are a leading property developer in China. We focus primarily on the development of large-scale mixed-use property projects, with extensive presence in the businesses of property management, environmental protection, construction, real estate construction management and commercial properties. We believe our brand is well-recognized. We have received numerous awards and recognition, including most recently, "Outstanding China Real Estate Enterprise 2019" by Quamnet, "China Property Award of Supreme Excellence 2020" by Organising Committee of China Property Award of Supreme Excellence, "Headline NO. 1 Award 2020 — No. 1 China's Property Developer in Greater Bay Area" by Headline Daily, and "Hong Kong Outstanding Enterprises 2020 — Main Board Category Extraordinary Enterprises Awards 2020" by Economic Digest magazine.

We offer a wide range of real estate products, including low-density units (comprising stand-alone houses, semi-detached houses and townhouses), duplexes and apartments, to satisfy a broad range of customers of varying income levels with a majority of our products targeting end users including both first time home purchasers and upgraders. In addition to residential properties, we develop commercial properties, including retail shops complementary to our residential properties, shopping malls, office buildings and hotels. We also provide property management and hotel operation services.

Our management team includes members with over 29 years of experience in the PRC real estate industry and has contributed to the growth of our business substantially since we first commenced property development activities in Guangdong Province in 1992. As of June 30, 2021, we had 222 projects within our land bank, 68 of which were located in Southern China region with a total planned GFA of approximately 17.46 million sq.m.; 70 in Eastern China region with a total planned GFA of approximately 11.78 million sq.m.; 25 in Western China region with a total planned GFA of approximately 4.75 million sq.m.; 22 in Central China region with a total planned GFA of approximately 4.97 million sq.m.; 7 in Hainan Province with a total planned GFA of approximately 3.53 million sq.m.; 7 in Yunnan Province with a total planned GFA of approximately 5.18 million sq.m.; 3 in Northeast China region with a total planned GFA of approximately 0.15 million sq.m.; 14 in Northern China region with a total planned GFA of approximately 4.79 million sq.m.; 2 in Hong Kong with a total planned GFA of approximately 20,199 sq.m.; 2 in Kuala Lumpur of Malaysia with a total planned GFA of approximately 263,861 sq.m.; 1 in Phnom Penh of Cambodia with a total GFA of approximately 50,640 sq.m. and 1 in San Francisco of the United States with a total planned GFA of approximately 10,674 sq.m. These 222 projects have an aggregate site area of approximately 95.50 million sq.m. and an aggregate planned GFA of approximately 52.95 million sq.m., which includes an aggregate GFA of approximately 3.36 million sq.m. of completed properties, an aggregate GFA of approximately 22.98 million sq.m. of properties under development and an aggregate GFA of approximately 26.61 million sq.m. of properties held for future development.

In 2018, 2019 and 2020 and the six months ended June 30, 2021, the total recognized GFA sold was approximately 4.7 million sq.m., 4.5 million sq.m., 4.9 million sq.m. and 2.0 million sq.m., respectively. In 2018, 2019 and 2020 and the six months ended June 30, 2021, we recorded sales revenue from property development of RMB52,487.7 million, RMB54,177.2 million, RMB69,547.4 million and RMB32,091.5 million (US$4,970.3 million), respectively, and the net profit attributable to our equity holders was approximately RMB7,125.0 million, RMB7,511.8 million, RMB9,474.6 million and RMB5,290.3 million (US$819.4 million), respectively.

Since 2006, we have begun to expand our property development business to strategically selected cities outside the Southern China Region to other parts of China and overseas. We intend to continue the expansion of our presence in markets outside the Southern China region while maintaining our core focus in Southern China. We initiated our tourism property business in the Hainan and Yunnan regions in 2007 and 2012, respectively, in order to leverage the thriving tourism industry in these provinces to attract purchasers of vacation homes. In 2014, we further expanded our business outside of China with our first overseas project in Malaysia. In 2017, we acquired a project in Hong Kong. In 2019, we acquired a project in Phnom Penh of Cambodia. In 2020, we acquired a project in San Francisco of the United States. On a selective basis, we also engage in other complementary businesses, such as property management, the development and management of hotels, investment properties, with a view to dispersing operational risks, generating steady income and enhancing the value of the nearby property projects. On February 9, 2018, A-Living Smart City Services Co., Ltd. (formerly known as A-Living Services Co., Ltd) ("A-Living"), which provides property management services, was listed on the Hong Kong Stock Exchange, constituting a spin-off from our Company, which we believe allows us to capitalize on our brand and further diversify the platforms through which we offer value-added services. As of June 30, 2021, the total GFA (except the GFA of associates and consultant projects) under management was 424 million sq.m. As of June 30, 2021, we have 6 hotels, 4 major shopping malls and 2 office buildings in operation.

In recent years, we have entered into the environmental protection business to further diversify our sources of income and organically add value to our property development and management projects. Our environmental protection business primarily involves hazardous waste treatment, water treatment and common solid waste treatment. See "Business—Environmental Protection." We also launched our real estate construction management business and completed the integration and restructuring of the construction business in 2018. See "Business—Construction" and "Business—Real Estate Construction Management."

We are a constituent stock of the Hang Seng Composite Index, the Hang Seng Global Composite Index, the Hang Seng Stock Connect Hong Kong Index Series, the Hang Seng High Dividend Yield Index, the Hang Seng Mainland China Companies High Dividend Yield Index, the Hang Seng Mainland Properties Index, the Hang Seng High Beta Index, the Hang Seng China (Hong Kong-listed) 100 Index, the MSCI China Index and the Lippo Select HK & Mainland Property Index.

The following table sets forth the geographical distribution of our 222 projects in terms of GFA completed, GFA under development and GFA held for future development within the land bank as of June 30, 2021.

	GFA Completed sq.m.	**%**	**GFA Under Development sq.m.**	**%**	**GFA Held for Future Development sq.m.**	**%**
Southern China Region	1,312,149	39.0%	6,778,304	29.5%	9,367,821	35.2%
Eastern China Region	622,779	18.5%	4,875,782	21.2%	6,276,747	23.6%
Western China Region	103,474	3.1%	2,344,083	10.2%	2,307,241	8.7%
Central China Region	342,118	10.2%	2,210,135	9.6%	2,419,665	9.1%
Hainan Region	412,509	12.3%	2,169,372	9.4%	946,992	3.6%
Yunnan Region	197,377	5.9%	1,446,138	6.3%	3,534,081	13.3%
Northeast China Region	96,057	2.9%	52,198	0.2%	—	0.0%
Northern China Region	276,320	8.2%	2,776,206	12.1%	1,737,784	6.5%
Hong Kong	—	0.0%	—	0.0%	20,199	0.1%
Overseas	—	0.0%	325,175	1.4%	—	0.0%
Total	**3,362,783**	**100.0%**	**22,977,392**	**100.0%**	**26,610,531**	**100.0%**

Recent Developments

COVID-19 Pandemic

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. Cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. The PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. However, the pandemic is far from over, especially with the emergence of new variants such as the Delta variant. Different countries continue to suffer the impact of renewed lockdowns and other restrictive measures imposed by their governments in light of further waves of infections. 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 to what extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected. See "Risk Factors—The COVID-19 pandemic may adversely affect the PRC economy, the PRC real estate industry and our business operations."

Increase of Shareholding in A-Living Smart City Services Co., Ltd.

On July 15, 2021, the Issuer, an indirect wholly-owned subsidiary of the Company, and Shenzhen Lvjin Enterprise Management Co., Ltd., an indirect wholly-owned subsidiary of Greenland Holdings Group Company Limited, entered into a share transfer agreement, pursuant to which the Issuer agreed to purchase, and Shenzhen Lvjin agreed to sell, an aggregate of 50,000,000 overseas listed shares of A-Living at HK$32 per share, for a total consideration of HK$1.6 billion. Following completion of the purchase, the Company will be interested in 771,256,750 overseas listed shares of A-Living, representing approximately 54.31% of the total issued share capital of A-Living as of July 15, 2021.

Redemption of July 2018 Notes

On July 18, 2021, we fully redeemed the July 2018 Notes.

Issuance of July 2021 Notes

On July 21, 2021, we issued the July 2021 Notes. See "Description of Other Material Indebtedness."

Issuance of September 2021 Notes

On September 1, 2021, we issued the September 2021 Notes. See "Description of Other Material Indebtedness."

Partial Repurchases of Senior Notes

On November 4, 2021, we have repurchased the principal amount of US$10 million plus accrued and unpaid interests of its 3.85% senior notes with the total principal amount of US$200 million to be due on November 18, 2021 (ISIN: XS2261175801).

Repurchase and Resale of Domestic Corporate Bonds

We completed the repurchase of 12,000,000 domestic corporate bonds which were issued in 2016 in an aggregate principal amount of RMB1,200 million on October 11, 2021 and the annual coupon rate has been adjusted to 6.5% from October 11, 2021. Following completion of the repurchase, we have resold all such 12,000,000 domestic corporate bonds during the period from October 11, 2021 to November 5, 2021.

Other Updates

As of June 30, 2021, we had cash and cash equivalents of approximately RMB46.5 billion and restricted cash of approximately RMB10.6 billion, among which approximately RMB3.3 billion cash and cash equivalents were held by us outside the PRC. Since July 1, 2021 and up to October 31, 2021, we have raised an equivalent of approximately RMB4.6 billion cash from issuances of senior notes offshore in July 2021 and September 2021, and have transferred cash of approximately RMB3.5 billion from onshore to offshore. Based on the information currently available, we believe that we are also able to transfer further funds offshore to service our offshore debt obligations if and when necessary.

As of the date of this Offering Circular, we provided a guarantee for the indebtedness of an independent third party of up to US$250 million in principal amount. We expect the guarantee would be terminated upon the maturity and repayment of the underlying debt on November 24, 2021. As of June 30, 2021, we had not raised any other financing, borrowed any monies or provided other forms of guarantee or credit support in respect of indebtedness which were not disclosed in our interim consolidated financial statements for the six months ended June 30, 2021, or in the notes to such financial statements (excluding intra group transactions eliminated via accounting consolidation and de minimis amount).

COMPETITIVE STRENGTHS

We believe that our success and future prospects are supported by a combination of the following competitive strengths:

- market leadership with a well-established track record;
- diversified, sizeable and low-cost land bank;

- strong brand name recognition and a wide spectrum of high-quality products;
- stable income from other segments;
- extensive experience in large-scale multi-phase developments; and
- strong corporate governance and experienced management.

BUSINESS STRATEGIES

We plan to further diversify our "1+N" business model, which is to strengthen our position in the property development business and accelerate the development of other businesses. We also aim to improve our execution, operational efficiency and overall management quality. We intend to achieve our overall business objectives by pursuing the following strategies:

- optimize land bank with an active but prudent land acquisition strategy;
- enhance overall management to maximize profits;
- further expand A-Living with diversified value-added services;
- increase our competitive edge in other businesses, including, A-Living, environmental protection, construction, real estate construction management and commercial; and
- strengthen our brand recognition nationwide and overseas.

GENERAL INFORMATION

The Issuer is a business company with limited liability incorporated in the British Virgin Islands on July 5, 2016, with registration number 1917677. It's a wholly-owned subsidiary of the Company. See "Description of the Issuer."

The Company is incorporated in the Cayman Islands on July 14, 2005 as an exempted company with limited liability, with registered number 151949. Its principal place of office in the PRC is at 33rd Floor, Agile Center, 26 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province, PRC, Postal Code: 510623. Our principal place of business in Hong Kong is at 18/F., Three Pacific Place, 1 Queen's Road East, Hong Kong. Our registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

SUMMARY OF THE OFFERING

The following summary contains some basic information about the Bonds and is qualified in its entirety by the remainder of this Offering Circular. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" and "Description of the Global Certificate" shall have the same meanings in this summary. A reference to a numbered Condition is a reference to the Terms and Conditions of the Bonds and the particular Condition bearing that number. For a more complete description of the terms of the Bonds, see "Terms and Conditions of the Bonds" in this Offering Circular.

Issuer	Farsail Goldman International Limited 遠航金門國際有限公司.
Guarantor.	Agile Group Holdings Limited.
Bonds	HK$2,418,000,000 7.0 per cent. Secured Guaranteed Exchangeable Bonds due 2026 (the "Bonds", which expression, where the context requires otherwise, include the Bonds evidenced by the Global Certificate representing the Bonds and any further bonds issued pursuant to Condition 20) exchangeable into a *pro rata* share of the Exchange Property as of the relevant Exchange Date.
Shares.	H shares of RMB1.00 nominal value each in the capital of A-Living or shares of any class or classes resulting from any consolidation, subdivision or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of A-Living.
Guarantees	The Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. Each of the Subsidiary Guarantors will unconditionally and irrevocably guarantee the due payment of sums expressed to be payable by the Issuer and the Guarantor under the Trust Deed and the Bonds. Each of the JV Subsidiary Guarantors will unconditionally and irrevocably Guarantee the due payment of sums expressed to be payable by the Issuer and the Guarantor under the Trust Deed and the Bonds. The initial Subsidiary Guarantors are listed under "Corporate Structure".

Security — Collateral	The obligations of the Guarantor under the Trust Deed and the Bonds and the obligations of the Subsidiary Guarantor Pledgors under the Subsidiary Guarantees will be secured by pledges by the Guarantor and the Subsidiary Guarantor Pledgors of the Capital Stock of the Subsidiary Guarantors and the JV Subsidiary Guarantors held directly by the Guarantor or the Subsidiary Guarantor Pledgors (pursuant and subject to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement) on the Issue Date. On the Issue Date, the Trustee on behalf of itself and the Bondholders will (A) accede to, and/or authorise the Sub-Collateral Agent to accede to, the Intercreditor Agreement and (B) accede to the Sub-Collateral Agent Appointment Agreement, pursuant to which the Bondholders will be entitled to share in the benefit of the pledge of Collateral on a *pari passu* basis with the holders of the Senior Notes and the holders of any Permitted Pari Passu Secured Indebtedness. The Intercreditor Agreement and (as applicable) the Sub-Collateral Agent Appointment Agreement also provide for the conditions under which any lien on such Collateral may be released, and for the conditions under which the Sub-Collateral Agent will take enforcement actions with respect to such Collateral. For the avoidance of doubt, in the event the Guarantor has repaid or defeased in full, at maturity or through redemption, repurchase, defeasance in accordance with the terms of the Senior Notes or otherwise, all outstanding Senior Notes, the Lien over the Collateral will also be released in relation to the Bonds. The Guarantor and the Subsidiary Guarantor Pledgors may create Further Security Interests over the Collateral to secure any Permitted Pari Passu Secured Indebtedness (as defined in the Conditions) of the Guarantor or a Subsidiary Guarantor Pledgor, as the case may be.
Security — Further Security . . .	The obligations of the Obligors under the Bonds Documents will be secured in favour of the Trustee for the benefit of the Secured Parties pursuant to, and as more particularly described in the Deed of Charge and the Hong Kong Share Mortgage as further described in Condition 3.
Issue Price	100.0 per cent. of the principal amount of the Bonds.
Form and Denomination	The Bonds will be issued in registered form in the denomination of HK$1,000,000 each.
Interest	The Bonds will bear interest on their outstanding principal amount from and including the Issue Date at the rate of 7.0 per cent. per annum, payable semi-annually in arrear on May 24 and November 24 of each year (each an "**Interest Payment Date**"), beginning on 24 May 2022; provided that if any Interest Payment Date would otherwise fall on a day which is not a business day (as defined in Condition 7), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.
Issue Date	24 November 2021.
Maturity Date	The Interest Payment Date falling on or nearest to 24 November 2026.

Status of the Bonds . . . . The Bonds will constitute the direct, unsubordinated and unconditional obligations of the Issuer, secured in the manner provided in Condition 3 and (i) in the case of the Bonds Security Assets, pursuant to the terms of the Deed of Charge and the Hong Kong Share Mortgage, and (ii) in the case of the Collateral, pursuant to the terms of the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement. The Bonds shall at all times rank *pari passu* without preference or priority among themselves.

Status of the Guarantees . . . . . . The Parent Guarantee will constitute the direct, unsubordinated and unconditional obligations of the Guarantor, secured in the manner provided in Condition 3 and in the Bonds Security Documents.

The Subsidiary Guarantee of each Subsidiary Guarantor will constitute the direct, unconditional and unsubordinated obligations of such Subsidiary Guarantor. The payment obligations of each Subsidiary Guarantor under its Subsidiary Guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 3 (to the extent applicable) and Condition 4, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations. The obligations of the Issuer under the Bonds and the Trust Deed shall be guaranteed by each Subsidiary Guarantor on a *pari passu* basis with the subsidiary guarantees provided by such Subsidiary Guarantor in respect of the obligations of the Guarantor under the Existing Notes (together with any other debt obligations similar to the Existing Notes that the Guarantor may issue from time to time and which constitute Permitted Pari Passu Secured Indebtedness (as defined in Condition 3(a)(ii)), the "**Senior Notes**").

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will constitute direct, unconditional and unsubordinated obligations of such JV Subsidiary Guarantor. The payment obligations of such JV Subsidiary Guarantor under its JV Subsidiary Guarantee shall be limited to the JV Entitlement Amount and shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations. The obligations of the Issuer under the Bonds and the Trust Deed shall be guaranteed by each JV Subsidiary Guarantor on a *pari passu* basis with the JV subsidiary guarantees provided by such JV Subsidiary Guarantor in respect of the obligations of the Guarantor under the Senior Notes.

Exchange Right . . . . Each Bondholder will have the right to require the Issuer to exchange all or any of its Bonds at any time during the Exchange Period for a *pro rata* share of the Exchange Property as at the relevant Exchange Date.

Exchange Period	Subject to applicable law and save as provided in the Conditions, the Exchange Right in respect of any Bond may be exercised by the Holder thereof, at any time during the period from (and including) 4 January 2022 up to (and including) the earliest to occur of (i) the date which falls seven days prior to the Maturity Date, (ii) if such Bond is to be redeemed pursuant to Condition 10(b) prior to the Maturity Date, then up to (and including) the date which falls seven days prior to the date fixed for redemption thereof or (iii) the time at which the Trustee declares the Bonds to be immediately due and payable pursuant to Condition 13 or, as the case may be, the time at which the Bonds automatically become immediately due and payable without any declaration or other act on the part of the Trustee or any Bondholder as provided in Condition 13(g) or Condition 13(h).
Exchange Property	At any time and in respect of all the Bonds which are outstanding at such time (excluding for this purpose the principal amount of any Bonds in respect of which Exchange Rights have been exercised by a Bondholder but the Exchange Property has not yet been delivered or paid), a number of Shares (unrounded) equal to the aggregate principal amount of the Bonds so outstanding divided by the Exchange Price in effect at such time.
Exchange Price	The Exchange Price will initially be HK$27.48 per Share but will be subject to adjustment. The number of Shares forming the Exchange Property may be altered following an adjustment to the Exchange Price, with additional Shares forming part of the Exchange Property (subject as set out in the Conditions). See "*Terms and Conditions of the Bonds — Exchange Right — Exchange Period and Exchange Rights — Exchange Right*".
Adjustments to the Exchange Price	The Conditions will contain provisions for the adjustment of the Exchange Price in the event of the occurrence of certain events including, among others, consolidation, subdivision or re-classification, capitalisation of profits or reserves, distribution, rights issues of shares or options over shares, rights issues of other securities, issues at less than current market price and other issues at less than current market price. See "*Terms and Conditions of the Bonds — Exchange Right — Adjustments to Exchange Price*".
Negative Pledge and Other Covenants	The Bonds will contain a negative pledge provision and other covenants, each as further described in Conditions 4 and 9.
Events of Default.	The Bonds will contain certain events of default provisions as further described in Condition 13.
Cross-default.	The Bonds will contain a cross-default provision as further described in "*Terms and Conditions of the Bonds — Events of Default — Cross-Default*".
Final Redemption	Unless previously exchanged, redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount together with accrued and unpaid interest thereon on the Maturity Date.

Redemption at the Option of the Issuer for Tax Reasons	The Bonds may be redeemed, in whole but not in part, at the option of the Issuer, at the principal amount together with interest accrued but unpaid to (but excluding) the Tax Redemption Date, if the Issuer satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice by the Issuer that (A) it (or, if the Parent Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 12 as a result of (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the Relevant Taxing Jurisdiction of the Issuer or the Guarantor (as the case may be); or (2) any change in the application or official interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), in each case which change or amendment becomes effective on or after the Issue Date; and (B) such obligation cannot be avoided by the Issuer (or, if the Parent Guarantee was called, the Guarantor) taking reasonable measures available to it, as further described in "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption at the Option of the Issuer — Redemption for tax reasons*".
Redemption at the Option of the Issuer for Minimum Outstanding Amount	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at the principal amount together with interest accrued but unpaid to (but excluding) the Issuer Optional Redemption Date (if any) at any time if, prior to the date on which the relevant notice of redemption is given Exchange Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued.
Redemption at the Option of the Bondholders following a Relevant Event.	The Bonds may be redeemed at the option of the Bondholders at their principal amount together with interest accrued but unpaid to (but excluding) the Relevant Event Put Date in respect of such Relevant Event (if any) upon the occurrence of a Relevant Event (which is a Change of Control or a Free Float Event).
Redemption at the Option of the Bondholders following a De-listing Event.	The Bonds may be redeemed at the option of the Bondholders at their principal amount together with interest accrued but unpaid to (but excluding) the De-listing Event Put Date (if any) upon the occurrence of a De-listing Event.
Redemption at the Option of the Bondholder	On 24 November 2024 (the "**Optional Put Date**"), the Holder of each Bond will have the right to require the Issuer to redeem that Bond on the Optional Put Date at their principal amount together with interest accrued but unpaid to (but excluding) such date (if any).

Lock-up . . . . The Issuer and the Guarantor have agreed in the Subscription Agreement that the Issuer, the Guarantor and any persons acting on any of their behalf will not, and each of the Issuer and the Guarantor will procure that none of its subsidiaries (other than A-Living and its subsidiaries) nor any person acting on its behalf will, for a period from the date of the Subscription Agreement up to 90 days after the Issue Date ("**Lock-up Period**"), without the prior written consent of the Sole Bookrunner (a) issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal) or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible or exchangeable into or exercisable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Sole Bookrunner prior to the expiration of the Lock-up Period; in each case except for (x) the Bonds and the Shares delivered on exchange of the Bonds or under the Securities Lending Agreement, (y) any transfer of Shares to another subsidiary by the Guarantor and (z) any security arrangements entered into with respect to the Shares, provided that the Issuer and/or the Guarantor procures that the person in favor of who such security is granted shall not have the right to enforce such security (whether through selling, contracting to sell, pledging or disposing of the Shares or entering into any agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares or entering into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in any of the foregoing) prior to the expiration of the Lock-up Period.

Taxation . . . . All payments of principal of, and premium (if any) on and interest on the Bonds or under the Parent Guarantee, the Subsidiary Guarantees and the 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 Issuer, the Guarantor or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organised or resident for tax purposes (or in any such case any political subdivision or taxing authority thereof or therein), including, without limitation, the PRC (each as applicable, a "**Relevant Taxing Jurisdiction**") or any jurisdiction through which payments are made (or in any such case any political subdivision or taxing authority thereof or therein) (together with each Relevant Taxing Jurisdiction, as applicable, a "**Relevant Jurisdiction**"), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law, as further described in Condition 12.

Clearing Systems	The Bonds will be represented initially by beneficial interests in the Global Certificate, which will be registered in the name of a nominee of, and deposited on the Issue Date with, a common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers whereof will be effected only through records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
Governing Law	English law (save for Hong Kong law for the Hong Kong Share Mortgage and the Custody Agreement and the law of the State of New York for the Intercreditor Agreement and the Sub-Collaterial Agent Appointment Agreement).
Trustee	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Registrar and Transfer Agent . .	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Principal Paying and Exchange Agent.	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).
Listing	Application will be made to the SGX-ST for the listing of and quotation for the Bonds on the SGX-ST. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds, 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 Bonds, if traded on the SGX-ST will be traded in a minimum board lot size of HK$2,000,000.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of the Bonds and on the distribution of offering materials in certain jurisdictions, including the United States, the United Kingdom, the PRC, the EEA, Hong Kong, Singapore, Japan, the British Virgin Islands and the Cayman Islands, see "*Subscription and Sale*".
Use of Proceeds	See the section entitled "Use of Proceeds".
International Securities Identification Number	XS2406577911.
Common Code.	240657791.
Legal Entity Identifier	549300TN2SD7VQZUOV66.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary financial data as of and for each of the fiscal years ended December 31, 2018, 2019 and 2020 (except for EBITDA data and amounts presented in U.S. dollars), are derived from our audited consolidated financial statements as of and for the years ended and as of December 31, 2019 and 2020. The summary financial data as of and for the six months ended June 30, 2020 and 2021 (except for EBITDA data and amounts presented in U.S. dollars) are derived from our unaudited condensed consolidated interim financial information for the six months ended and as of June 30, 2021. Consequently, such unaudited condensed consolidated interim financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit and should not be taken as an indication of our expected financial condition, results of operations and results for the full financial year ended December 31, 2021. Our unaudited condensed consolidated interim financial information as of and for the six months ended June 30, 2021 reproduced in this Offering Circular have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The summary financial data below should be read in conjunction with, the audited consolidated financial statements for the years ended December 2019 and 2020, the unaudited condensed consolidated interim financial information for the six months ended June 30, 2021, and the notes to those financial statements and information included elsewhere in this Offering Circular. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.

With effect from January 1, 2019, we adopted HKFRS 16 "Leases" ("HKFRS 16") under which we are required to adjust certain amounts recognized in our financial statements. Please refer to Note 2.2 of our audited consolidated financial statements for the year ended December 31, 2019 for a discussion on the effects of the adoption of HKFRS 16. We adopted HKFRS 16 from January 1, 2019, without requiring any restatement of the corresponding figures of the prior period before January 1, 2019 as permitted under the specific transitional provisions in the standard. Our audited consolidated financial statements as of and for the years ended December 31, 2018 may not be directly comparable against our audited consolidated financial statements on or after January 1, 2019, including our audited consolidated financial statements for each of the year ended December 31, 2019 and 2020. Investors must therefore exercise caution when making comparisons of any financial figures on or after January 1, 2019 against our consolidated financial figures prior to January 1, 2019 and when evaluating our financial position and results of operations.

SUMMARY CONSOLIDATED INCOME STATEMENT INFORMATION

	Year Ended December 31,				Six Months Ended June 30,		
	2018	2019	2020		2020	2021	
	RMB	RMB	RMB	US$ (unaudited)	RMB (unaudited)	RMB (unaudited)	US$ (unaudited)
	(in thousands, except percentages)						
Revenue	56,144,926	60,239,097	80,245,252	12,428,407	33,527,374	38,587,759	5,976,483
Cost of sales	(31,471,009)	(41,881,111)	(56,142,868)	(8,695,423)	(22,006,936)	(27,739,181)	(4,296,252)
Gross profit	24,673,917	18,357,986	24,102,384	3,732,984	11,520,438	10,848,578	1,680,231
Selling and marketing costs	(2,318,044)	(2,026,178)	(2,384,710)	(369,345)	(952,070)	(1,273,482)	(197,237)
Administrative expenses	(2,909,554)	(3,998,883)	(5,234,723)	(810,755)	(1,713,554)	(1,899,444)	(294,186)
Net impairment losses on financial and contract assets	(97,250)	(149,574)	(566,679)	(87,767)	(98,127)	(198,222)	(30,701)
Other gains, net	1,986,253	4,802,164	3,740,426	579,318	2,831,959	4,253,080	658,718
Other income	1,040,034	1,282,537	1,669,854	258,627	777,584	787,574	121,980
Other expenses	(257,002)	(228,300)	(400,044)	(61,959)	(128,308)	(112,698)	(17,455)
Operating profit	22,118,354	18,039,752	20,926,508	3,241,103	12,237,922	12,405,386	1,921,350
Finance costs, net	(2,744,353)	(2,529,824)	(1,040,210)	(161,108)	(1,342,235)	(1,239,305)	(191,944)
Share of post-tax profits of investments accounted for using the equity method	27,098	1,086,246	1,585,630	245,583	491,115	195,619	30,297
Profit before income tax	19,401,099	16,596,174	21,471,928	3,325,578	11,386,802	11,361,700	1,759,703
Income tax expenses	(11,043,282)	(7,362,928)	(9,223,051)	(1,428,469)	(5,047,603)	(4,891,083)	(757,532)
Profit for the year/period	8,357,817	9,233,246	12,248,877	1,897,109	6,339,199	6,470,617	1,002,171
Profit attributable to:							
Shareholders of the Company	7,125,007	7,511,794	9,474,597	1,467,428	5,127,482	5,290,297	819,363
Holders of perpetual capital securities	676,906	850,225	1,083,780	167,856	549,386	507,533	78,607
Non-controlling interests	555,904	871,227	1,690,500	261,825	662,331	672,787	104,201
	8,357,817	9,233,246	12,248,877	1,897,109	6,339,199	6,470,617	1,002,171
Dividends	1,658,443	3,772,477	3,132,664	485,188	1,750,626	1,629,218	252,234
OTHER FINANCIAL DATA							
EBITDA[1]	23,035,519	22,438,005	27,114,612	4,199,519	14,847,746	14,078,653	2,180,506
EBITDA Margin[2]	41.0%	37.2%	33.8%	33.8%	44.3%	36.5%	36.5%

Notes:

(1) The calculation of earnings before interest, taxation, depreciation and amortization (EBITDA) excluded fair value gains on investment properties. 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 performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for income taxes, interests, depreciation and amortization, fair value gains on investment properties, non-recurring other income/ expense, and exchange gains/losses. 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.

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

SUMMARY CONSOLIDATED BALANCE SHEET INFORMATION

	As of December 31,				As of June 30,	
	2018	2019	2020		2021	
	RMB	RMB	RMB	US$ (unaudited)	RMB (unaudited)	US$ (unaudited)
			(in thousands, except percentages)			
ASSETS						
Non-current assets						
Property, plant and equipment	8,753,527	11,701,956	12,080,847	1,871,085	12,859,541	1,991,689
Prepayments for acquisition of land use rights	2,039,236	—	34,285	5,310	—	—
Properties under development	16,936,396	31,742,993	30,973,623	4,797,203	23,243,298	3,599,928
Intangible assets	258,990	1,578,192	3,576,350	553,906	4,039,993	625,715
Investment properties	8,804,220	8,495,950	10,849,449	1,680,366	10,960,386	1,697,548
Goodwill	1,841,613	3,897,055	4,264,614	660,505	4,622,196	715,887
Investments accounted for using the equity method	10,088,353	14,711,189	18,179,155	2,815,593	31,927,699	4,944,971
Trade and other receivables	12,510,503	5,182,026	7,508,793	1,162,964	8,579,305	1,328,765
Right of use assets	—	3,077,209	3,376,304	522,923	3,441,413	533,007
Financial assets at fair value through other comprehensive income	—	262,036	510,639	79,088	322,123	49,890
Deferred income tax assets	1,433,982	1,350,770	1,392,281	215,637	1,481,590	229,469
Prepayments for acquisition of equity interests	870,856	468,000	523,321	81,051	10,000	1,549
	63,537,676	82,467,376	93,269,661	14,445,631	101,487,544	15,718,419
Current assets						
Properties under development	73,584,977	79,622,115	82,148,512	12,723,184	80,925,093	12,533,701
Completed properties held for sale	8,446,700	13,447,730	19,092,671	2,957,078	17,260,770	2,673,353
Inventories	46,467	343,029	248,325	38,461	295,890	45,828
Prepayments for acquisition of land use rights	5,187,072	10,669,360	8,311,775	1,287,330	7,102,659	1,100,062
Trade and other receivables	27,735,425	35,360,168	50,021,335	7,747,318	55,811,527	8,644,105
Prepaid income taxes	3,165,117	6,077,471	5,355,663	829,487	4,785,630	741,200
Financial assets at fair value through profit and loss	3,232,031	1,008,031	1,247,819	193,263	1,503,154	232,809
Restricted cash	9,285,376	9,003,578	8,938,792	1,384,443	10,647,890	1,649,148
Assets held for sale	—	302,108	—	—	—	—
Cash and cash equivalents	35,776,231	33,551,303	41,925,908	6,493,496	46,512,122	7,203,810
Contract assets	448,715	1,379,556	3,204,597	496,328	4,058,997	628,659
	166,908,111	190,764,449	220,495,397	34,150,388	228,903,732	35,452,674
Total assets	230,445,787	273,231,825	313,765,058	48,596,019	330,391,276	51,171,093

	As of December 31,				As of June 30,	
	2018	2019	2020		2021	
	RMB	RMB	RMB	US$ (unaudited)	RMB (unaudited)	US$ (unaudited)
	(in thousands, except percentages)					
EQUITY						
Capital and reserves attributable to the shareholders of the Company						
Share capital and premium	3,421,883	3,421,883	3,421,883	529,982	3,421,883	529,982
Shares held for Share Award Scheme	(156,588)	(156,588)	(156,588)	(24,252)	(156,588)	(24,252)
Other reserves	2,604,982	2,931,267	3,416,513	529,150	4,564,159	706,898
Retained earnings	35,368,931	38,277,061	44,133,820	6,835,458	47,241,223	7,316,734
	41,239,208	44,473,623	50,815,628	7,870,338	55,070,677	8,529,362
Perpetual capital securities	8,334,875	13,566,867	13,637,493	2,112,179	13,013,810	2,015,582
Non-controlling interests	5,406,850	7,295,986	12,516,601	1,938,575	21,882,534	3,389,173
Total equity	54,980,933	65,336,476	76,969,722	11,921,092	89,967,021	13,934,117
LIABILITIES						
Non-current liabilities						
Borrowings	53,196,485	54,372,620	59,243,748	9,175,688	58,412,878	9,047,003
Trade and other payables	—	2,201,976	4,284,452	663,577	4,670,829	723,419
Deferred income tax liabilities	1,884,085	3,179,780	4,087,131	633,016	3,976,706	615,913
Financial liabilities at fair value through profit or loss	6,144	83,092	101,235	15,679	6,611	1,024
Contract liabilities	—	—	75,271	11,658	117,746	18,237
Lease liabilities	—	390,326	392,927	60,857	410,267	63,542
	55,086,714	60,227,794	68,184,764	10,560,475	67,595,037	10,469,138
Current liabilities						
Borrowings	35,332,872	42,297,082	38,569,018	5,973,580	39,486,623	6,115,699
Trade and other payables	42,533,971	53,917,720	75,229,690	11,651,595	73,314,728	11,355,005
Current income tax liabilities	17,014,547	17,562,708	17,257,347	2,672,823	17,139,026	2,654,497
Financial liabilities at fair value through profit or loss	7,192	53,684	1,004,423	155,565	447,109	69,248
Contract liabilities	25,489,558	33,653,950	36,306,083	5,623,096	42,211,917	6,537,794
Lease liabilities	—	182,411	244,011	37,793	229,815	35,594
	120,378,140	147,667,555	168,610,572	26,114,452	172,829,218	26,767,837
Total liabilities	175,464,854	207,895,349	236,795,336	36,674,927	240,424,255	37,236,975
Total equity and liabilities	230,445,787	273,231,825	313,765,058	48,596,019	330,391,276	51,171,093
Net current assets	46,529,971	43,096,894	51,884,825	8,035,936	56,074,514	8,684,837
Total assets less current liabilities	110,067,647	125,564,270	145,154,486	22,481,567	157,562,058	24,403,256

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

RISKS RELATING TO OUR BUSINESS

We are heavily dependent on the performance of the property market in the PRC, particularly in Southern China Region, Eastern China Region and Hainan Province

Our business and prospects depend on the performance of the PRC property market. Any housing market downturn in China generally or in the regions where we have property developments could adversely affect our business, financial condition and results of operations. Most of our property developments are located in Southern China Region, Eastern China Region and Hainan Province. As of June 30, 2021, we had 222 projects within our land bank, 68 of which were located in Southern China region with a total planned GFA of approximately 17.46 million sq.m.; 70 in Eastern China region with a total planned GFA of approximately 11.78 million sq.m.; 25 in Western China region with a total planned GFA of approximately 4.75 million sq.m.; 22 in Central China region with a total planned GFA of approximately 4.97 million sq.m.; 7 in Hainan Province with a total planned GFA of approximately 3.53 million sq.m.; 7 in Yunnan Province with a total planned GFA of approximately 5.18 million sq.m.; 3 in Northeast China region with a total planned GFA of approximately 0.15 million sq.m.; 14 in Northern China region with a total planned GFA of approximately 4.79 million sq.m.; 2 in Hong Kong with a total planned GFA of approximately 20,199 sq.m.; 2 in Kuala Lumpur of Malaysia with a total planned GFA of approximately 263,861 sq.m.; 1 in Phnom Penh of Cambodia with a total GFA of approximately 50,640 sq.m. and 1 in San Francisco of the United States with a total planned GFA of approximately 10,674 sq.m.

Since our business is and will continue to be heavily dependent on the continued growth of the property market in Southern China region, Eastern China region and Hainan Province, any adverse developments in the supply and demand or in property prices in Southern China region, Eastern China region and Hainan Province would have an adverse effect on our results of operations and financial condition. In addition, future demand for different types of residential properties is uncertain. If we fail to respond to market changes or customer preferences in a timely manner or at all, our business, financial condition and results of operations will be adversely affected. In addition, recent negative news relating to certain Chinese property companies have had a significant effect on the property sector in China. Such developments have an adverse impact on property sales in China and the ability of Chinese property companies to obtain onshore and offshore financing, including us which may impact our ability to refinance our existing indebtedness.

As consumer spending changes due to changing economic conditions, we cannot assure you that property development and investment activities will continue to grow or that we will be able to benefit from future growth in the property market in Southern China Region, Eastern China region, Hainan Province or the PRC. In addition, we cannot assure you that there will not be any over-supply of properties in the cities or regions where we have property projects. Any such over-supply or adverse developments in national and local economic conditions as measured by such factors as GDP growth (which has slowed down in recent years, with real annual GDP growth slowing to 6.9% in 2017 from 14.2% in 2007), employment levels, job growth, consumer confidence, interest rates and population growth in the PRC, particularly in the regions where our projects are located, may reduce demand and depress prices for our products and services and have a material adverse effect on our business, financial condition and results of operations. Demand for and prices of properties in the PRC are also directly affected by the macroeconomic control measures adopted 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. Also see "—Risks Relating to Property Development in the PRC—We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of property market in China."

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 amicable resolution of such a trade war remains elusive, and the lasting impacts any trade war may have on the PRC economy and the PRC real estate industry uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected.

We cannot assure you that property development and investment activities will continue at past levels, or that we will be able to benefit from the future growth, if any, of the property market in Southern China Region, Eastern China Region and Hainan Province or the PRC in general, or in other areas where we have operations.

The COVID-19 pandemic may adversely affect the PRC economy, the PRC real estate industry and our business operations.

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. Many countries have imposed unprecedented measures to halt the spread of the COVID-19 pandemic, including strict city lockdowns and travel bans. There is no assurance that more countries will not tighten travel restrictions or lockdowns in response to the pandemic or that the current containment measures will be effective in halting the pandemic.

Several cities in China where we have land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious coronavirus. As a result, sales offices and construction of our development projects were temporarily shut down. Moreover, supply of our raw materials and productivity of our employees may be adversely affected. As a result, the completion of our projects may be delayed and sales might be lower than expected, which might in turn result in substantial increase in our development costs, late delivery of properties and/or otherwise adversely affect our profitability and cash flows. Further, customers who have previously entered into contracts to purchase properties may default on their purchase contracts if the economic situation further deteriorates as a result of the epidemic. In addition, the COVID-19 outbreak poses risks to the wellbeing of our employees and the safety of our workplace, which may materially and adversely affect our business operation. Our ability to adequately staff, manage and/or maintain daily operations may be adversely affected if the outbreak continues or further deteriorates. Given the uncertainties as to the development of the outbreak at the moment, it is difficult to predict how long these conditions will exist and the extent to which we may be affected. Furthermore, our properties or facilities may be required to be suspended or quarantined, if there were clusters for the COVID-19 cases in our properties or facilities or governmental ordinance to contain the outbreaks. Any of these circumstances will result in material adverse impact on our business, financial condition, results of operations, performance and prospects. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. The outbreak is however far from over, and in different countries, is showing signs of resurgence and further waves of infections are recorded everyday. Different countries continue to suffer the impact of renewed lockdowns and other restrictive measures imposed by their governments in light of further waves of infections, especially with the emergence of new variants such as the Delta variant. There can be no assurance that any recovery momentum will continue in the future.

We may be adversely affected by fluctuations in the China real estate markets, the global economy and financial markets

Since September 2021, there has been negative news relating to certain Chinese property companies including defaults on their indebtedness. This has had a negative impact on, and resulted in increased volatility in, the property sector in China. Such recent defaults make it difficult for Chinese property developers, management companies and potential property purchasers to obtain onshore and offshore financing, and result in very low market confidence in and very low demand for China real estate and increased market volatility. There is no guarantee that such situation will improve, and the property market may not continue to grow and may even experience significant contraction. In addition, there may be more developers who are unable to pay their debt when due and default on their indebtedness and we cannot assure you that we will be able to refinance our existing indebtedness and/or pay our debts when due.

In addition, the global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC real estate industry and many other industries. In 2010, a financial crisis emerged in Europe, triggered by high budget deficits and rising direct and contingent sovereign debt in Greece, Ireland, Italy, Portugal and Spain, which created concerns about the ability of these European nations to continue to service their sovereign debt obligations. On August 6, 2011, Standard and Poor's Ratings Services ("S&P") downgraded the rating for long-term United States debt to "AA+" from "AAA" for the first time in 70 years. The downgrade of United States debt by S&P, coupled with the economic turmoil in Europe and other parts of the world, could lead to another global economic downturn and financial market crisis. Further, in the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union had 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. More recently, since June 2019, Hong Kong has been experiencing protests and riots initially triggered by a proposed extradition law amendment bill and the full extent of the adverse impact on the local economy caused by such activities are yet to be seen.

The outlook for the world economy and financial markets remains uncertain. In Europe, the Greek economy remains in a deep recession due to its sovereign debt crisis, which the Eurozone is still trying to tackle. In the United States, economy growth remains slow, creating further uncertainty with respect to the Federal Reserve's monetary policy and the trend of interest rates. Further, the COVID-19 Pandemic has been causing immeasurable harm in both Europe and the US, and the economic outlook has not been positive. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, political unrest in various countries has resulted in economic instability and uncertainty. China's economic growth may slow down due to weakened exports.

These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue adversely affecting, homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their selling prices. The PRC economy and property market will still be dependent on the global market, especially the economic conditions in Europe and the United States. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity and potential property purchaser's ability to obtain financing. Therefore, if the global economic slowdown and uncertainty in the financial markets continue, our business, financial condition and results of operations may be adversely affected.

We have substantial indebtedness and may incur substantial additional indebtedness in the future, which could adversely affect our financial health and our ability to generate sufficient cash to satisfy our outstanding and future debt and other obligations

We now have, and will continue to have after the offering of the Bonds, a substantial amount of indebtedness. As of June 30, 2021, our total indebtedness outstanding, including both current and non-current borrowings, amounted to RMB97,899.5 million (US$15,162.7 million). Since June 30, 2021, our total indebtedness has further increased as we have entered into additional financial arrangements to finance our property development and for general corporate purposes. See "*Recent Developments*" and "*Description of Other Material Indebtedness*" for further details.

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

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

In the ordinary course of business, some of our joint ventures and associates also entered into certain financing arrangements to finance project development, in respect of which we provided guarantees. As of June 30, 2021, our guarantees provided for associates and joint ventures for their borrowings amounted to RMB1,232 million (US$190.8 million) and RMB8,101 million (US$1,254.7 million), respectively. We will continue to provide guarantees for certain borrowings of joint ventures and associates. We cannot assure you that the joint ventures and associates won't default on the borrowings. In addition, we have also guaranteed and provided credit support for the indebtedness of certain cooperative partners who are independent third parties to our Group and may continue to do so in the future. If any default occurs with respect to such indebtedness and our relevant guarantee is called upon, our business, results of operations and financial condition could be materially and adversely affected.

Our ability to generate sufficient cash to satisfy our outstanding and future debt and other obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt and other obligations as they become due. However, there is no assurance that we will be able to generate sufficient cash flow for these purposes. For 2018 and 2020 and the six months ended June 30, 2021, we recorded net cash flows generated from operating activities of RMB2,627.6 million, RMB3,307.3 million (US$506.9 million) and RMB827.4 million (US$128.1 million). For 2019, we recorded net cash flows used in operating activities of RMB14,551.3 million. If we are unable to make scheduled payments in connection with our debts and other fixed payment obligations as they become due, we may need to refinance such obligations or obtain additional financing, which may not be available at favourable terms, or at all. Furthermore, the Bonds, the Existing Notes and some of our bank loans contain restrictions and covenants as well as cross-default provisions under which default in one such loan could trigger a default on the Bonds or one or more of the other bank loans as well. If we are unable to comply with the restrictions or covenants in such bank loans, or our current and future debt obligations under other financing agreements, there could be a default under the terms of such bank loans or other financing agreements which may also cause acceleration of repayment on other debts, including the Bonds. We cannot assure you that we will be able to comply with the restrictions or covenants in our current or future financing agreements, or that upon any default, we can obtain consents or waivers for any such default. We cannot assure you that we will be able to successfully refinance our existing indebtedness or that we will be able to secure additional financing on acceptable terms, on a timely basis, or at all. If we fail to maintain sufficient cash flow to service our indebtedness or our refinancing efforts are unsuccessful, our liquidity, business, and financial condition will be materially and adversely affected. Furthermore, the PRC government has in the past implemented a number of policy initiatives in the financial sector to tighten lending requirements in general, such as increasing the reserve requirement ratio for financial institutions in the PRC from time to time since 2010, and in particular for property developers. We cannot assure you that the PRC government will not introduce other initiatives which may limit our access to capital resources or increase our finance costs.

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 cost. See "*Risk Factors — We may not have adequate capital resources to fund land acquisitions or property developments, or to service our financing obligations.*" In addition to bank loans and bonds, we rely on proceeds from the pre-sale of our properties as a major source of funding for our property development activities. If our pre-sales are limited or reduced for any reason, including policy or regulatory changes, a reduction in demand for or in the prices of our properties, or delays in our property development schedule, we could experience cash flow shortfalls and difficulties in funding our property development activities and servicing our indebtedness. Our business may be exposed to unpredictable and unstable operating cash flows in the future. If we are unable to service our indebtedness and satisfy our other obligations, including our obligations under the Bonds, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

Increasing competition in the PRC, particularly in Southern China Region, Eastern China region and Hainan Province, may adversely affect our business and financial condition

In recent years, a large number of property developers have undertaken property development and investment projects in Southern China region, Eastern China region, Hainan Province and elsewhere in the PRC. Our major competitors include large national and regional property developers and overseas developers (including a number of leading Hong Kong property developers), some of which may have better track records and greater financial and other resources than us. In addition, we also compete with small local homebuilders.

The intensity of competition among property developers in Southern China Region, Eastern China region, Hainan Province and elsewhere in the PRC for land, financing, raw materials and skilled management and labor resources may result in increased cost for land acquisition and construction, an over-supply of properties in certain parts of the PRC, including Southern China Region, Eastern China region and Hainan Province, a decrease in property prices and delays in the government approval process. Any of the above may adversely affect our business, financial condition and results of operations.

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

Our strategy of expanding into new geographical areas may fail

We have from time to time, been expanding our business into geographical areas outside the Southern China Region. We also evaluate potential projects for development outside the PRC from time to time, including but not limited to those in Hong Kong, Malaysia, Cambodia and the U.S. We may also pursue selective strategic acquisitions of businesses and properties if suitable opportunities arise. We cannot assure you that we will be able to replicate our successful business models and leverage such experience to expand into other parts of China. In January 2014, we partnered with PJ Development Holdings Berhad to develop a property project in Kuala Lumpur, Malaysia, which was our first project in the overseas market. In May 2014, we partnered with Tropicana Corporation Berhad to develop another property in Kuala Lumpur, Malaysia. In 2017, we acquired a project in Hong Kong. In 2019, we acquired one project in Phnom Penh, Cambodia. In 2020, we acquired a project in San Francisco of the United States. When we enter new markets, we may face intense competition from developers with experience or established presence in the geographical areas or segments that we plan to expand into and from other developers with similar expansion plans. In addition, expansion or acquisition requires a significant amount of capital investment, and it may divert the resources and time of our management. Further, if we fail to integrate the new businesses effectively, our operating efficiency may be adversely affected. Our failure to manage any of our planned expansion or acquisitions may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to successfully manage our growth

We have been expanding our operations in recent years and expect to continue expanding. We have entered new geographical markets and new industries such as construction and environmental protection. As we continue to grow, we must continue to improve our managerial, technical and operational knowledge and allocation of resources, and to implement an effective management information system. To effectively manage our expanded operations, we need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements. In order to fund our ongoing operations and our future growth, we need to have sufficient internal sources of liquidity or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, suppliers, contractors, service providers, lenders and other third parties. Accordingly, we will need to further strengthen our internal control and compliance functions to ensure that we are able to comply with our legal and contractual obligations and reduce our operational and compliance risks. We have entered and may from time to time enter into strategic acquisitions, investments, alliances or joint ventures during the ordinary course of business. Acquisitions involve substantial risks, including, but not limited to unforeseen difficulties in integrating operations, uncertainties as to whether the investments are assessed accurately in terms of the likely benefits, failure to obtain sufficient financing, disagreement with partners and uncertainty of financial condition of the joint venture partners. Acquisitions may be expensive and difficult to implement and subject to us monetary losses that may materially and adversely affect our business. We cannot assure you that we will not experience issues such as capital constraints, construction delays, operational difficulties at new operational locations or difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business. Neither can we assure you that our expansion plans will not adversely affect our existing operations and thereby have a material adverse effect on our business, financial condition, results of operations and future prospects.

We have started expanding our operations into other industries and such expansion may not be successful

We have taken initiatives or made plans to expand into new industries such as environmental protection, construction and real estate construction management with a view to establishing alternative revenue sources. For more information, see the sections entitled "*Business — Environmental Protection*", "*Business — Construction*" and "*Business — Real Estate Construction Management*". There is no assurance that we can leverage our experience in the property industry and replicate our success in other industries.

Our expansion in general may require a significant amount of capital investment and involve various risks and uncertainties, including the risk of operating in a new environment or market, navigating different regulatory regimes or obtaining necessary governmental approvals, difficulties in gaining market recognition or competing effectively with established industry participants, difficulties of integrating new businesses and employees into our existing businesses, ability to develop the necessary technology or know-how for the new businesses, and the diversion of resources and attention of our management.

Moreover, our entry into new industries has exposed or will expose us to additional risks common in such industries. Operations in new industries may elevate our risks in areas such as regulatory compliance, customer complaints or lawsuits. In addition, our expansion plan may also be adversely impacted as a result of the outbreak of COVID-19 which continues to spread within the PRC and globally. Any failure to address these risks and uncertainties may adversely affect our business, financial condition and results of operations. See "Recent Developments — *COVID-19 Pandemic*."

Our financing costs are affected by changes in interest rates

Our financing costs and, in turn, our business, financial condition and results of operations, are affected by changes in interest rates. A substantial portion of our borrowings are linked to benchmark lending rates published by the People's Bank of China (the "PBOC"). Such rates have fluctuated in recent years in line with government macro-economic policies. As of June 30, 2021, we had RMB97,899.5 million (US$15,162.7 million) of outstanding borrowings (including our senior notes, various credit facilities and other borrowings). Our interest expenses on bank and other borrowings and syndicated loans for 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021 were RMB3,571.7 million, RMB4,965.8 million, RMB5,339.3 million, RMB2,555.5 million and RMB2,686.9 million (US$416.1 million), respectively. Since June 30, 2021, we have entered into additional financing agreements that can impact our financing costs. See "Recent Developments" and "Description of Other Material Indebtedness" for more details. The PBOC may raise lending rates again in the future, in which case our business, financial condition and results of operations will be adversely affected.

The PRC government has imposed restrictions on PRC property developers to obtain offshore financing which could affect our ability to inject the funds raised in the offering into our business in the PRC

The "Notice on Further Strengthening the Regulation on Approval and Supervision of Foreign Direct Investment in Real Estate Industry 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) jointly issued by the Ministry of Commerce ("MOFCOM") and the State Administration of Foreign Exchange ("SAFE") on May 23, 2007, and 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) issued by SAFE on April 28, 2013, 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), stipulate, among other things, (i) that the local foreign exchange authorities 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 approval certificates from and registered with MOFCOM on or after June 1, 2007; and (ii) that the local foreign exchange authorities will no longer process foreign exchange registrations (or any change in such registrations) or applications for settlement and sale of foreign exchange submitted by real estate enterprises with foreign investment that obtained approval certificates from local commerce departments on or after June 1, 2007 but that did not register with MOFCOM. These regulations effectively restrict us from injecting funds raised offshore into our PRC project companies by way of shareholder loans. Without this flexibility, we cannot assure you that the dividend payments from our PRC subsidiaries will be available on each distribution payment date to pay the distribution due and payable under the Bonds, or on a redemption date to pay for the principal of the Bonds.

In addition, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require approvals from or filings with the commerce department of the local government, which may take considerable time and delay the actual contribution to our PRC subsidiaries. This may adversely affect the financial condition of our PRC subsidiaries and may cause delays to the projects undertaken by such PRC subsidiaries. We cannot assure you that we have obtained or will obtain in a timely manner all relevant necessary approval certificates or registration for all our operating subsidiaries in the PRC to comply with this regulation. Furthermore, we cannot assure you that the PRC government will not introduce new policies that further restrict our ability to deploy, or that prevent us from deploying, in China the funds raised outside of China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner or at all.

According to Circular on Further Advancing the Reform of Foreign Exchange Administration and Improving Examination of Authenticity and Compliance (關於進一步推進外匯管理改革完善真實合規性審核的通知) ("Circular 3"), issued by SAFE on January 26, 2017, enterprises are permitted to directly or indirectly transfer proceeds from overseas loans guaranteed by an onshore enterprise for onshore use by loaning the proceeds to an onshore enterprise or using the proceeds to make investments in an onshore enterprise's capital or securities. Whether Circular 3 applies to the real estate industry, however, is presently unclear and subject to SAFE's subsequent practice.

On June 27, 2018, NDRC emphasized in a post published on its website that the proceeds from offshore bond offerings 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.

On July 12, 2019, the NDRC published on its website 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), which imposes additional restrictions on real estate enterprises incurring medium- to long-term foreign debt. The use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing medium- to long-term offshore debts of the real estate developer which will become due within one year. The real estate developer is required to specify in documents for application of foreign debt registration with NDRC the details of such medium- to long-term offshore debts, 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 regarding the authenticity of its foreign debt issuance.

We may not be able to obtain sites that are suitable for property developments

We derive a substantial portion of our revenue from sales and delivery of properties developed by us. This revenue stream is dependent on the completion of, and our ability to sell, our property developments. To maintain or grow our business in the future, we are required to replenish our land bank with suitable sites for development. Our ability to identify and acquire suitable sites is subject to a number of factors that are beyond our control. Our business, financial condition and results of operations may be adversely affected if we are unable to obtain substitute land sites for development in the future at commercially acceptable prices or at all. As of the date of this Offering Circular, two of our project companies were listed into the List of dishonest behaviors in bidding for state-owned construction land use right (國有建設用地使用權挂牌競價出讓失信行為人名單), which prohibited the relevant project companies in participating bidding for state-owned construction land use right in Suzhou for 3 years since the day they were listed.

The PRC government controls all new land supply in the PRC and regulates land sales in the secondary market. As a result, the policies of the PRC government towards land supply affect our ability to acquire land use rights for sites we identify and the costs of our acquisitions. The PRC central and local governments may regulate the means by which property developers, including ourselves, obtain land sites for property developments. Furthermore, there have been recent reports that the PRC government may adopt and promote a more centralized land grant policy for selected regions and cities. These measures may potentially tighten land supply and further intensify the competition for land in China among property developers. See "— Risks Relating to Property Development in the PRC — We are subject to regulations implemented by the PRC government, which may adopt further measures intended to curtail the overheating of property market in China."

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

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

We have signed land grant contracts or transfer documents for, or otherwise hold other forms of interests in, certain land parcels for 25 of our projects for which we had not yet obtained land use rights certificates. As of June 30, 2021, these parcels of land occupied an aggregate site area of approximately 2.5 million sq.m. We cannot assure you that we will not be subject to a late payment penalty and there are instances that we have been subject to late payment penalties. There are also instances that we have not finally obtained land use rights after entered into the land grant contract because of the government's adjustment on the land planning and other reasons. If we fail to complete the acquisition of these pieces of land, we will not be able to develop and sell properties on such land. We may not be able to acquire replacement land on terms commercially acceptable to us, or at all, which could have a material adverse effect on our business, financial condition, results of operations and business prospects. See "Business — Description of Property Developments."

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

On September 28, 2007, the Ministry of Land and Resources issued the revised "Rules regarding the Grant of State-owned Land Use Rights for Construction by Way of Tender, Auction and Listing-for-sale" (招標拍賣掛牌出讓國有建設用地使用權規定), which provides that property developers must fully pay the land premium for the entire parcel under the land grant contract before they can receive a land use rights certificate and 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. On March

8, 2010, the Ministry of Land and Resources 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 property developers are required to pay 50% of the land premium as a down payment within one month of signing a land grant contract, and the balance is to be paid in full within one year of the date of the land grant contract. 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 position, financial condition and business plans.

The Ministry of Housing and Urban-Rural Development of the PRC ("**MOHURD**") and the Ministry of Land and Resources jointly issued the "Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply" (關於加強近期住房及用地供應管理和調控有關問題的通知) dated April 1, 2017 which requires 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. The implementation of these regulations may increase land transfer prices and require property developers to maintain a higher level of working capital. We cannot assure you that we will be able to acquire land suitable for development at reasonable cost or that our cash flow position, financial condition or business plans will not be materially and adversely affected by the implementation of these regulations.

Our profit margin is sensitive to fluctuations in the costs of construction materials and land

Construction and land costs constitute one of the main components of our cost of sales. Construction costs encompass all costs for the design and construction of a project, including payments to third party contractors, labor costs, costs of construction materials, foundation and substructure, fittings, facilities for utilities and related infrastructure such as roads and pipelines. Historically, construction material costs have been the principal driver of the construction costs of our property development projects, with the cost of third-party contractors remaining relatively stable. However, as construction material costs are often included in the construction costs paid to our contractors, it has been difficult for us to estimate such costs. We also carry out certain construction work through our construction subsidiary which is directly affected by such cost fluctuations. In recent years, there has been a significant increase in construction material costs and labor costs. We believe that construction costs will likely continue to rise with inflation in the foreseeable future.

Construction costs may fluctuate as a result of the price volatility of construction materials such as steel and cement. In line with industry practice, if there is a significant price fluctuation, depending on the specific terms of each contract, we will be required to re-negotiate existing construction contracts to top up payment to, or receive refund from, the contractors, depending on the price movement. Our profit margin is sensitive to changes in the market prices for construction materials and our profit margins will be adversely affected. In the six months ended June 30, 2021, gross profit margin of the Group was RMB10,849 million, representing a decrease of 5.8% when compared with RMB11,520 million in the six months ended June 30, 2020 and gross profit margin of the Group was 28.1%, representing a decrease of 6.3 percentage points when compared with 34.4% in the six months ended June 30, 2020. In 2020, gross profit of the Group was RMB24,102 million, representing an increase of 31.3% when compared with RMB18,358 million in 2019 and gross profit margin of the Group was 30.0%, representing a decrease of 0.5 percentage points when compared with 30.5% in 2019.

In addition, land costs may fluctuate as a result of the price volatility of land. In 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our total land costs transferred to cost of sales amounted to approximately RMB7,432.1 million, RMB13,303 million, RMB16,446 million, RMB5,684 million and RMB7,949 million (US$1,231 million), representing 14.2%, 24.6%, 23.6%, 19.4% and 24.8% of our sales revenue from property development during these periods, respectively. Our profit margin is sensitive to changes in market prices of land.

We may not have adequate capital resources to fund land acquisitions or property developments, or to service our financing obligations

The property development business is capital intensive. We have financed our land acquisitions and property developments primarily through a combination of internal funds, borrowings from both domestic and foreign banks, pre-sales and sales proceeds, and proceeds from our equity and debt financing. However, we cannot assure you that we will have sufficient cash flow available for land acquisitions or property developments or that we will be able to achieve sufficient pre-sales and sales to fund land acquisitions or property developments. Recent negative news relating to certain Chinese property companies has also had a significant effect on the property sector in China. Such recent defaults have an adverse impact on property sales in China and the ability of Chinese property companies to obtain onshore and offshore financing and/or refinance its existing indebtedness, including us. In addition, we cannot assure you that we will be able to secure external financing on terms acceptable to us or at all. As of June 30, 2021, our outstanding long-term and short-term borrowings were RMB58,412.9 million (US$9,047.0 million) and RMB39,486.6 million (US$6,115.7 million), respectively.

Our ability to obtain adequate financing for land acquisitions or property developments on terms that will allow us to earn reasonable returns depends on a number of factors, many of which are beyond our control. The PRC government has in recent years taken a number of policy initiatives in the financial sector to further tighten lending requirements for property developers, which, among other things:

- forbid PRC commercial banks from extending loans to property developers to finance land premiums;
- restrict PRC commercial banks from extending loans for the development of luxury residential properties;
- restrict the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibit commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;
- forbid property developers from using borrowings obtained from any local banks to fund property developments outside that local region;
- forbid commercial banks from issuing loans or providing loan extension services to a developer for its new projects if the developer has a record of maintaining idle land, changing the land use purpose and nature without proper approval, delaying the construction commencement or completion date, hoarding properties or other forms of non-compliance;
- restrict private equity and asset management plans to make investments into ordinary residential property projects located in certain popular cities such as Beijing, Shanghai, Guangzhou and Shenzhen; and
- prohibit the use of private equity products to finance property developers, including paying land grand fees, providing working capital loans and down payment facilities.

In addition, the PBOC regulates the lending rates and reserve requirement ratios for commercial banks in the PRC, which affects the availability and cost of financing from PRC commercial banks. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits made by their customers. We cannot assure you that the PBOC will not raise either the reserve requirement ratios or the benchmark one-year lending rate in the future. Such increases may negatively impact the amount of funds available to commercial banks in China to lend to businesses, including us, and may therefore adversely affect our business, financial condition and results of operations.

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 therefore may require us to maintain a relatively high level of internally-sourced cash. In November 2009, the PRC government raised the minimum down payment of land premium to 50%. In March 2010, this requirement was further tightened. The PRC government set the minimum land premium at no less than 70% of the benchmark price of the locality where the parcel of land is granted, and the bidding deposit at not less than 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 is to be paid within one month of signing the land grant contract, with the balance 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. Such policy may constrain our cash otherwise available for additional land acquisition and construction. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments. In April 2017, the PRC government required that local authorities should adopt procedures to examine the source of funds for land acquisitions to insure the property developers acquiring land with internal funds. These requirements may constrain our cash otherwise available for additional land acquisition and construction. There are instances where we have not paid the land premiums on time and have paid penalties for this. We cannot assure you that we will have adequate resources to fund land acquisitions (including any unpaid land premiums for past acquisitions), or property developments, or to service our financing obligations, and our business and financial condition may be materially adversely affected. In addition, the increase in benchmark lending rates has led to higher interest rates for mortgage loans, which may depress demand in the property market in general. More recently, there were reports that the PRC government may start to restrict financing available to property developers by reference to their leverage ratios such as gearing ratio.

Moreover, on September 21, 2018, Guangdong Real Estate Association issued an "Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses" (《關於請提供商品房預售許可有關意見的緊急通知》), asking for opinions on the cancellation of the pre-sale system of commodity residential properties. We cannot assure you that PRC governments will continue to allow pre-sale of properties or will not impose additional or more stringent requirements on pre-sale. In the event that the PRC governments prohibit pre-sale of properties or impose additional or more stringent requirements, the property developers like us may not have sufficient cash flows for property development projects and have liquidity problems. If we do not have sufficient cash flows from pre-sale to fund our future liquidity, pay our trade and bills payables and repay the outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

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

According to public media reports, on August 21, 2021, the Ministry of Natural Resources and other relevant governmental departments have held a joint meeting to impose conditions on granting state-owned land use rights to property developers, including setting price ceiling and requiring property developers to retain a portion of the property developed. No official announcement was published as of the date of this Offering Circular and our ability to raise capital for business operation and expansion may be adversely affected if the PRC government officially imposes further conditions for land bidding, auction or listing for sale.

The government may further restrict PRC commercial banks from extending loans to real estate developers in the future and may also further tighten alternative financing channels such as trust financing, mortgaging financing and borrowing from asset management companies and wealth management companies.

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. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to legal and business risks if we fail to obtain formal qualification certificates

Property developers in the PRC must obtain a formal qualification certificate in order to engage in a property development business in the PRC. According to the "Provisions on Administration of Qualification Certificates of Property Developers" (房地產開發企業資質管理規定), newly established developers must first apply for a provisional qualification certificate valid for one year, which can be renewed for a maximum of two additional one-year periods. Entities engaged in interior decoration should also obtain qualification certifications before commencing their business, according to the "Provisions on Administration of Qualification Certificates of Construction Enterprises" (建築業企業資質管理規定). However, on March 8, 2018, the Measures on Administration of Qualification Certificates of Property Service Enterprises was abolished. On March 19, 2018, the Regulation on Real Estate Management was revised accordingly so that no qualification certificate is required for property services.

In addition, property developers in the PRC, such as our individual project companies, are required to present a valid qualification certificate when they apply for a pre-sale permit. If a newly established property developer fails to commence developing property within one-year of the provisional qualification certificate becoming effective, it will not be allowed to extend its provisional qualification certificate. Experienced property developers must also apply for renewal of their qualification certificates once every two to three years in most cities, subject to an annual verification by relevant governmental authorities. It is mandatory under government regulations that developers fulfill all statutory requirements before obtaining or renewing their qualification certificates. In reviewing the renewal of a qualification certificate, the local authority takes into account the property developer's registered capital, property development investments, history of property development, quality of property construction, expertise of the developer's management, as well as whether the property developer has any illegal or inappropriate operations. Each of our project companies needs to renew such certificates every year.

If any one of our project companies is unable to meet the relevant requirements, and is therefore unable to obtain or renew its qualification certificate, that project company will typically be given a grace period to rectify any insufficiency or non-compliance, subject to a penalty of between RMB50,000 and RMB100,000. Failure to meet the requirements within the specified timeframe could result in the revocation of the qualification certificate and the business license of such project company. As of the date of this Offering Circular, certain of our project companies which have property development projects are in the process of applying for qualification certificates or in the process of renewing their qualification certificates. However, we cannot assure you that any of our project, property service or construction companies will be able to obtain, maintain or renew such qualification certificates from the government in a timely manner, or at all, as and when they expire. If our project, property service or construction companies are unable to obtain or renew their qualification certificates, they may not be permitted to continue their businesses, which could materially and adversely affect our business, financial condition and results of operations.

We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee financial institutions if our purchasers default on their mortgage payments

We arrange for various domestic banks to provide mortgages to the purchasers of our properties. In accordance with market practice, financial institutions require us to provide guarantees in respect of these mortgages. Substantially all of these guarantees are discharged upon earlier of (i) the issuance of the property ownership certificate, which will generally be available within one to two years after the purchasers take possession of the relevant property and (ii) the satisfaction of relevant mortgage loans by purchasers. In line with industry practice, we do not conduct independent credit checks on our customers but rely instead on the credit checks conducted by the by financial institutions. As of December 31, 2018, 2019 and 2020 and June 30, 2021, our outstanding guarantees over mortgage loans of our customers amounted RMB44,775.4 million, RMB38,294.4 million, RMB51,377.8 million, RMB47,653.5 million (US$7,380.6 million), respectively. Although we have historically experienced a low rate of default on mortgage loans guaranteed by us, we cannot assure you that such purchaser default rates will not increase in the future. If such default occurs and our relevant guarantee is called upon, our business, results of operations and financial condition could be materially and adversely affected to the extent that there is a material depreciation in the value of the related properties or if we are unable to sell the properties due to unfavorable market conditions or other reasons.

Our operating results fluctuate from period to period and the fluctuations make it difficult to predict our future performance

Our results of operations have varied significantly in the past and may continue to fluctuate significantly from period to period in the future. For 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, our revenue was RMB56,144.9 million, RMB60,239.1 million, RMB80,245.3 million, RMB33,527.3 million and RMB38,587.8 million (US$5,976.5 million), respectively, and net profit attributable to our shareholders was RMB7,125.0 million, RMB7,511.8 million, RMB9,474.6 million, RMB5,127.5 million and RMB5,290.3 million (US$819.4 million), respectively. Because we derive our revenue substantially from the sale of properties, our results of operations are affected by the demand for our properties and the price at which we are able to sell them. The demand for and pricing of the properties are in turn, to a large extent, affected by the general condition of the property market including any changes in connection with any negative news relating to the defaults of certain Chinese property companies. In addition, we recognize proceeds from the sale of a property as revenue when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the purchaser obtains control of the asset. Therefore, our revenue and profit during any given period reflect the quantity of properties delivered during that period and are affected by peaks or troughs in our property delivery schedule and may not be indicative of the actual demand for our properties or sales achieved during that period. Our revenue and profit 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 current or historical operating results are not necessarily indicative of future results.

We rely on independent contractors to provide property development products and services

In line with industry practice, we mostly engage independent contractors to provide various property development services, including construction, piling and foundation, engineering, interior decoration and fitting out, mechanical and electrical installation and utilities installation. We select independent contractors through open tenders. We typically invite contractors to tender bids based on their reputation for quality, track record, financial strength, price and references, and once a contract is awarded, we supervise the contractor's work. However, we cannot assure you that the services rendered by any of these independent contractors or subcontractors will be completed in a timely manner or of satisfactory quality.

If these services are not timely provided or of acceptable quality, we may incur substantial costs to complete the projects and remedy any defects, and our reputation could be significantly harmed. We are also exposed to the risk that a contractor may require additional funds in excess of the fixed sum to which they committed contractually and we may have to bear such additional amounts. Furthermore, any contractor that experiences financial or other difficulties, including labor disputes with its employees, may be unable to carry out construction or related work, resulting in a delay in the completion of our projects or resulting in additional costs. We believe that any problems with our contractors, individually or in the aggregate, may materially and adversely affect our financial condition, results of operations or reputation. We cannot assure you that such problems with our contractors will not occur in the future.

Disputes with joint venture partners or our project development partners may adversely affect our business

In recent years, we began to develop a number of projects through joint venture arrangements, including the Asian Games JV, with independent third parties, such as the principal investment groups of global investment banks, real estate funds and other property developers.

Our joint venture partners or project development partners may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies or objectives;
- be unable or unwilling to fulfill their obligations under the relevant joint venture or cooperation agreements; or
- have financial difficulties and expose us to potential credit risk.

Furthermore, any actual or perceived deterioration in the reputation of our joint venture partners could have an adverse impact on our business operations, profitability and prospects.

In addition, a disagreement with any of our joint venture partners or project development partners in connection with the scope or performance of our respective obligations under the project or joint venture or cooperation arrangement could affect our ability to develop or operate a property. A serious dispute with our joint venture partners or project development partners or the early termination of our joint venture or cooperation arrangements could adversely affect our business, financial condition and results of operations and would divert resources and management's attention. See "— Risks Relating to Our Business — We may be involved in legal, administrative and other proceedings arising out of our operations from time to time and may face significant liabilities as a result."

Should a situation arise in which we cannot complete a project being jointly developed with our joint venture partners or property development partners, due to one of the above reasons or for any other reason, the rights and obligations of each party with respect to the uncompleted project will be determined by the relevant joint venture or cooperation agreements. If such agreements are silent or inconclusive with regard to such rights and obligations, the resolution of any dispute may require arbitration or, failing that, litigation, which could have an adverse effect on our business, results of operations and financial condition. See "— Risks Relating to Our Business — We may be involved in legal, administrative and other proceedings arising out of our operations from time to time and may face significant liabilities as a result." In addition, even if a jointly developed project is successfully completed, the project may not be well received by the market and we may not realize all the benefits we anticipated.

In the event that we encounter any of the foregoing problems with respect to our joint venture partners or project development partners, our business operations, profitability and prospects may be materially and adversely affected. See "— Risks Relating to Our Business — We may be involved in legal, administrative and other proceedings arising out of our operations from time to time and may face significant liabilities as a result."

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

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including those relating to payment of fees, designated use of land, time for commencement and completion of development of the land), the relevant government authorities may issue a warning to, or impose a penalty on, the developer or require the developer to forfeit the land use rights. Any violation of the land grant terms may also restrict a developer's ability to participate, or prevent it from participating, in future land bidding. Specifically, under current PRC laws and regulations, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the relevant PRC land bureau may serve a warning notice on us and impose an idle land fee on the land of up to 20% of the land premium. If we fail to commence development for more than two years from the commencement date stipulated in the land grant contract, the land use rights are subject to forfeiture to the PRC government unless the delay in development is caused by government actions or force majeure. Moreover, even if the time of commencement of the land development is in line with the land grant contract, if (i) the developed GFA on the land is less than one-third of the total GFA of the project under the land grant contract or the total capital invested is less than one-fourth of the total estimated investment of the project under the land grant contract; and (ii) the development of the land has been suspended for over one year without government approval, the land will be treated as idle land.

Some of our PRC subsidiaries such as subsidiaries in Hainan, Xishuangbanna and Chuzhou historically have received idle land notices or idle land investigation notices from the relevant local PRC government for certain parcels of land of our projects. We were also requested to pay idle land fees for certain parcels of land which were regarded as idle lands by the local government. We have now commenced the development or permitted to postpone the development of some of these parcels or are negotiating with the local government authorities for the settlement. In relation to some parcels of the aforesaid land, the local PRC government has withdrawn its idle land notice or has granted an extension of the development time.

In addition, we currently have certain parcels of land, of which we have not commenced or completed the property development within the time period as stipulated in the respective land grant contracts but have not received any idle land notice. For some of these parcels we are subject to the default penalty and for some of these parcels we are discussing with the local governmental authorities for the settlement such as land replacement, while certain parcels of land in Chuzhou have been forfeited by local land authority. However, we cannot assure you that the government will waive the default penalties of idle land fee or allow us to postpone the development or not issue an default penalties of idle land notice for such land parcels and such situation will adversely affect the development of certain project. If the local government authorities do not waive the idle land fee imposed on us or grant an extension under the existing land grant contracts, we will be required to pay the idle land fee as stipulated in the relevant notice and may further be required to pay penalties or be negatively impacted in relation to our future ability to obtain land from the PRC government. We cannot assure you that future circumstances leading to penalty on, or forfeiture of, land use rights in respect of idle land or delays in the completion of a property development may not arise in the future. If our land use rights are forfeited, we will not be able to continue our property development on the affected land or recover the costs incurred for the initial acquisition of the forfeited land use rights or recover development costs and other costs incurred up to the date of forfeiture, each of which will have a material adverse effect on our business, financial condition and results of operations.

The availability and affordability of mortgages to purchasers may affect our sales

Most 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 the down payment requirements, impose other conditions or otherwise change the regulatory framework in such manner that would make mortgage financing unavailable or unattractive to potential property purchasers. There are a number of factors beyond our control that could affect the market for, and availability of, mortgage loans in China, and make it more difficult for us to pre-sell or sell our properties. These factors include the following:

- Increases in interest rates will increase the cost to our customers of funding property purchases through mortgages. According to media reports, recently several PRC commercial banks have tightened their loan policies for real estate by raising their lending rates. For example, a number of PRC domestic banks have raised the mortgage rates for first-time home buyers by a minimum of 5%. On August 25, 2019, PBOC issued the Announcement of the People's Bank of China No.16 [2019]. According to the Announcement, starting from October 8, 2019, new commercial individual mortgage 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 mortgage loans should not be lower than the LPR of corresponding maturity, and the interest rate of second-time commercial individual mortgage loans not be lower than the LPR of corresponding maturity plus 60 basis points. Any further increases in interest rates, including by increases initiated by the PBOC, will adversely affect the affordability and attractiveness of mortgage financing to potential purchasers of our properties. Our cost of borrowing would also increase as a result of the increase in interest rate, which might, in turn, adversely affect our results of operations;

- The PRC government may also increase the down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unattractive or even unavailable to potential property purchasers. Since January 2020, the PRC government has increased the minimum amount of down payment to 40% of the purchase price for all home buyers. For commercial property buyers, banks are no longer allowed to finance the purchase of pre-sold properties. The minimum down payment for commercial property buyers has increased to 50% of the purchase price, and the minimum mortgage loan interest rates for such purchases has been set at 110% of the relevant benchmark lending interest rate and maximum maturities of no more than 10 years. Furthermore, beginning on January 1, 2021, PRC financial institutions (excluding their overseas branches) are required to limit the amount of real estate loans and personal mortgage loans they lend to a proportion determined by PBOC and CBRC and calculated based on the total amount of RMB loans extended by such PRC financial institution. See "— Risks Relating to the Real Estate Sector in the PRC — The measures adopted from time to time by the PRC government to regulate the PRC real estate market could slow the industry's rate of growth or cause the real estate market to decline"; and

- In addition, further regulatory changes, competition, and inability to procure governmental approvals or required changes in project development practice could occur at any stage of the planning and development process. We may not be able to complete projects that we are currently developing or plan to develop and we may find ourselves liable to purchasers of pre-sold units for losses suffered by them.

In addition, in line with industry practice, we provide guarantees to banks for mortgages they offer to our purchasers. If there are changes in laws, regulations, policies and practices that would prohibit property developers from providing guarantees to banks in respect of mortgages offered to property purchasers and these banks would not accept any alternative guarantees by other third parties, or if no third party is available in the market to provide such guarantees, it may become more difficult for property purchasers to obtain mortgages from banks during pre-sales. Such difficulties in financing could result in a substantially lower rate of pre-sales of our properties, which could adversely affect our business, financial condition and results of operations. We cannot assure you that such changes in laws, regulations, policies or practices will not occur in the future.

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

We face risks relating to the pre-sale of properties. For example, we may fail to complete a fully or partially pre-sold property development, in which case we would find ourselves liable to purchasers of pre-sold units for losses suffered by them. If a pre-sold property development is not completed on time, the purchaser may be entitled to compensation for late delivery. If the delay extends beyond the contractually specified period, or if the actual GFA of a completed property delivered to a purchaser deviates by more than 3% from the GFA specified in the purchase contract, the purchaser will be entitled to terminate the purchase contract and claim damages. Any termination of the purchase contract as a result of our late delivery of properties will have a material adverse effect on our business, financial condition and results of operations.

On 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 "two meetings" (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, including Bai Hexiang, head of the Nanning Central Sub-Branch of the PBOC, put forward a motion to abolish the system for sale of forward delivery housing. In May 2006, Cheng Jiansheng, head of the Real Estate Finance Division of the Financial Market Department of the PBOC, published an article suggesting that the way to perfect the system for commodity housing presale of China is to abolish the financing function of presale. On July 24, 2007, an economy research group under the National Development and Reforming Commission (the "NDRC") proposed to change the existing system for sale of forward delivery housing into one for sale of completed housing. Moreover, on September 21, 2018, Guangdong Real Estate Association issued an "Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses" (《關於請提供商品房預售許可有關意見的緊急通知》), asking for opinions on the cancellation of the pre-sale system of commodity residential properties. We cannot assure you that PRC governments will continue to allow pre-sale of properties or will not impose additional or more stringent requirements on pre-sale. See "— Risks Relating to Our Business — We may not have adequate capital resources to fund land acquisitions or property developments, or to service our financing obligations." Moreover, we cannot assure you that PRC governments will continue to allow pre-sale of properties or will not impose additional or more stringent requirements on pre-sale. 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 need 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 face significant property development risks before we realize any benefit from a development

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

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

Property developers are typically required to deliver the property within a time set out in the relevant property purchase contract and deliver to purchasers the relevant individual property ownership certificates within 90 days after delivery of the property or within a time frame set out in the relevant property purchase contracts. Property developers, including ourselves, generally elect to specify the deadline for the delivery of the individual property ownership certificates in the property purchase contracts to allow sufficient time for the application and approval processes. Under current regulations, we are required to submit requisite governmental approvals in connection with our property developments, including land use rights documents and planning and construction permits, to the local bureau of land resources and housing administration for it to issue a certificate of completion of the relevant properties before the delivery of such properties, and apply for the master property ownership certificate in respect of these properties after obtaining the certificate of completion. We are then required to submit within a certain period after delivery of the properties, the relevant property purchase contracts, identification documents of the purchasers, proof of payment of deed tax, together with the master property ownership certificate, to the relevant local authority for it to review and issue the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by any administrative authority in reviewing the application and granting approval as well as other factors may affect timely delivery of the property and the master as well as individual property ownership certificates. There are instances that we were liable for the late delivery of the property and the individual property ownership certificates and paid penalties to the purchasers. We cannot assure you that we will not become liable to purchasers for late delivery of the individual property ownership certificates due to our own fault or for any reason beyond our control in the future.

Any failure to protect our brand and trademarks could have a negative impact on our business

We believe our trademarks and brands are critical to our success. Any unauthorized use of our brand, trademarks and other intellectual property rights could harm our competitive advantages and business. Historically, China has not protected intellectual property rights to the same extent as certain other countries, and infringement of intellectual property rights continues to pose a serious risk of doing business in China. Monitoring and preventing unauthorized use is difficult. The measures we take to protect our intellectual property rights may not be adequate. Furthermore, the application of laws governing intellectual property rights in China and abroad is uncertain and evolving. If we are unable to adequately protect our brand and trademarks, we may lose these rights and our business may suffer materially.

We may be materially and adversely affected if the resettlement costs or similar costs associated with certain property developments increase

Land parcels acquired by property developers for future development may have existing buildings or other structures or may 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 or residents of properties subject to demolition and to provide compensation for their relocation and resettlement. 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 cause 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, but the owners or residents have the right to file for administrative review with relevant government authorities or initiate lawsuits, which may further delay a project's timetable for completion. Such delays may lead to an increase in cost and a delay in the expected cash inflow from pre-sales of the relevant projects. If we experience an increase in resettlement costs or any delays due to the inability to reach a resettlement agreement, our business, financial condition and results of operations may be materially and adversely affected.

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

We may be involved in, and there have been instances historically involving disputes with various parties involved in the land acquirement, development, decoration and sale of our properties, including but not limited to contractors, suppliers, construction workers, sellers of projects or project companies, tenants, purchasers, governments, sales agents and project development partners. We may also be involved in disputes with various parties relating to our property management business. These disputes may lead to legal or other proceedings and may result in substantial costs and diversion of resources and management's attention. As most of our projects comprise multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we historically had and may have disagreements with regulatory bodies and be subject to investigations in the course of our operations, which has or may subject us to administrative proceedings, unfavorable decrees and penalties that result in material liabilities and cause delays to our property developments. From time to time, our officers and management may be parties to litigation or other legal proceedings. Even though our company may not be directly involved in such proceedings, such proceedings may affect our reputation and, consequently, adversely impact our business.

See "— Risks Relating to Our Business — Disputes with joint venture partners or our project development partners may adversely affect our business." We cannot assure you that we will not experience similar disputes with potential joint venture partners, or that any disputes with parties involved in the development and sale of our properties in the future will not have a material adverse effect on our business, financial condition and results of operations or have a negative impact on our reputation.

Our branding and marketing strategy could be adversely affected if homeowners in the projects that we have developed elect to discontinue our engagement as the provider of property management services

We provide post-sale property management services to the owners of each residential project that we have developed through A-Living and its subsidiaries. We believe that property management is an integral part of our business and is very important to the successful marketing and promotion of our property developments. Under PRC laws and regulations, the homeowners in a residential community have the right to change the property management company through collective action. If owners of the projects that we currently manage elect to discontinue our property management services for any reason, our branding strategy and the marketing of our future property development could be adversely and significantly affected.

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

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

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT or other tax obligations and increase the LAT prepayment rate

Under PRC tax laws and regulations, our PRC subsidiaries that are in the property development business are subject to LAT which is collected by the local tax authorities. 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 as defined by the relevant tax laws, with certain exemptions available for the sale of ordinary residential properties if the appreciation values do not exceed 20% of the total deductible items as defined in the relevant tax laws. Sales of commercial properties are not eligible for such exemption. We estimate and make provisions for the full amount of applicable LAT in accordance with the requirements set forth in the relevant PRC tax laws and regulations, but are required to pay only a portion of such provisions each year pursuant to tax regulations. For 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021, LAT charged to our income tax expense was RMB6,838.1 million, RMB3,875.7 million, RMB4,139.8 million, RMB1,859.7 million and RMB2,094.1 million (US$324.3 million), respectively. For the same periods, we made payments for provisional LAT in the amount of RMB2,620.6 million, RMB3,668.2 million, RMB3,539.9 million, RMB1,587.7 million and RMB1,455.5 million (US$225.4 million), respectively. Our LAT provision balance as of December 31, 2018, 2019 and 2020 and the six months ended June 30, 2020 and 2021 amounted to RMB14,044.2 million, RMB14,251.8 million, RMB14,851.7 million, RMB14,685.7 million and RMB15,490.3 million (US$2,398.9 million), respectively. Our LAT provisions are based on our estimate of a portion of our properties that are eligible for certain exemptions available to ordinary residential properties. We cannot assure you that the tax authorities will agree with our estimation or the basis on which we calculate our LAT or other tax obligations. In the event that the tax authorities assess us with additional LAT or other tax and we are unable to successfully challenge such assessments, our net profits after tax may be adversely affected. In addition, we will be subject to LAT in the new markets as we expand our property developments and we cannot assure you that the LAT obligations we are to assess and provide for in respect of properties in these new markets will be sufficient to cover the LAT obligations which the local tax authorities ultimately impose on us.

Since January 2005, we have been required to pay provisional LAT in respect of the sales and pre-sales of our properties in Guangzhou, Guangdong Province. In Zhongshan and Foshan, Guangdong Province, provisional LAT requirements have been in effect since 1996 and 2002, respectively. Likewise, we are required under local regulations to pay provisional LAT in other regions or cities when we start to pre-sell our property developments in these regions or cities. Generally, the provisional LAT rates in these cities range from 1% to 2.5% of the pre-sale proceeds, depending on the type and location of the pre-sold properties.

On December 28, 2006, the State Administration of Taxation issued the "Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises" (關於房地產開發土地增值稅清算管理有關問題的通知), which requires that:

- final settlement of LAT will be conducted on a project-by-project basis. For multi-phase projects, each phase will be required to undergo the LAT clearance and settlement process;
- the appreciated value of ordinary residential properties and non-ordinary residential properties contained within a project shall be calculated separately; and
- property developers must conduct final settlement if one of the following conditions is satisfied:
  - the project is completed and has been sold entirely;
  - the project is transferred as a whole before the completion of the construction; or
  - the land use rights of the project are transferred.

This notice also stipulates that the PRC tax authorities may require the property developer to conduct final LAT settlement if one of the following conditions is met:

- for completed projects, the area sold exceeds 85% of the total saleable area or, if less than 85%, the unsold saleable area has been rented or is self-occupied;
- the project has held a sale/pre-sale license for at least three years but has not been sold out completely;
- the taxpayer has applied for tax de-registration but the LAT settlement has not been conducted; or
- other situations set forth by the provincial PRC tax authorities.

Local provincial tax authorities can formulate their own implementation rules according to the notice and local situations and there are uncertainties as to how they will enforce this notice.

On May 25, 2010, the State Administration of Taxation published the "Circular on Strengthening the Collection and Administration of Land Appreciation Tax" (關於加強土地增值稅徵管工作的通知) (the "SAT Circular"). According to the SAT Circular, all local governments were required to make adjustments to the then prevailing provisional LAT rate. In addition to safeguarding housing, the provisional LAT rate of provinces in the eastern region shall not be lower than 2%, while the provinces in the middle and northeastern regions shall not be lower than 1.5% and the provinces in the western region shall not be lower than 1%; and the local governments may determine the provisional LAT rate applicable to different types of real estate.

In the event that relevant tax authorities change their requirements as to the amount or timing of payment of provisional LAT or increase the LAT prepayment rate, our cash flow may be materially and adversely affected.

The construction business and the property development business are subject to claims under statutorily mandated 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 are obliged to ensure the quality for the properties they construct or sell. We are required to provide quality warranties to our customers. These are instances that certain of our subsidiaries received claims from our customers about the quality of our properties. We may sometimes receive quality warranties from third-party contractors we hire to construct our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the retention money retained by us is not sufficient to cover our payment obligations under the quality warranties, we could incur significant expenses to resolve such claims or face delays as a result of correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, financial condition and results of operations.

In addition, operations at construction sites are intrinsically dangerous, involving the use of industrial machinery and the hoisting of heavy construction materials, typically within confined spaces. Construction operations may also be affected by use of various contractors and adverse weather conditions. Historically, accidents have occurred at certain of our construction sites, which we believe are attributable to inadequate attention to certain safety measures on such sites. While we continue to take steps to improve our construction management, we cannot assure you that similar accidents will not occur again in the future. Should such accidents continue to occur, we may be subjected to legal liability, prolonged negative publicity or official investigation, and we may have to stop work on construction sites for a prolonged period of time while we undertake safety checks, any of which would have a material adverse effect on our business, financial condition and results of operations.

Our success depends on the continuing efforts of our senior management team and other key personnel and our business may be harmed if we lose their services

Our future success depends heavily upon the continuing services of the members of our senior management team. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions or if their services are disrupted as a result of being involved in or providing assistance to any investigations by authorities or administrative, legal and other proceedings, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition, results of operations and prospects may be materially and adversely affected.

Competition for senior management and key personnel is intense while the pool of qualified candidates is very limited, and we may not be able to retain the services of our senior executives or other key personnel, or attract and retain high-quality senior executives or other key personnel in the future. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing company, we may lose customers and key professionals and staff members.

Our controlling shareholders are able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions

As of June 30, 2021, approximately 67.1% of our outstanding shares were beneficially owned by the Chen family. Subject to compliance with applicable laws, by maintaining such ownership, the Chen family is able to exercise substantial influence over our corporate policies, appoint our directors and officers and vote on corporate actions requiring shareholders' approval. In particular, the strategic goals and interests of the Chen family may not be aligned with our strategy and interests and could reduce the level of management flexibility that would otherwise exist with a more diversified shareholder base. The interests of our controlling shareholders may differ from those of the holders of the Bonds.

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

The real estate industry in the PRC is heavily regulated by the PRC government. PRC property developers must comply with various requirements mandated by national and local laws and regulations, including the policies and procedures established by local authorities designed for the implementation of such laws and regulations. In order to complete a property development, a property developer must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of the property development, including land use rights documents, planning permits, construction permits, pre-sale permits and certificates of completion. Each approval is dependent on the satisfaction of certain conditions. There were instances where penalties or administrative investigations were imposed on us by relevant local government for failing to develop in accordance with approval or to obtain the approval in a timely manner, such as construction commencement permits and construction plan permits, or the approval of using the woodland rural land and geothermal energy for certain of our property projects. Also, some of our land, buildings and other facilities have been forfeited by relevant local government, due to the failure to fulfill certain approval procedure of land use rights. We cannot assure you that we will not encounter material delays or other impediments in fulfilling the conditions precedent to the approvals, or that we will be able to adapt ourselves to new laws, regulations or policies that may come into effect from time to time with respect to the real estate industry in general or the particular processes with respect to the granting of the approvals. There may also be delays on the part of the administrative bodies in reviewing our applications and granting approvals. If we fail to obtain, or encounter material delays in obtaining, the requisite governmental approvals, the schedule of development and sale of our developments could be substantially disrupted, which would materially and adversely affect our business, results of operations and financial condition.

The non-compliant GFA of some of our completed property developments may subject us to additional payments, corrective actions, or potential liabilities

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

Potential liability for environmental problems could result in substantial costs and delays

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

As required by PRC laws and regulations, each project we develop is required to undergo environmental assessments and an environmental impact assessment document is required to be submitted to the relevant government authorities for approval before commencement of construction. The local authorities may request us to submit the environmental impact documents, issue orders to suspend construction and impose a penalty amounting up to 1%–5% of the total investment amount for each of our projects for which approval of the environmental impact assessment document has not been granted prior to the commencement of construction. For certain of our projects, we did not submit the environmental impact assessment documents although we have obtained the relevant government approvals to commence the development of these projects. However, we cannot assure you that the local authorities will not impose a penalty upon us with respect to these projects due to the lack of such environmental impact documents or that an environmental investigation with respect to these projects in the future would not reveal material environmental liabilities.

In addition, PRC law had required environmental facilities to be included in a property development to pass the inspection by the environmental authorities in order to obtain completion approval before commencing operations. Some of our projects have environmental facilities that are subject to this requirement and are undergoing inspections. If we fail to comply with such requirement, the local environmental authorities may order us to suspend the construction or use of such facilities, which may disrupt our operations and adversely affect our business. The authorities may also impose on us a fine of up to RMB1,000,000 per breach in respect of such projects. We cannot assure you that we can obtain such approvals in a timely manner, or at all. In the event that such completion approvals cannot be obtained or if fines are imposed on us, our business, results of operations and financial condition may be materially and adversely affected. From November 20, 2017, PRC law requires the project company to 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 maintained by the Ministry of Ecology and Environment. The environmental protection departments at all levels shall carry out supervision and inspection by randomly selecting inspection objects and randomly selecting law enforcement inspectors relying on the completed construction project environmental protection acceptance information platform, and the supervision results should open to the public. If we fail to comply with such requirement, the local environmental authorities shall order us to make corrections within a time limit and a fine of up to RMB200,000 per breach in respect of such projects.

There is no assurance that certain current ancillary facilities will continue to provide services to the owners or users of our property developments

The ancillary facilities within our residential communities enhance the value of our properties by improving the overall quality and value of the surrounding areas, thus offering a better living environment to the owners and users of our properties. However, we do not operate or manage some of the ancillary facilities, such as schools and hospitals. We cannot assure you that these facilities will continue to operate and provide services in our residential communities. In the event that these facilities cease to operate in our residential communities, our properties may become less attractive and competitive and this may adversely affect the value of our properties.

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

Under PRC tax laws effective prior to January 1, 2008, dividends, interest and other amounts paid to foreign investors by foreign-invested enterprises, such as amounts paid to us by our operating subsidiaries in China, were exempt from PRC withholding tax. Under the Corporate Income Tax Law (企業所得稅法) ("CIT Law") and the implementation rules which both took effect on January 1, 2008, enterprises established outside the PRC whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes. The implementation rules define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation specified certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises that are not controlled by PRC enterprises (including companies like ourselves).

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

Although it is unclear under PRC tax law whether we have a "de facto management body" located in China for PRC tax purposes, we currently take the position that we are not a PRC resident enterprise for tax purposes. We cannot assure you that the tax authorities will agree with our position. If we are deemed to be a PRC resident enterprise for CIT Law purposes, we would be subject to the PRC corporate income tax at the rate of 25% on our worldwide income (including the income from the transfers of the H shares upon exchange). Furthermore, we may be obligated to withhold PRC income tax of up to 7% on payments of interest on the Bonds to investors that are non-resident enterprises located in Hong Kong or 10% on payments of interest on the Bonds to investors that are non-resident enterprises located outside Hong Kong, because the interest and redemption premium may be regarded as being derived from sources within the PRC. In the case of individual holders of Bonds, the tax may be withheld at a rate of 20%. In addition, if we fail to do so, we may be subject to fines and other penalties. If we are required to withhold PRC tax from interest payments on the Bonds, we will be required, subject to certain exceptions, to pay such additional amounts as will result in receipt by the holders of the Bonds of such amounts as would have been received had no such withholding been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Bonds and could have an adverse effect on our financial condition. Further, if we were treated as a PRC resident enterprise, any gain realized by a non-resident enterprise investor from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly may be subject to a 10% PRC tax in the case of non- resident enterprises or 20% in the case of non-resident individuals.

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

The PRC government has in the past imposed 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. On May 23, 2007, MOFCOM and SAFE jointly issued the "Notice on Further Strengthening and Regulating the Approval and Supervision on Foreign Investment in Real Estate Sector in the PRC" (關於進一步加强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 high-end 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.

On July 10, 2007, SAFE issued a circular indicating that for foreign-invested enterprises in the real estate sector, it would not process any foreign debt registration or conversion of foreign debt that was approved by the local MOFCOM and filed with MOFCOM on or after June 1, 2007.

On November 22, 2010, MOFCOM promulgated the "Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry" (關於加強外商投資房地產業審批備案管理的通知), which provides that, among other things, when a real estate enterprise is established in China with overseas capital, it is prohibited to purchase and/or sell real estate properties completed or under construction for speculative purposes. The local MOFCOM authorities are not permitted to approve investment companies to engage in real estate development and management.

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 an adverse effect on our business, financial condition and results of operations.

Legislation enacted in the Cayman Islands as to Economic Substance may affect our operations.

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 (as amended) of the Cayman Islands, or the ES Act, that came into force on January 1, 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is our Company. Based on the current interpretation of the ES Act, we believe that our Company, is a pure equity holding company since it only holds equity participation in other entities and only earns dividends and capital gains.

Accordingly, for so long as our Company is a "pure equity holding company", it is only subject to the minimum substance requirements, which require us to (i) comply with all applicable filing requirements under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, or the Companies Act; and (ii) has adequate human resources and adequate premises in the Cayman Islands for holding and managing equity participations in other entities. However, if we are tax resident outside the Cayman Islands the ES Act will not apply and we will be exempted from the Cayman economic substance law.

However, there can be no assurance that we will not be subject to more requirements under the ES Act. Uncertainties over the interpretation and implementation of the ES Act may have an adverse impact on our business and operations.

Legislation enacted in the British Virgin Islands as to Economic Substance may affect our operations

Pursuant to the Economic Substance (Companies and Limited Partnerships) Act, 2018 (as amended) of the British Virgin Islands ("BVI ES Act") that came into force on 1 January 2019, a "legal entity" engaged in "relevant activities" is required to satisfy the economic substance test set out in the BVI ES Act. A "legal entity" includes a business company incorporated in the British Virgin Islands as is the Issuer and our BVI subsidiaries; based on the current interpretation of the BVI ES Act, we believe that the Issuer and our BVI subsidiaries are pure equity holding entities since they only passively hold equity participations and earn revenue from dividends, distributions, capital gains and other incidental income derived from such equity participations.

Accordingly, for so long as the Issuer and our BVI subsidiaries are "pure equity holding entities", we are only subject to the reduced economic substance requirements, which require us to have adequate employees and premises in the British Virgin Islands for holding and managing our equity participations and to comply with the statutory obligation which we are already required to do under the BVI Business Companies Act. However, if the Issuer and our BVI subsidiaries are tax resident outside the BVI the BVI ES Act will not apply, and the Issuer and our BVI subsidiaries will be exempted from the BVI economic substance law.

RISKS RELATING TO PROPERTY DEVELOPMENT IN THE PRC

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

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

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

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

Our business is subject to extensive governmental regulation. As with other PRC property developers, we must comply with various requirements mandated by PRC laws and regulations, including the policies and procedures established by local authorities designed to implement such laws and regulations. In particular, the PRC government exerts considerable direct and indirect influence on 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, taxation and foreign investment.

From 2004 to the first half of 2008, 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 introduced policies to restrict development in the property sector, including:

- limiting monthly mortgage payments to 50% of an individual borrower's monthly income and limiting all monthly debt service payments of an individual borrower to 55% of his or her monthly income;

- suspending or restricting land grants and development approvals for villas and larger sized units;

- charging an idle land fee for land which has not been developed for one year starting from the commencement date stipulated in the land use right grant contract and voiding land use right for land which has not been developed for two years or more;

- prohibiting any onward transfer of pre-sold properties before the ownership certificate is obtained;

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year be used for developing low to medium-cost and small to medium-size units and low-cost rental properties;

- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 consist of units with floor area 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 to adjust their construction plan in order to be in compliance with this new requirement, with the exception of municipalities under direct administration of the PRC Government, provincial capitals and certain cities which may deviate from this ratio under special circumstances upon the approval by the Ministry of Construction (the "70:90 rule");

- tightening availability of bank loans to property developers and purchasers of developed properties and increasing the reserve requirements for commercial banks;

- imposing or increasing taxes on short-term gains from second-hand property sales;

- restricting foreign investment in the property sector by, among other things, increasing registered capital and other requirements for establishing foreign-invested real estate enterprises, tightening foreign exchange control and imposing restrictions on purchases of properties in China by foreign individuals and institutions; and

- limiting the number of the residential properties that a single household may purchase.

Regional and local governments are responsible for the implementation of the 70:90 rule. We have not, so far, seen this policy being stringently applied across all its applicable regions in China. If for any reason, political, economic, social or otherwise, these regional or local governments begin to stringently implement this policy, this may lead to an oversupply of units with floor area of less than 90 sq.m., increasing competition in this market segment and affecting the prices and profit margins of such type of property. This may also affect our existing and future business development plans. As a result, our business, financial condition, results of operations and prospects may be adversely affected.

Starting from late 2009 until now, the PRC government has adopted a series of new policies to cool down the property market, including, among other things:

- abolishing certain preferential treatments relating to business taxes payable upon transfers of residential properties by property owners and imposing more stringent requirements on the payment of land premium by property developers;

- imposing property purchase restrictions on non-local citizens, decreasing the maximum loan to value ratio of mortgage loans offered to borrowers, increasing mortgage interest rates and construction loan interest rates;

- increasing the minimum down payment to at least 60% of the total purchase price for second-house purchases with a minimum lending interest rate of at least 110% of the benchmark rate. Since September 2014, where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the minimum down payment will be 30% of the property price and the floor mortgage loan interest will be 70% of the benchmark lending interest rate. Since March 2015, where a household that owns a residential property and has not paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the minimum down payment will be 40% of the property price;

- restricting purchasers, in certain targeted cities, from acquiring second (or further) residential properties and restricting non-residents that cannot provide proof of local tax or social security payments for more than a specified time period from purchasing any residential properties. Since September 2014, in cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its 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 and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by the related policies;

- launching new property tax schemes in certain cities such as Shanghai and Chongqing 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. Shanghai and Chongqing municipal governments have also issued provisional measures, respectively, levying property tax on, among other things, a second residential property purchased by individuals who do not have local household registration; and

- urging provincial governments to implement home purchase restrictions to control property prices, and listed certain criteria for the implementation of restrictions, and in the second half of 2011, extending such home purchase restrictions to certain second- and third-tier cities in addition to the 40-plus first- and second-tier cities which have already adopted home purchase restriction measures.

The PRC government has continued to increase regulation over the property market since 2010. Policies restricting property purchases were adopted in nearly 50 cities in 2011, as compared to fewer than 25 cities in 2010. To support the demand of buyers of property for residential purposes and to promote the sustainable development of the real estate market, PRC government issued notices in September 2014 and March 2015, which decreased the requirement of the minimum down payment and the floor loan interest rate for a household to buy another residential property to improve its living conditions, 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. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two residential properties or more and has paid off all of its 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 and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by the related policies. Regulations were promulgated at various levels to promote affordable housing. PRC regulatory measures in the real estate industry will continue to impact our business and results of operations. See "Regulation." We have had to adapt our operations to these austerity measures. We adopted various sales tactics in 2011 to increase sales in different projects, such as offering discounts in property prices. We also adjusted the construction schedules of our projects and made the decision in December 2011 to temporarily suspend land purchases until February 2012.

Furthermore, the governments of Beijing and Guangzhou have adopted additional restrictive policies to curb property price increases. In September 2012, the Guangzhou government imposed restrictions on the presale of certain high-priced properties, while the Beijing government issued a new requirement that local purchasers must present the original copy of the "second generation" personal identification cards for the review of their eligibility to purchase residential properties in Beijing. Many cities in the PRC have already promulgated measures to restrict the number of residential properties a household is allowed to purchase. On February 26, 2013, the General Office of the State Council announced the "Notice on Continuing to Improve the Regulation and Control of the Real Estate Market" (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides, among other things, (i) limitations on the purchase of commodity properties and second-hand properties located within the entire administrative area of a city; (ii) further increase in the down payment ratios and interest rates for loans to purchase second properties for cities with excessive increase in housing prices; and (iii) implementing a capital gain tax of 20%. On November 15, 2013, the general office of the People's Government of Guangzhou issued the "Opinions concerning Further Strengthening of the Macroeconomic Control of the Real Property Market" (《廣州市人民政府辦公廳關於進一步做好房地產市場調控工作的意見》), which requires: (1) the increase of low-cost commodity housing supply and controlling of high-end commodity housing supply; (2) limitation on the number of properties a non-local resident families can purchase; and (3) the further increase of minimum down payment for loans to purchase second properties for the Guangzhou Branch of PBOC. Any such measures could have a material adverse effect on our business, financial condition or results of operations. In order to implement the central government's requirement, other cities in China, including those where our property projects are located, may issue similar or other restrictive measures in the near future. Since June 2014, many cities, including those where our property projects are located, have lifted or eased the limitation on the purchase of commodity properties. In 2015, the Ministry of Finance also expanded a business tax exemption to include sellers who have owned their home for as little as two years, rather than the previous minimum of five years.

Since September 30, 2016, Beijing, Tianjin, Suzhou, Chengdu and other cities have issued new property market control policies, including restoring the restriction on purchases of residential properties and tightening credit policy. To promote the stable and healthy development of the real estate market in Beijing, among other measures, a new policy was adopted. This new policy requires the government to set a ceiling price for land granting and when bidders all bid at the ceiling price, the bidder with the lowest proposed property selling price would win the land. On October 12, 2016, the MOHURD required investigation and punishment of persons or entities that spread rumors, deliberately hype or disrupt the market to protect the rights and interests of housing buyers. Shanghai recently launched a new campaign to regulate the so-called commercial-title apartments and suspended approval of all new commercial-title apartment applications. The construction and sale of commercial and office projects will also be strictly regulated. Property developers will be required to rectify any unsanctioned modifications to their original designs before the release of the commercial and office projects. We cannot assure you that our projects in Shanghai will not be affected by such new policy.

We cannot assure you that the PRC government will not adopt additional or more stringent policies, regulations and measures in the future. For instance, the PRC government may impose a countywide property tax in the future. On October 23, 2021, the Standing Committee of the NPC promulgated the Decision of Authorizing the State Council to Pilot Property Tax Reforms in Certain Regions (全國人大常委會關於授權國務院在部分地區開展房地產稅改革試點工作的決定). The State Council and related departments as well as local governments need to create scientific and feasible approaches and procedures for tax collection and management. We are not sure when or whether such tax reforms will be imposed and neither can we assess the adverse impact of such new tax policies on our business operations and financial results. Also, the PRC government have or may impose strict restriction on the sale of the properties, such as limiting the scope of purchasers and limiting the sale price, which have or will have adverse impact on our business. If we fail to adapt our operations to such 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, financial condition, results of operations and prospects may be materially and adversely affected.

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

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

The lack of an effective liquid secondary market for residential property may discourage investors from acquiring new properties because 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 residential developments.

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

RISKS RELATING TO THE PRC

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

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

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

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

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

The PRC economy has been transitioning from a planned economy to a market oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. However, since early 2004, the PRC government has from time to time implemented measures to prevent the PRC economy, including the property market, from overheating. These measures may cause a decrease in the level of economic activity, including demand for residential and commercial properties and may have an adverse impact on economic growth in the PRC. In May 2017, Moody's Investors Service downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of the such actions by international rating agencies remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment. If China's economic growth decreases or if the PRC economy experiences a recession, the growth in demand for our products may also decrease and our business, financial condition and results of operations will be adversely affected. See "— Risks Relating to Our Business — We may be adversely affected by fluctuations in the global economy and financial markets."

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

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

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

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

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

SAFE has promulgated several regulations, including the "Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents on Engaging in Financing and Inbound Investment via Overseas Special Purpose Vehicles" (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("Circular No. 75") issued on October 21, 2005, and its implementation rules, or the attachment of Circular No. 59, issued in November 2012, which require PRC residents and PRC corporate entities to register with local branches of SAFE in connection with their direct or indirect offshore investment activities. In July 2014, Circular No. 75 was abolished by SAFE and was superseded by the "Notice regarding Certain Administrative Measures on Offshore Investing and Financing and Round-trip Investment by PRC Residents through Special Purpose Vehicles" (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("Circular No. 37").

Circular No. 37 requires PRC residents, including both legal and natural persons, to register with the local SAFE branch before making capital contribution to any company outside of China (an "offshore SPV") with onshore or offshore assets and equities interests legally owned by the PRC residents. In addition, any PRC individual resident who is the shareholder of an offshore SPV is required to update its SAFE registration with the local SAFE branch with respect to that offshore SPV in connection with change of basic information of the offshore SPV such as its company name, business term, the shareholding by PRC individual resident, merger, division and with respect to the PRC individual resident in case of any increase or decrease of capital in the offshore SPV, transfer of shares or swap of shares by the PRC individual resident. According to the "Notice on Further Simplifying and Improving Foreign Exchange Administration Policies for Direct Investment" (關於進一步簡化和改進直接投資外匯管理政策的通知) issued by SAFE in February 2015, effective from June 1, 2015, the foreign exchange registration as required by Circular No. 37 can be conducted at banks rather than local branches of SAFE (except for supplemental registrations under Circular No. 37). Failure to comply with the required SAFE registration and updating requirements described above may result in restrictions being imposed on the foreign exchange activities of the PRC subsidiaries of such offshore SPV, including increasing the registered capital of, paying dividends and other distributions to, and receiving capital injections from the offshore SPV. Failure to comply with Circular No. 37 may also subject the relevant PRC residents or the PRC subsidiaries of such offshore SPV to penalties under PRC foreign exchange administration regulations for evasion of applicable foreign exchange restrictions.

Our controlling shareholders have completed the registration of their overseas invested companies in accordance with Circular No. 75. Changes in the status of these overseas invested companies would, at the request of the local foreign exchange administration bureau, require further registration of changes in accordance with Circular No. 37. We cannot assure you that such process will be completed in a timely manner or at all, or that we will not be subject to fines or other sanctions which restrict our cross-border activities or limit our PRC subsidiaries' ability to distribute dividends or to repay shareholder loans to us.

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

The value of the 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 U.S. dollars, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Further 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. On March 17, 2014, the PBOC further widened the floating bond against the U.S. dollar to 2.0%. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 33% from July 21, 2005 to December 31, 2014. The PBOC announced on August 11, 2015 that it would improve the middle price quotation mechanism for determining the US$ — RMB exchange rates. On the same day, the daily reference rate for Renminbi against U.S. dollars depreciated by 1.9% to 6.2298 compared with 6.1162 for August 10, 2015. The International Monetary Fund announced on September 30, 2016 that, effective from October 1, 2016, the Renminbi will be added to 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. Any significant revaluation of the Renminbi may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. For example, an appreciation of the Renminbi against the U.S. dollar would make any new Renminbi denominated investments or expenditures more costly to us, to the extent that we need to convert U.S. dollars into Renminbi for such purposes. In addition, because of our substantial indebtedness and other obligations in foreign currencies, any significant fluctuation in the value of the Renminbi may have a material adverse effect on our business condition and results of operations. As of June 30, 2021, we had U.S. dollar-denominated debt totaling US$3,518.5 million, primarily consisting of the outstanding amounts under our senior notes and various U.S. dollar-denominated loans, and Hong Kong dollar-denominated debt totaling HK$22,963.1 million, representing primarily outstanding amounts under certain Hong Kong dollar-denominated loans.

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

As substantially all of our business is conducted, and substantially all of our assets are located, in the PRC, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations.

Since 1979, the PRC government has promulgated laws and regulations in relation to general economic matters, such as foreign investment, corporate organization and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. For example, on September 14, 2015, the NDRC issued 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''), which provides that enterprises domiciled within the PRC and their overseas subsidiaries or branches should file and register with the NDRC prior to issuance of foreign debt instruments and report relevant information on the issuance of the foreign debt instruments in relation to foreign debt with a maturity of more than one year to the NDRC within ten business days in the PRC after the completion of each issuance. The NDRC Notice is silent on the legal consequences of non-compliance with the pre-issue notification requirement. We have registered the issuance of the Bonds with the NDRC pursuant to the NDRC Notices. Similarly, the legal consequences of non-compliance with the post-issuance reporting requirement under the NDRC is unclear. As the NDRC Notice is a new regulation, there are still uncertainties regarding its interpretation, implementation and enforcement by the NDRC. On May 11, 2018, the NDRC and the MOF promulgated the Circular on Improving Market Regulatory Regime and Taking Strict Precautions Against Foreign Debt Risks and Local Debt Risks (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 may further restrict our ability to obtain financing through offshore debt offerings. Pursuant to a post on NDRC's website on June 27, 2018, proceeds from offshore debt offerings shall mainly be used to repay the issuer's exiting debts and may not be used to finance its onshore and offshore real estate project development or as working capital. As it is unclear how the rules and regulations set out in the NDRC Notice may be developed or extended in the future, there is no assurance that the use of proceeds arising from offshore debt issuances by property companies will not be further restricted and the PRC government may impose additional restrictive requirements and/or conditions on the use of such proceeds in the future. Furthermore, the legal protections available to us under these laws, rules 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.

Our primary operating subsidiaries were incorporated in China as ''wholly foreign-owned enterprises.'' Although we or our wholly owned subsidiaries are the sole shareholder of, and therefore have full control over, these PRC entities, the exercise of our shareholder rights are subject to their respective articles of association and PRC laws applicable to foreign-invested enterprises in China, which may be different from the laws of other developed jurisdictions.

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

Any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

Holders of the Bonds may experience difficulties in effecting service of legal process and enforcing judgments against us and our management

Substantially all of our operating subsidiaries are incorporated under PRC laws, and substantially all of our assets are located in China. In addition, most of our directors and officers reside within China, and substantially all of their assets are located within China. As a result, it may not be possible to effect service of process outside of China upon most of our directors or officers. Moreover, our PRC counsel has advised us that China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in civil and commercial cases with the United States, the United Kingdom, Japan or most other Western Countries. Therefore, it may be difficult for you to enforce against us or our directors or officers in China any judgments obtained from non-PRC courts.

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

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu or severe acute respiratory syndrome ("SARS"), the Ebola virus or, most recently, the novel coronavirus temporarily named COVID-19 by the World Health Organization and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including certain cities where we operate, are under the threat of flood, earthquake, fire, drought or epidemics. Our business, financial position and results of operations may be materially and adversely affected if natural disasters or other such events occur.

For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008, resulting in tremendous loss of life and injury, as well as destruction of assets in the region. In addition, past occurrences of pandemics or epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. The PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. The COVID-19 pandemic may further create negative economic impact and increase volatility in the PRC and global market and continue to cause increasing concerns over the prospects of the PRC residential property market, which may materially and adversely affect the demand for properties and property prices in China. A recurrence of SARS or an outbreak of a health epidemic or contagious disease, including, for example, the ongoing COVID-19 pandemic, could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business, results of operations and financial condition.

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

RISKS RELATING TO A-LIVING'S BUSINESS

A-Living's future growth may not materialize as planned, and any failure to manage A-Living's future growth effectively may have a material adverse effect on A-Living's business, financial position and results of operations

A-Living has been seeking to expand its business since its inception through organic growth as well as acquisitions of other property management companies. A-Living may continue to expand through increasing the total GFA and the number of properties A-Living is contracted to manage in existing and new markets. However, A-Living's expansion plans are based upon its assessment of market prospects. There is no assurance that A-Living's assessment will prove to be correct or that A-Living can grow its business as planned. A-Living's expansion plans may be affected by a number of factors, most of which are beyond A-Living's control. Such factors include:

- changes in China's economic condition in general and the real estate market in particular;
- changes in disposable personal income in the PRC;
- changes in government regulations;
- changes in the supply of and demand for property management and value-added services;
- A-Living's ability to generate sufficient liquidity internally and obtain external financing;
- A-Living's ability to recruit and train competent employees;
- A-Living's ability to select and work with suitable sub-contractors and suppliers;
- A-Living's ability to understand the needs of residents in the properties where A-Living provides property management services;
- A-Living's ability to adapt to new markets where A-Living has no prior experience and in particular, whether A-Living can adapt to the administrative, regulatory and tax environments in such markets;
- A-Living's ability to leverage its brand names and to compete successfully in new markets, particularly against the incumbent players in such markets who might have more resources and experience than A-Living; and
- A-Living's ability to improve its administrative, technical, operational and financial infrastructure.

There is no assurance that A-Living's future growth will materialize or that A-Living will be able to manage its future growth effectively, and failure to do so may have a material adverse effect on A-Living's business, financial position and results of operations.

A-Living's future acquisitions may not be successful

A-Living may continue to evaluate opportunities to acquire other property management companies and other businesses that are supplementary to A-Living's existing business and integrate their operations into A-Living's business. However, there is no assurance that A-Living will be able to identify suitable opportunities.

Even if A-Living manages to identify suitable opportunities, A-Living may not be able to complete the acquisitions on terms favorable or acceptable to A-Living, in a timely manner, or at all. The inability to identify suitable acquisition targets or complete acquisitions could materially and adversely affect A-Living's competitiveness and growth prospects.

Acquisitions that A-Living complete also involve uncertainties and risks, including, without limitation:

- potential ongoing financial obligations and unforeseen or hidden liabilities;
- inability to apply its business model or standardized business processes on the acquisition targets;
- failure to achieve the intended objectives, benefits or revenue-enhancing opportunities; and
- diversion of resources and management attention.

There is no assurance that A-Living can procure new property management service contracts

A-Living generally procures new property management service contracts through tender processes. The selection of a property management company depends on a number of factors, including but not limited to the quality of services, the level of pricing and the operating history of the property management company. There is no assurance that A-Living will be able to procure new property management service contracts in the future at all or at acceptable terms.

A-Living may be subject to losses and A-Living's profit margins may decrease if A-Living fails to control its costs in performing its property management services on a lump sum basis

A-Living primarily generated revenue from property management services on a lump sum basis. On a lump sum basis, A-Living charges property management fees at a pre-determined fixed lump sum price per sq.m. per month, representing "all-inclusive" fees for the property management services provided. These management fees do not change with the actual amount of property management costs A-Living incurs. A-Living recognizes as revenue the full amount of property management fees it charges to the property owners or property developers, and recognize as its cost of sales the actual costs incurred in connection with rendering its services.

In the event that the amount of property management fees that A-Living charges is insufficient to cover all the costs for property management service A-Living incurs, A-Living is not entitled to collect the shortfall from the relevant property owners or property developers. As a result, A-Living may suffer losses.

If A-Living is unable to raise property management fee rates and there is a shortfall of working capital after deducting the property management costs, A-Living may seek to cut costs with a view to reducing the shortfall. However, A-Living's ability to mitigate against such losses through cost-saving initiatives such as operation automation measures to reduce labor costs and energy-saving measures to reduce energy costs may not be successful, and A-Living's cost-saving efforts may negatively affect the quality of A-Living's property management services, which in turn would further reduce the owners' willingness to pay A-Living the property management fees.

Increase in labor costs and sub-contracting costs could harm A-Living's business and reduce A-Living's profitability

To maintain and improve A-Living's profit margins, it is critical for A-Living to control and reduce its labor costs as well as other operating costs. A-Living faces pressure from rising labor and sub-contracting cost due to various contributing factors, including but not limited to:

- increases in minimum wages.
- increases in headcount.
- delay in implementing management digitalization, service professionalization, procedure standardization and operation automation.

There is no assurance that A-Living will be able to control its costs or improve its efficiency. If A-Living cannot achieve this goal, A-Living's business, financial position and results of operations may be materially and adversely affected.

A-Living may not be able to collect property management fees from property owners and property developers and as a result, may incur impairment losses on receivables

A-Living may encounter difficulties in collecting property management fees from property owners especially in communities where the vacancy rate is relatively high. Even though A-Living may seek to collect overdue property management fees through a number of collection measures, there is no assurance that such measures will be effective or enable A-Living to accurately predict its future collection rate.

In the event that the actual recoverability is lower than expected, or that A-Living's past allowance for impairment of trade receivables becomes insufficient in light of any new information, A-Living may need to provide for additional allowance for impairment of trade receivables, which may in turn materially and adversely affect its business, financial position and results of operations.

Termination or non-renewal of A-Living's property management service contracts to a significant number of properties could have a material adverse effect on A-Living's business, financial position and results of operations

There is no assurance that A-Living's property management contracts will not be terminated prior to expiration or will be renewed when their terms expire. Termination or non-renewal of a significant number of property management contracts could have a material adverse impact on A-Living's business, financial position and results of operations.

A-Living relies on third-party sub-contractors to perform certain property management services

A-Living delegates certain property management services, including cleaning, greening, gardening and repairs and maintenance services, to third-party sub-contractors. A-Living may not be able to monitor their services as directly and efficiently as with its own services. They may take actions contrary to A-Living or A-Living's customers' instructions or requests, or be unable or unwilling to fulfill their obligations. As a result, A-Living may have disputes with its sub-contractors, or may be held responsible for their actions, either of which could lead to damages to A-Living's reputation, additional expenses and business disruptions and potentially expose A-Living to litigation and damage claims. There is no assurance that upon the expiration of A-Living's agreements with A-Living's current third-party sub-contractors, A-Living will be able to renew such agreements or find suitable replacements in a timely manner, on terms acceptable to A-Living, or at all.

In addition, if A-Living's third-party sub-contractors fail to maintain a stable team of qualified manual labor or do not have easy access to a stable supply of qualified manual labor or fails to perform their obligations properly or in a timely manner, the work process may be interrupted. Any interruption to the third-party sub-contractors' work process may potentially result in a breach of the contract between A-Living's customers and A-Living. Any of such events could materially and adversely affect A-Living's service quality, A-Living's reputation, as well as A-Living's business, financial position and results of operations.

A-Living is subject to the regulatory environment and measures affecting the PRC property management industry

A-Living's operations are affected by the regulatory environment and measures affecting the PRC property management industry. In particular, the fees that property management companies may charge in connection with property management services are strictly regulated and supervised by relevant PRC authorities. For example, for A-Living's operations in the PRC, the relevant price administration department and construction administration department of the State Council are jointly responsible for the supervision over and administration of fees charged in relation to property management services for preliminary property management service contracts and such fees may need to follow PRC government guidance prices. Although government-imposed price controls on property management fees may continue to relax over time, A-Living's property management fees may still need to follow guidance prices imposed by various local governments in the PRC. The government-imposed limits on fees, coupled with rising labor and other operating costs, could have a negative impact on A-Living's earnings. If a property is managed on a lump sum basis, A-Living may experience a decrease in profit margin. There is no assurance that the PRC government regulations on fees and other matters concerning the property management industry will not continue to have an adverse effect on A-Living's business, financial position and results of operations.

A-Living is affected by the PRC government regulations on the PRC real estate industry, which may limit A-Living's business growth

A-Living's business performance is primarily dependent on the total contracted and revenue-bearing GFA and the number of properties A-Living manages. As such, A-Living's business growth is, and will likely continue to be, affected by the PRC government regulations of the real estate industry. The PRC government has continued to introduce various restrictive measures to discourage speculation in the real estate market. The government exerts considerable direct and indirect influence on the development of the PRC real estate industry by imposing industry policies and other economic measures, such as control over the supply of land for property development, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce property development activities, place limitations on the ability of commercial banks to make loans to property purchasers, impose additional taxes and levies on property sales and affect the delivery schedule and occupancy rates of the properties A-Living services. Any such governmental regulations and measures may affect the PRC real estate industry, thus limiting A-Living's business growth and resulting in a material adverse effect on A-Living's business, financial position and results of operations. Furthermore, any economic slowdown, recession or other developments in the social, political, economic or legal environment of the PRC could result in fewer new property development projects, or a decline in the purchasing power of residents or tenants living in the properties A-Living manages, resulting in lower demand for A-Living's services and lower revenue for A-Living. As such, A-Living's business, financial condition and results of operations could be materially and adversely affected.

A-Living's business is significantly influenced by various factors affecting its industry and general economic conditions

A-Living's business, financial position and results of operations are and will continue to be dependent on various factors affecting the property management industries and general economic conditions, most of which are beyond A-Living's control. For example, limited flexibility in charging property management fees can adversely affect profit margins in the event of rising labor cost. Furthermore, any economic slowdown, recession or other developments in the PRC social, political, economic or legal environment could result in fewer new property development projects, or a decline in the purchasing power of residents living in the communities A-Living manages or provides consultancy services to, resulting in a lower demand for A-Living's services and lower revenue and income contribution for A-Living. As such, A-Living's business, financial position and results of operations would be materially and adversely affected.

A-Living is in a highly competitive business with numerous competitors and if A-Living does not compete successfully against existing and new competitors, A-Living's business, financial position, results of operations and prospects may be materially and adversely affected

The PRC property management industry is highly competitive and fragmented. A-Living's major competitors include large national, regional and local property management companies. Competition may intensify as A-Living's competitors expand their product or service offerings or as new competitors enter A-Living's existing or new markets. A-Living's competitors may have better track records, longer operating histories, greater financial, technical, sales, marketing, distribution and other resources, greater name recognition and larger customer bases. As a result, these competitors may be able to devote more resources to the development, promotion, sale, and support of their services. In addition to competition from established companies, emerging companies may enter A-Living's existing or new markets. There is no assurance that A-Living will be able to continue to compete effectively or maintain or improve its market position, and such failure could have a material adverse effect on A-Living's business, financial position and results of operations.

Risks relating to natural disasters, epidemics, including the COVID-19 pandemic, acts of terrorism or war in the PRC and globally may materially and adversely affect A-Living's business

Natural disasters, epidemics, including the COVID-19 pandemic, acts of terrorism or war or other factors that are beyond A-Living's control may materially and adversely affect the economy, infrastructure and livelihood of people in the areas where A-Living has or plans to have business operations. In particular, due to their geographic regions, some of these areas are susceptible to the threat of floods, earthquakes, sandstorms, snowstorms, fires or droughts, power shortages or failures, as well as potential wars, terrorist attacks or epidemics such as Ebola, SARS, H1N1, H5N1, H7N9 or, most recently, the novel coronavirus named COVID-19 by the World Health Organization. Any of such events could result in tremendous proprietary damages and losses, personnel injuries and live losses, as well as disruption or destruction of A-Living's business operations.

In particular, the outbreak of COVID-19 has endangered the health of many people in China and other countries, resulting in numerous confirmed cases and deaths and significantly disrupted travels and local economies in and outside of China. To prevent further transmission of COVID-19, the PRC Government has adopted a series of measures nationwide, including among others, restrictions on enterprises from resuming work, traffic control, travel bans, management and control over commencement schedules of construction in new and existing construction sites. The occurrence of any of the above events may adversely affect A-Living's operations and results of operations. The overseas patients who visit the cities in which A-Living operates may affect the local population and A-Living's local operations. Furthermore, such adverse epidemics may severely affect and restrict the level of economic activity in China as the government in each region A-Living operates may impose regulatory or administrative measures quarantining affected areas or other measures to control the outbreak of the infectious disease, which together with the disruption of business in major industries may adversely affect the overall business sentiment and environment in China, which in turn may lead to slower overall economic growth in China and the world.

There is no assurance that the current containment measures will be effective in halting the pandemic. The current containment measures and any future containment measure may, however, adversely and materially affect the manufacturing, exports and imports and consumption of goods and services globally. The reduction in demand and supply may adversely and materially affect economic growth globally. Any contraction or slowdown in the economic growth of China and the world could adversely affect A-Living's business, financial condition, results of operations and growth prospects.

System interruption and security risks, including security breaches and identity theft, may result in reduced use by A-Living's customers of A-Living's relevant service platforms, and expose A-Living to the risk of litigation which could negatively affect A-Living's financial and operational results and damage A-Livings reputation

A-Living may experience occasional system interruptions, delays or other technical problems that make any of its relevant online applications and its services unavailable or difficult to access, and prevent A-Living from promptly responding or providing products or services to its customers, which may reduce the attractiveness of such service applications. If A-Living is unable to continue to effectively upgrade its systems and network infrastructure and take other steps to improve the efficiency of its systems, there may be system interruptions or delays which will adversely affect its operating results.

Damages to the communal areas of the communities A-Living manages as a result of any natural disasters, intended or unintended actions of residents or other events could adversely affect A-Living's business, results of operations and financial position

The communal areas of the communities A-Living manages may be damaged or impacted in a variety of ways that are out of A-Living's control, including but not limited to natural disasters, residents' intended or unintended actions, and epidemics, such as severe acute respiratory syndrome. For example, in the event of natural disasters, such as earthquake, typhoon and flood, the communal areas may be materially damaged. Although a special fund for residence maintenance is available to cover the cost of repairing or restoring the damaged areas in such circumstances, there is no assurance that such fund will be sufficient. If any person purposely or recklessly sets fire or causes flooding in an apartment or communal area, the exterior of the building, corridors and stairways may be damaged. If a person commits or is suspected of having committed criminal activities within A-Living's residential communities, A-Living needs to allocate additional resources to assist the police and other governmental authorities in their investigations. In the event of any damage that affects the communal areas, A-Living's current residents may be affected and A-Living may have to repair the damage with the relevant special fund for maintenance. If the remaining balance of such special fund after A-Living's drawdown is less than a certain percentage of the initial amount, residents of the relevant communities need to refill such fund. The refill plan needs to be approved by the property owners' association or the local housing authority. If the refill plan is not approved on terms favorable to A-Living, if at all, A-Living may face difficulties in collecting sufficient fees from residents and A-Living may suffer loss as a consequence.

The additional costs A-Living incur due to damage to the communal areas of A-Living's properties may increase along with A-Living's business growth and geographic expansion. For example, certain areas where A-Living operates may be located on earthquake belt or may be subject to typhoons. A-Living continues to be exposed to such risks that a material number of the properties may suffer damage due to reasons such as natural disasters, epidemics and residents' intended or unintended actions.

Accidents in A-Living's business may expose A-Living to liability and reputational risk

Accidents may occur during the course of A-Living's business. A-Living provides repair and maintenance services to property developers and the properties A-Living manages through its own employees and third-party sub-contractors. Repair and maintenance services such as elevator maintenance involve the operation of heavy machinery and, are subject to risks of accidents. These occurrences could result in damage to, or destruction of, properties of the communities, personal injury or death and legal liability. Working in a dangerous environment presents risks to A-Living's employees and third-party sub-contractors. In addition, A-Living is exposed to claims that may arise due to employees' or third-party sub-contractors' negligence or recklessness when performing repair and maintenance services. A-Living may be held liable for the injuries or deaths of employees, subcontractors, residents or others. A-Living may also experience interruptions to its business and may be required to change the manner in which it operates as a result of governmental investigations or the implementation of safety measures upon occurrence of accidents. Any of the foregoing could adversely affect A-Living's reputation, business, financial position and results of operations.

Negative publicity, including adverse information on the internet, about A-Living, A-Living's shareholders and affiliates, A-Living's brand, management, vendors and product offerings on A-Living's one-stop service platform may have a material adverse effect on its business, reputation and the trading price of its shares

Negative publicity about A-Living, A-Living's shareholders and affiliates, A-Living's brand, management, vendors and product offerings on A-Living's one-stop service platform may arise from time to time. Negative comments on the properties managed by A-Living, products offered on A-Living's one-stop service platform, A-Living's business operations and management may appear in internet postings and other media sources from time to time and there is no assurance that other types of negative publicity will not arise in the future. Any such negative publicity, regardless of veracity, may have a material adverse effect on A-Living's business, reputation and the trading price of A-Living's shares.

A-Living's success depends upon the retention of its senior management, as well as its ability to attract and retain qualified and experienced employees and resignation of any member of its senior management would affect its operation

A-Living's continued success is highly dependent upon the efforts of its senior management and other key employees. If either of them or any of A-Living's other key employees leaves and A-Living is unable to promptly hire and integrate a qualified replacement, A-Living's business, financial position and results of operations may be materially and adversely affected. In addition, the future growth of A-Living's business will depend in part on A-Living's ability to attract and retain qualified personnel in all aspects of A-Living's business, including but not limited to corporate management and property management personnel. If A-Living is unable to attract and retain these qualified personnel, A-Living's growth may be limited and A-Living's business, financial position and operating results could be materially and adversely affected.

A-Living may not be able to detect and prevent fraud or other misconduct committed by its employees or third-parties

A-Living is exposed to fraud or other misconduct committed by its employees, subcontractors, agents, customers or other third parties that could subject A-Living to financial losses and sanctions imposed by governmental authorities as well as seriously harm its reputation. For example, theft conducted by third parties may cause A-Living to make compensation if A-Living were held to be negligent or reckless and will also cause A-Living to suffer damage to its reputation in the market.

A-Living's management information system and internal control procedures are designed to monitor its operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. Further, it is not always possible to detect and prevent fraud and other misconduct, and the precautions A-Living takes to prevent and detect such activities may not be effective. There will therefore continue to be the risk that fraud and other misconduct may occur, including negative publicity as a result, which may have an adverse effect on A-Living's business, reputation, financial position and results of operations.

A-Living's insurance may not sufficiently cover, or may not cover at all, losses and liabilities A-Living may encounter

There is no assurance that A-Living's insurance coverage will be sufficient or available to cover damage, liabilities or losses A-Living may incur in the course of its business. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. If A-Living is held responsible for any such damages, liabilities or losses and there is an insufficiency or unavailability of insurance, there could be a material adverse effect on A-Living's business, financial position and results of operations.

The expansion of A-Living's business may expose A-Living to increased risks of non-compliance with rules and regulations issued by governments at provincial and local levels

As A-Living expands its business operations into new geographic regions and broaden the range of services it performs, A-Living is subject to an increasing number of provincial and local rules and regulations. As the size and scope of A-Living's operations increased, the difficulty in ensuring compliance with the various local property management regulations and the potential for loss resulting from non-compliance have increased. If A-Living fails to comply with applicable local regulations, A-Living may be subject to penalties by the competent authorities.

The laws and regulations applicable to A-Living's business, whether national, provincial or local, may also change in ways that materially increase the costs of compliance, and any failure to comply could result in significant financial penalties which could have a material adverse effect on A-Living's business, financial position and results of operations.

A-Living may be involved in legal and other disputes and claims from time to time arising out of its operations

A-Living may, from time to time, be involved in disputes with and subject to claims by property developers, property owners and residents as well as local property management companies, to whom A-Living provides property management services. Disputes may also arise if they are dissatisfied with A-Living's services. In addition, property owners may take legal action against A-Living if they perceive that A-Living's services are inconsistent with the service standards A-Living agreed to.

Furthermore, A-Living may from time to time be involved in disputes with and subject to claims by other parties involved in its business, including its third-party sub-contractors, suppliers and employees, or other third parties who sustain injuries or damages while visiting properties under A-Living's management. All of these disputes and claims may lead to legal or other proceedings or cause negative publicity against A-Living, thereby resulting in damage to A-Living's reputation, substantial costs and diversion of resources and management's attention from A-Living's business activities. Any such dispute, claim or proceeding may have a material adverse effect on A-Living's business, financial position and results of operations.

Any inability to comply with its environmental responsibilities may subject A-Living to liability

A-Living is subject to extensive and increasingly stringent environmental protection laws, regulations and decrees that impose fines for violation of such laws, regulations or decrees. In addition, there is a growing awareness of environmental issues, and A-Living may sometimes be expected to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations. In addition, there is no assurance that more stringent environmental protection requirements will not be imposed in the future. If A-Living is unable to comply with existing or future environmental laws and regulations or is unable to meet public expectations in relation to environmental matters, A-Living's reputation may be damaged or A-Living may be required to pay penalties or fines or take remedial actions and its operations may be suspended, any of which may materially and adversely impact A-Living's business, financial position, results of operations and growth prospects.

RISKS RELATING TO THE BONDS, THE GUARANTEES, THE SHARES AND THE SECURITY GRANTED IN RESPECT OF THE BONDS

The Issuer may not be able to deliver the Shares on exchange.

In the event that the Issuer does not have sufficient Shares to deliver to exchanging Bondholders upon the exercise of their Exchange Rights or there are legal or regulatory restrictions on delivery of the Exchange Property, the Issuer may need to make purchases of the Shares in the open market to satisfy the exchanging Bondholders, but there can be no assurance that they will be successful in doing so or that they will have sufficient funds to acquire sufficient Shares.

Although we hold, directly or indirectly, over 54.31 per cent. of the issued and outstanding Shares of A-Living, a significant majority of such Shares are held in the PRC by Zhongshan A-Living Enterprise Management Services Co., Ltd. (中山雅生活企業管理服務有限公司) ("Zhongshan A-Living"), our subsidiary holding company incorporated in the PRC and are therefore subject to PRC rules and regulations on the transfer of such Shares outside of the PRC. In particular, pursuant to the "Guide to the Full Circulation of Shares《H股"全流通"業務指南》(the "H Share Guidance")", Zhongshan A-

Living is required to file a pre-registration application with SAFE in connection with Shares it holds before transfer in accordance with the terms of the H Share Guidance. Pursuant to the H Share Guidance, the China Securities Depository and Clearing Corporation Limited does not provide for a transfer process for delivering any Shares held in the PRC directly to exchanging Bondholders upon the exercise of their Exchange Rights and we are only able to deliver Shares held outside the PRC to exchanging Bondholders. Although we may, at our discretion, transfer Shares from the PRC to our accounts held offshore in order to facilitate such delivery, such transfer will be subject to PRC rules and regulations and there can be no assurance that we will do so at all or in time to ensure that there will be sufficient Shares held by us offshore to satisfy the delivery obligation of Shares to exchanging Bondholders.

In addition, although security has been granted (a) over the Bonds Security Assets pursuant to the Deed of Charge and (b) over certain shares of Deluxe Star International Limited (a holding company which owns 100 per cent. of Zhongshan A-Living Enterprise Management Services Co., Ltd. (中山雅生活企業管理服務有限公司)) pursuant to the Hong Kong Share Mortgage, there can be no assurances that the Issuer will have sufficient Shares to deliver to exchanging Bondholders. In particular, the Shares constituting Bonds the Security Assets (being the 35,000,000 Shares held by the Issuer less any amounts lent out pursuant to stock lending arrangements under the Securities Lending Agreement), constitute less than the initial Exchange Property (and should the full amount of Shares under the stock lending facility provided for in the Securities Lending Agreement be lent out, being 35,000,000 Shares, there will be no Shares remaining in the Custodian Securities Account until such Shares are returned pursuant to the Securities Lending Agreement). In addition, the Shares indirectly held by Deluxe Star International Limited (which constitute a significant majority of the Share held by us) are not subject to any direct security interests granted in favour of the Trustee or the Bondholders and are held in the PRC and are subject to PRC rules and regulations on the transfer of such Shares outside of the PRC as described above.

The security granted in connection with the Hong Kong Share Mortgage does not constitute direct security arrangements in respect of the Shares held by us in the PRC.

Although a share mortgage has been entered into over certain shares of Deluxe Star International Limited and Deluxe Star International Limited indirectly holds 712,800,000 Shares (which is significantly greater than the number of Shares constituting the initial Exchange Property), this does not constitute direct security arrangements in respect of the Shares indirectly held by Deluxe Star International Limited. In particular, the Hong Kong Share Mortgage is only in respect of approximately 19 per cent. of the shares of Deluxe Star International Limited, Deluxe Star International Limited does not directly hold the Shares and there are no security interests created over such Shares. In addition, although each of Makel International (BVI) Limited (邁高國際(BVI)有限公司), Deluxe Star International Limited and Zhongshan A-Living are party to the Hong Kong Share Mortgage and have given undertakings with respect to *inter alia*, limitations on incurring indebtedness and business activities, maintenance of a minimum number of Shares and restrictions on the issuance of additional shares (each as described in the Conditions and as further set out in the Hong Kong Share Mortgage), such undertakings are purely contractual in nature.

Upon enforcement of the Hong Kong Share Mortgage, the Trustee may, if so instructed by the Bondholders, sell the shares of Deluxe Star International Limited to recover amounts due under the Bonds, but as the Hong Kong Share Mortgage is over a minority stake in Deluxe Star International Limited, there may be significant uncertainty over the ability of the Trustee to sell such shares in a timely manner, or at all, or at a price that reflects the value of the Shares indirectly held by Deluxe Star International Limited. The 712,800,000 Shares held by Zhongshan A-Living constitute substantially all of the assets of Zhongshan A-Living and Deluxe Star International Limited's assets primarily consist of its shareholding in Zhongshan A-Living.

In addition, each of Makel International (BVI) Limited, Deluxe Star International Limited and Zhongshan A-Living have undertaken to procure the sale of the Shares held by Zhongshan A-Living upon an Event of Default if so instructed by the Trustee (acting on the instructions of the Bondholders) and to procure that the proceeds of such sale are distributed to Makel International (BVI) Limited (邁高國際(BVI)有限公司) through upstream dividends or through any other means, which provides the Trustee with a potential avenue to realize the value of the Shares held by Zhongshan A-Living without a sale of the shares of Deluxe Star International Limited. However, such arrangements are purely contractual in nature and do not constitute security arrangement in respect of the Shares. In addition, the rights of the secured parties under the Hong Kong Share Mortgage will be structurally subordinated to all creditors (to the extent there are any) of Deluxe Star International Limited and Zhongshan A-Living.

The security over the Bonds Security Assets granted by the Issuer pursuant to the Deed of Charge may be subject to limitations on enforcement in certain limited circumstances.

The security over the Bonds Security Assets granted by the Issuer pursuant to the Deed of Charge is governed by English law. Other than registration of the particulars of the security interests created by the Deed of Charge with the relevant companies registry, no steps have been or will be taken in order to create or perfect a charge of shares or other type of security pursuant to the procedures and requirements under relevant laws and the Deed of Charge may not confer a proprietary interest in any securities or investments of any kind held for the account of the Issuer with any third party. As a result, any enforcement against the Bonds Security Assets is expected to be conducted in England pursuant to the terms of the Deed of Charge, and subject to English rules of civil procedure and principles of equity.

In addition, as the Bonds Security Assets under the Deed of Charge are expected to consist primarily of shares in A-Living (being shares in a company listed on the Hong Kong Stock Exchange), the Trustee's ability to take enforcement action on behalf of the Bondholders, or a Bondholder's ability to take enforcement action, may be affected where the Trustee or, as the case may be, the Bondholders hold inside information with respect to A-Living. Although A-Living is not a transaction obligor and is not required to furnish any information to the Trustee or the Bondholders and the Issuer and/or the Guarantor is not required to furnish any information relating to A-Living to the Trustee or the Bondholders, there may nonetheless be limited circumstances where the Trustee or the Bondholders have received information on or may be privy to material non-public information relating to A-Living in their capacity as the Trustee or, as the case may be, Bondholders given that A-Living is a key subsidiary of the Guarantor (including, for instance, where the Guarantor may be in default under the Bonds). In such circumstances, the Trustee or, as the case may be, the Bondholders may be restricted from taking or, as the case may be, instructing the Trustee to take certain enforcement action over the Bonds Security Assets (including through exercising any power of sale) under insider information laws and regulations in Hong Kong.

Furthermore, none of the Trustee, the Agents or the Custodian will be liable or accountable for any difference between the value of the outstanding Bonds or the Exchange Price and the actual proceeds from the enforcement or the market value of the Shares. A Bondholder's right to exchange its Bonds for Shares may not be effected if the Issuer or the Guarantor (as the case may be) does not cooperate and none of the Trustee, the Agents or the Custodian will be liable or accountable for any non-delivery of the Shares. The Trustee is also not obliged to set aside any Shares comprising Bonds Security Assets to effect any such exchange.

We are a holding company and payments with respect to the Bonds 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, joint ventures and associated companies. The Bonds will not be guaranteed by any current or future PRC subsidiaries. Moreover, the Bonds will not be guaranteed by certain other Non-Guarantor Subsidiaries as defined under the indentures governing the Existing Notes. Under the terms of the indentures governing the Existing Notes, and the terms of the transaction documents governing the Bonds, Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions and become Non-Guarantor Subsidiaries. Our primary assets are ownership interests in our PRC subsidiaries, joint ventures and associated companies, which are held through the Subsidiary Guarantors and certain Non-Guarantor Subsidiaries and may be held by JV Subsidiary Guarantors or New Non-Guarantor Restricted Subsidiaries as defined under the indentures governing the Existing Notes in the future. In addition, our subsidiaries that hold our major project in Hainan Province, Hainan Clearwater Bay, will not guarantee the Bonds and their shares will not be pledged for the benefit of the holders of the Bonds. 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 Bonds and the ability of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries, joint ventures and associated companies.

Creditors, including trade creditors of our PRC subsidiaries and other Non-Guarantor Subsidiaries any holders of preferred shares in such entities, would have a claim on such entities' assets that would be prior to the claims of holders of the Bonds. As a result, our payment obligations under the Bonds will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, joint ventures and associated companies, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our subsidiaries, joint ventures and associated companies will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Bonds. As of June 30, 2021, our Non-Guarantor Subsidiaries had outstanding indebtedness, including both current and non-current borrowings, in the amount of RMB76,198 million (US$11,801.6 million) and capital commitment and contingent liabilities arising from guarantees of RMB95,417 million (US$14,778.3 million). The Existing Notes and the indentures governing the Existing Notes and the Bonds, and the transaction documents governing the Bonds do not restrict the ability of our subsidiaries to issue certain categories of guarantee in the ordinary course of business. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Bonds.

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

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 pay dividends to our shareholders and to satisfy our obligations, including our obligations under the Bonds. The ability of our subsidiaries to pay dividends and make payments on intercompany loans or advances to their shareholders is subject to, among other things, distributable earnings, cash flow conditions, restrictions contained in the articles of association of our subsidiaries, applicable laws and restrictions contained in the debt instruments or agreements of such subsidiaries. Currently, a number of our major operating subsidiaries in the PRC are subject to restrictions on making dividends under their debt instruments, to the effect that this could impact such major subsidiaries to pay their dividends to us, which may impact our ability to service our debt at the holding company level, including the Bonds. 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 Bonds or pay dividends to our shareholders. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Bonds and the ability of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In practice, our PRC project companies may pay dividends only after they have completed the project development and the construction of at least a phase or a building and the related revenue recognition as well as the required government tax clearance and foreign exchange procedures. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies will be subject to a 10% withholding tax, unless (i) the dividends will be used for onshore investment directly; or (ii) there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5% subject to approval by relevant PRC tax authorities, although there is uncertainty under a recent circular regarding whether intermediate Hong Kong holding companies will remain eligible for benefits under this arrangement. As a result of such restrictions, there could be timing limitations on payments from our PRC subsidiaries to meet payments required by the Bonds or satisfy our obligations under the Subsidiary Guarantees or JV Subsidiary Guarantees, as the case may be, and there could be restrictions on payments required to redeem the Bonds at maturity or as required for any early redemption.

Furthermore, although we currently do not have any offshore shareholder loans to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contribution, to our PRC subsidiaries to finance their operations. In such an event, the market interest rates that our PRC subsidiaries will pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholder loans payable by our subsidiaries, therefore, are likely to be lower than the interest rate for the Bonds. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident) withholding tax on our behalf on the interest paid under any shareholder loan. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

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

The Bonds may not be a suitable investment for all investors.

Each potential investor in the Bonds must determine the suitability of the Bonds in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal or premium payments is different from the potential investor's currency;

- understand thoroughly the terms of the Bonds and be familiar with the behavior of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Bonds unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

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

There is no existing trading market for the Bonds and, therefore, the Bonds offer limited liquidity.

The Bonds constitute a new issue of securities which may not be widely distributed and for which there is currently no existing market, and therefore the Bonds offer limited liquidity. The Sole Bookrunner is not obligated to make a market in the Bonds and any market-making activity with respect to the Bonds, if commenced, may be discontinued at any time without notice in its sole discretion.

No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for, the Bonds. If an active trading market for the Bonds does not develop or is not maintained, the market price and liquidity of the Bonds may be adversely affected. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the price at which the Bonds are issued depending on many factors, including:

- prevailing interest rates;
- the Group's results of operations and financial condition;
- the price and volatility of A-Living's shares and the Hong Kong Stock Exchange and the SGX-ST;
- the market conditions for similar securities; and
- the financial condition and stability of financial and other sectors.

In addition, there may be a limited number of buyers when investors decide to sell their Bonds. This may affect the prices, if any, offered for Bonds or investors' ability to sell their Bonds when desired or at all.

Bondholders will bear the risk of fluctuations in the price of the Shares.

The market price of the Bonds at any time will be affected by, amongst other things, fluctuations in the trading price of the Shares. It is impossible to predict whether the trading price of the Shares will rise or fall. Trading prices of the Shares will be influenced by, among other things, A-Living's results of operations, announcements of new projects, strategic alliances or agreements by A-Living or its competitors, adoption or modification of regulations, policies, procedures or programmes applicable to real estate industry and political, economic, financial and other factors that can affect the markets in which the Shares are traded and real estate industry and other related industries in the PRC, Hong Kong and internationally. In addition, if the stock markets experience a loss of investor confidence, the trading price of the Shares could decline for reasons unrelated to A-Living's business, financial condition or operating results. The trading price of the Shares might also decline in reaction to events that affect other companies in the real estate businesses even if these events do not directly affect A-Living. Any decline in the price of the Shares would adversely affect the secondary market price of the Bonds. There can be no assurance that the price at which the Shares have historically traded will correspond to the price at which the Shares will trade in the market subsequent to the issue of the Bonds.

There may be no active market for the Shares.

The Shares are listed on the Hong Kong Stock Exchange. No assurance can be given as to the liquidity or sustainability of the trading market for the Shares, the ability of shareholders to sell their Shares or the price at which shareholders will be able to sell their Shares. If a market for the Shares fails to be sustained, the trading price of the Shares could fall. The Sole Bookrunner has no obligation to make a market for the Shares. The market for debt and equity securities in emerging markets has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Shares. There can be no assurance that the markets for the Shares, if any, will not be subject to similar disruptions. Any disruptions in these markets may have an adverse effect on the market price of the Shares.

Bondholders will have no rights as holders of Shares until the Bonds are exchanged.

Unless the Bondholders acquire Shares upon exchange of the Bonds and until such Shares are registered in their names, the Bondholders will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. If the Bonds are exchanged, exchanging holders will be entitled to exercise the rights as holders of the Shares only as to actions for which the applicable record date occurs after the holders are registered as holders of the Shares. In exercising any voting rights attaching to the Shares or making any such election, the shareholders of A-Living are not obliged to take account of the interests of the Bondholders and therefore, such shareholders may act in a manner which is contrary to the interests of the Bondholders.

The Conditions and the Trust Deed contain provisions which may permit their modification without consent of all Bondholders and confer significant discretion on the Trustee which may be exercised without the consent of the Bondholders and without regard to the individual interests of particular Bondholders.

The Conditions and the Trust Deed contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Conditions and the Trust Deed also provide that the Trustee may, but shall not be obliged to, agree, without the consent of the Bondholders, to (i) any modification of any of the provisions of the Transaction Documents (as defined in the Conditions) which, in the Trustee's opinion, is of a formal, minor or technical nature, or is made to correct a manifest error, or is to comply with mandatory provisions of law, and (ii) any other modification (except as mentioned in the Trust Deed) to any Transaction Document, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of any Transaction Document which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders. In addition, the Trustee will be compelled to consent to certain amendments of the Security Documents, the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement for the creation of Further Security Interests for securing the Permitted Pari Passu Secured Indebtedness (as defined in the Conditions) of the Guarantor or a Subsidiary Guarantor Pledgor without the consent of any Bondholder. Any such modification, authorisation or waiver shall be binding on the Bondholders.

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

In certain circumstances (including without limitation giving of notice to the Issuer pursuant to Condition 13 and taking steps and/or actions and/or initiating proceedings (including, without limitation, any steps, actions and/or proceedings for the enforcement of, or the giving of instruction to enforce under, any Transaction Document) pursuant to Condition 16), the Trustee may (at its sole discretion) request Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes such steps and/or actions and/or initiates such proceedings on behalf of Bondholders. The Trustee shall not be obliged to take any such steps and/or actions and/or initiate such proceedings if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such steps and/or actions can be taken, and/or such proceedings can be initiated. The Trustee may not be able to take such steps and/or actions and/or initiate such proceedings, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of any Transaction Document to which it is a party and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the Bondholders to take such actions directly.

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

As the Issuer, the Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors and A-Living were incorporated under the laws of the British Virgin Islands, the Cayman Islands, Hong Kong or the PRC (as the case may be), any insolvency proceeding relating to the Issuer or the Guarantor would likely involve British Virgin Islands, Cayman Islands, Hong Kong or the PRC insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

The Bonds are subject to risks related to taxation.

As described in "*Terms and Conditions of the Bonds — Redemption and Purchase — Redemption at the Option of the Issuer — Redemption for tax reasons*", if the Issuer or the (or, if the Parent Guarantee was called, the Guarantor) is required to pay additional amounts as a result of certain changes in tax laws (or the official interpretation or application thereof), subject to the Bondholder's option to receive payments net of such additional amounts (see "*Redemption and Purchase — Redemption at the Option of the Issuer — Redemption for tax reasons*"), the Issuer may redeem all but not some only of the Bonds at their principal amount together with any interest accrued but unpaid to but excluding the date fixed for such redemption. Bondholders should consult their own tax advisers on the tax implications of any investment, disposal or exchange of the Bonds.

Income or gains from the transfer of the Bonds may be subject to income tax or VAT under PRC tax laws.

Under the CIT Law, any gains realised on the transfer of the Bonds by holders who are deemed under the CIT Law as non-PRC resident enterprises may be subject to PRC income tax if such gains are regarded as income derived from sources within the PRC. Under the CIT Law, a "non-PRC resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organization is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. income tax rate (provided that the non-PRC resident enterprise does not have offices or premises in the PRC or that has offices or premises in the PRC but such gains are not effectively connected therewith) and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between China and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds, if such capital gains are not connected with an office or a premise that the Bondholders have in the PRC. According to Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with VAT in an All-round Manner (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (the "Circular 36"), VAT is unlikely to apply to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to apply to gains realised upon such transfers, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

If a Bondholder, being a non-PRC resident enterprise or non-PRC resident individual, is required to pay any PRC income tax or VAT on gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

The Bonds are subject to optional redemption by the Issuer.

As described in Condition 10(b), the Bonds may be redeemed at the option of the Issuer or the Guarantor (as the case may be) in the circumstances set out therein. An optional redemption feature may limit the market value of the Bonds. During any period when the Issuer may elect to redeem the Bonds, the market value of those Bonds generally will not rise substantially above the price at which they can be redeemed. See "*Terms and Conditions of the Bonds — Redemption and Purchase*". If the Issuer redeems the Bonds prior to maturity, an investor may not be able to reinvest the redemption proceeds at a rate of return as high as that on the Bonds being redeemed. It may therefore cause a negative financial impact on the holders of the Bonds. Potential investors should consider reinvestment risks in light of other investments available at that time.

A Bondholder who has exercised its Exchange Right may be prejudiced under the Bonds if it fails to notify the Trustee that the relevant *pro rata* share of the Exchange Property which is to be delivered under the exercise of such Exchange Right has not been delivered.

The Terms and Conditions of the Bonds will provide that the Exchange Rights shall lapse in the event that (i) the Trustee shall give notice pursuant to Condition 13 of the Terms and Conditions of the Bonds to the Issuer and the Guarantor that the Bonds are immediately due and payable or (ii) the Bonds automatically become immediately due and payable without any declaration or other act on the part of the Trustee or any Bondholder as provided in Condition 13(g) or Condition 13(h) of the Terms and Conditions of the Bonds. If the Bonds become immediately due and payable as contemplated in (i) or

(ii) of the immediately preceding sentence, the Terms and Conditions of the Bonds provide that a Holder who has exercised its Exchange Right shall promptly, and in any event within the time frame set out in the Trust Deed, give written notice to the Issuer, the Trustee, the Principal Paying and Exchange Agent and (where applicable) the Custodian if any of the relevant *pro rata* share of the Exchange Property which is to be delivered under the exercise of such Exchange Right has not been delivered to the account specified in the relevant Exchange Notice, and of the amount thereof not so delivered. In the absence of its receipt of written notice to such effect from such Holder, the Trustee, the relevant Agent or the Custodian (as the case may be) may assume that all Exchange Property which is to be delivered under the exercise of such Exchange Right has been duly delivered in accordance with the relevant Exchange Notice before the occurrence of the event referred to in (i) or (ii) above (whichever earlier) and none of them shall liable to any Obligor, any Bondholder, any other Secured Party or any other person for so doing.

For the avoidance of doubt, subject to the requirements in the Trust Deed, the exercise of any Exchange Right shall be deemed to have been revoked in accordance with the Trust Deed if the relevant *pro rata* share of the Exchange Property to be delivered under the exercise of such Exchange Right has not yet been delivered by the time of the occurrence of such event as is referred to in (i) or (ii) of the immediately preceding paragraph (whichever is earlier) and, in such circumstances, the relevant Bondholder shall be entitled to payments on such outstanding Bonds as if it had not delivered the relevant Exchange Notice; provided however, that this shall not prejudice the right of any Bondholder who has elected or may elect to receive the Default Cure Amount. A Bondholder who fails to notify the Trustee within the time frame set out in the Trust Deed that the relevant *pro rata* share of the Exchange Property which is to be delivered to it under its exercise of the Exchange Right has not been delivered may have its Bonds treated as not being outstanding by the Trustee and may not be entitled to share in payments made from the enforcement proceeds, notwithstanding that its Exchange Notice may have been revoked automatically on acceleration of the Bonds and no Exchange Property being delivered.

Default Cure Amount is available only in limited circumstances, and a Bondholder may lose its claim for Default Cure Amount if its claim cannot be proved in enforcement proceedings.

Under the Terms and Conditions of the Bonds, only holders who have duly exercised their Exchange Rights following the occurrence of an Event of Default but prior to the Bonds having become due and payable, or if there has occurred an Event of Default under Condition 13(b) of the Terms and Conditions of the Bonds, and in each case who have also requested the Issuer for the same, will be entitled to payment of a Default Cure Amount from the Issuer (failing whom the Guarantor and the Subsidiary Guarantors, jointly and severally). A request for payment of a Default Cure Amount should be made by the relevant Bondholder to the Issuer directly (and copied to the Trustee, the Principal Paying and Exchange Agent and the Calculation Agent). None of the Trustee, the Agents or the Custodian will be responsible for making, or entitled to make, any such request for or on behalf of any Bondholder.

The Terms and Conditions of the Bonds will also provide that the Trustee, the Agents and the Custodian shall not be responsible for calculating or verifying the calculations, or for procuring calculation or verification, of any Default Cure Amount payable, or the *pro rata* share of the Exchange Property to be delivered, under or as a result of the exercise of any Exchange Rights, or for procuring the delivery of any Exchange Property by the Issuer, or ascertaining or enquiring as to the amount of Exchange Property actually delivered, or for determining whether any Default Cure Amount is payable or, if the same are payable, the amount thereof, or for paying any such amount or any Default Cure Amount, and none of them shall be responsible or liable to any Bondholder, any other Secured Party or any other person for not doing any of the foregoing. The Default Cure Amount payable will be determined solely by the Calculation Agent. If no such determination has been made or can be made by the Calculation Agent at the time when the Trustee commences any enforcement action under the Bonds or the Bonds Security Documents, the Trustee may not be able to make a payment in respect of an exercising Bondholder's claim for such Default Cure Amount. It will then be for the relevant Bondholder to pursue its claim against the Issuer directly. Payment of the Default Cure Amount will also rank behind, among other things, payments of principal, premium (if any) and interest due on the outstanding Bonds and payments of any sum due to the Trustee, the Agents and the Custodian. There can be no assurance that any Default Cure Amount which is due and payable by the Issuer to any exercising Bondholder will be paid by the Trustee from the enforcement proceeds in full, or at all, and it will then be for the relevant Bondholder(s) to pursue its claim against the Issuer directly, which claim may not be secured.

The Terms and Conditions of the Bonds will provide that if a Bondholder who has requested payment of a Default Cure Amount be made to it has received any payment under the Bonds pursuant to Condition 3(f) of the Terms and Conditions of the Bonds or other provisions of Condition 13 of the Terms and Conditions of the Bonds, the amount of such payment shall be deducted from the payment of the Default Cure Amount.

Risks relating to further issues or sales of Shares.

There can be no certainty as to the effect, if any, that future issues or sales of Shares, or the availability of Shares for future issue or sale, would have on the market price of the Shares prevailing from time to time and therefore on the price of the Shares. Sales of a substantial number of Shares in the public market, or a perception in the market that such sales could occur, could adversely affect the prevailing market price of the Shares and, in turn, the Bonds. There can be no assurance that such sales of the Shares will not occur.

A-Living has no obligations with respect to the Bonds.

A-Living has no obligation with respect to the Bonds, including any obligation to consider the needs of any Obligor or holders of the Bonds. As a consequence, there can be no assurance that all events occurring prior to the date hereof that would affect the trading price of the Shares (and therefore the price of the Bonds) are available to prospective investors. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning A-Living could affect the trading price of the Shares deliverable upon exchange of the Bonds and therefore the trading price of the Bonds. A-Living will not receive any of the proceeds from the offering of the Bonds and are not responsible for, and has not participated in, the determination of the timing of, price for, or quantities of, the Bonds.

Investors in the Bonds may be subject to foreign exchange risks.

The Bonds are denominated and payable in Hong Kong dollars. An investor who measures investment returns by reference to a currency other than the Hong Kong dollar would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which the Group has no control. Depreciation of the Hong Kong dollar against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

The Issuer may not be able to meet its outstanding obligations under the Bonds.

The Issuer may (and at maturity, will) be required to redeem all of the Bonds. In the event that the Issuer is required to redeem the Bonds, the Issuer may not have sufficient cash in hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The Issuer's failure to repay, repurchase or redeem tendered Bonds could constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's or the Group's other indebtedness.

If the Issuer, the Guarantor, or any of the members of the Group is unable to comply with the restrictions and covenants in its respective debt agreements, or the Bonds, there could be a default under the terms of such agreements, or the Bonds, which could cause repayment of the relevant debt to be accelerated.

If the Issuer, the Guarantor, or any of their respective subsidiaries are unable to comply with the restrictions and covenants in the Bonds, or if any of the members of the Group are unable to comply with their current or future debt obligations and other agreements, there could be a default under the terms of such agreements. In the event of a default under such agreements, the holders of the debt could terminate their commitments to lend to the Issuer, the Guarantor or the relevant member of the Group, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of the debt agreements entered into by members of the Group, and the Conditions, contain (or may in the future contain) cross-acceleration or cross-default provisions. As a result, the default by the Issuer, the Guarantor, or any member of the Group under one debt agreement may cause the acceleration of repayment of debt, including the Bonds, or result in a default under its other debt agreements, including the Bonds. If any of these events occur, there can be no assurance that the assets and cash flows of the Group would be sufficient to repay in full all of their indebtedness, or that they would be able to find alternative financing. Even if alternative financing could be obtained, there can be no assurance that it would be on terms that are favorable or acceptable to the Issuer, the Guarantor, or such member of the Group, as the case may be.

Our operations are restricted by the terms of our debt arrangements, 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

Our debt documents include a number of significant restrictive covenants. These covenants restrict, among other things, our ability, and the ability of us and 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 our Restricted Subsidiaries;
- guarantee indebtedness of our Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- engage in any business other than permitted business;
- enter into agreements that restrict the Restricted Subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- enter into transactions with shareholders or affiliates; and
- effect a consolidation or merger.

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

We may be unable to obtain and remit foreign exchange

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

The Bonds will initially be represented by the Global Certificate and holders of beneficial interests in the Global Certificate must rely on the procedures of the clearing systems.

The clearing systems will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the clearing system. While the Bonds are represented by the Global Certificate, the Issuer, the Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor, as the case may be, will discharge its payment obligations under the Bonds by making payments to the relevant participants of such clearing system for distribution to their account holders.

A holder of a beneficial interest in the Global Certificate must rely on the procedures and rules of the relevant clearing system to receive payments under the Bonds. Payments in respect of the Bonds will only be made to investors in the manner specified in the Bonds. None of the Issuer, the Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors have any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate. Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system to appoint appropriate proxies.

The transfers of the H shares are subject to PRC corporate income tax.

Under the CIT Law, any gains realized on the transfer of the H shares by holders who are deemed under the CIT Law as non-PRC resident enterprises may be subject to PRC income tax if such gains are regarded as income derived from sources within the PRC. Under the CIT Law, a "non-PRC resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organization is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. If such gains are subject to PRC income tax, the 10 per cent. income tax rate (provided that the non-PRC resident enterprise does not have offices or premises in the PRC or that has offices or premises in the PRC but such gains are not effectively connected therewith) will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax.

If the holder of H shares, such as the Issuer is deemed as a non-PRC resident enterprise, it will be required to pay the PRC income tax on gains on the transfer of the H shares.

The transfers of the Shares upon exchange are subject to stamp duty in Hong Kong.

No Hong Kong stamp duty will be chargeable upon the issue, transfer (for so long as the register of holders of the Bonds is maintained outside Hong Kong) or redemption at maturity (in which the Bonds will be cancelled and extinguished) of Bonds.

Hong Kong stamp duty is payable by the purchaser on every purchase, and by the seller on every sale of Hong Kong stock, including the transfer of the Shares to the holder of the Bonds upon exchange. The duty is charged at the ad valorem rate of 0.13 per cent. of the consideration for, or (if greater) the value of, the Shares transferred to or from each of the seller and the purchaser. In other words, a total of 0.26 per cent. is currently payable on a typical transfer (i.e. sale and purchase transaction) of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK$5. Where a sale or purchase of Shares is effected by a person who is not resident in Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) is chargeable with such duty, together with the stamp duty otherwise chargeable thereon and the transferee is liable to pay such duty. If stamp duty is not paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed. See "*Taxation — Hong Kong — Stamp duty*".

Neither these statements nor any statements in this Offering Circular are to be regarded as advice on the tax position of any holder of the Bonds or any persons acquiring, selling or otherwise dealing in the Bonds or on any tax implications arising from the acquisition, sale or other dealings in respect of the Bonds. Persons considering the purchase of the Bonds should consider their own tax advisers concerning the possible tax consequences of buying, holding or selling any Bonds under the laws of their country of citizenship, residence or domicile.

Bondholders should rely on publicly available information on A-Living.

Information on A-Living's business, financial results and operations contained in this Offering Circular is limited. Accordingly, the Bondholders should rely on publicly available information on the business, financial results and operations of A-Living, and there can be no assurance that such information presents an accurate description of A-Living's business, financial results and operations and that it addresses any significant business changes of respective companies which could affect the value of the Shares.

The Issuer may issue additional bonds in the future.

The Issuer may, from time to time, and without the consent of the Bondholders create and issue further bonds in accordance with the Terms and Conditions of the Bonds (see "*Terms and Conditions of the Bonds — Further Issues*"). There can be no assurance that such future issuance will not adversely affect the market price of the Bonds. Holders of any such additional bonds will also share all security interests which have been granted in favour of the Trustee for the benefit of the Bondholders on a pari passu basis. There can be no assurance that the Issuer, the Guarantor or any other person will grant any additional security over additional security assets for the Bonds as a result of such issue of additional bonds.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the holders of the Bonds would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Conditions, the Trust Deed and the Agency Agreement are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. Most of the Group's subsidiaries are incorporated in the PRC and a substantial portion of the Group's assets are located in the PRC. In addition, the Group's directors and senior management reside within the PRC and the assets of the Group's directors and officers may be located within the PRC. As a result, it may not be possible to effect service of process outside the PRC upon such directors and senior management, including for matters arising under applicable securities law.

The Issuer and the Guarantor have irrevocably submitted to the exclusive jurisdiction of the Hong Kong courts in some transaction documents relating to the Bonds and the Guarantee. Hong Kong and the PRC have entered into certain arrangements on the reciprocal recognition and enforcement of judgments in civil and commercial matters (the "Reciprocal Arrangements") which allow for a final court judgment (relating to the payment of money or other civil or commercial proceeding) rendered by a Hong Kong court or PRC court (as the case may be) to be recognised and enforced in the PRC or Hong Kong (as the case may be), provided certain conditions are met. However, certain matters may be excluded under the Reciprocal Arrangements and a judgment may be refused to be recognised and enforced by the requested place in certain circumstances such as for public policy reasons or where the judgment was obtained by fraud. As a general matter, a judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. The PRC signed the Hague Convention on Choice of Court Agreements (the "Hague Convention") in September 2017 which is intended to promote the use of exclusive choice of court agreements in international contracts and facilitate the creation of a recognition and enforcement regime for court judgements between contracting States. However, the signing of the Hague Convention currently does not have any legal effect until it is ratified by the PRC government. The PRC has not entered into treaties or arrangements providing for the reciprocal recognition and enforcement of judgments of courts with numerous countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for Bondholders to enforce any judgments obtained from such foreign courts against the Group, the Issuer, the Guarantor or any of their respective directors or senior management in the PRC.

A change in English law which governs the Bonds may adversely affect Bondholders.

The Conditions are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change English law or administrative practice after the date of issue of the Bonds.

Investors should be aware that the Bonds, being exchangeable for the Exchange Property, bear certain risks.

Depending on the performance of the underlying Exchange Property, the value of the Exchange Property may decline and be substantially lower at the time that Bondholders seek to exercise their Exchange Rights than when the Bonds were initially purchased. For example, the price of the Shares could fall, negatively impacting the value of the Exchange Property. In addition, the value of the Exchange Property to be delivered may vary substantially between the date on which Exchange Rights are exercised and the date on which such Exchange Property is delivered.

The Bonds are not rated.

The Bonds are not rated by any rating agency. Unrated securities often trade at a discount to similar rated securities. As a result, the Bonds may trade at a price that is lower than they might otherwise trade if rated by a rating agency.

Our ratings may be lowered or withdrawn in the future

We have been assigned a long-term corporate credit rating of "BB-" with a negative outlook by S&P, a corporate family rating of "Ba2" with a negative outlook by Moody's and a corporate credit rating of "BBB-" with a stable outlook by Lianhe Ratings Global Limited. We cannot assure you that the ratings will remain in effect or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agencies at any time. We have no obligation to inform holders of the Bonds of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to us may adversely affect the market price of the Bonds.

Changes in market interest rates may adversely affect the value of the Bonds.

The Bonds will carry fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. If Bondholders sell the Bonds they hold before the maturity of such Bonds, they may receive an offer less than their investment.

Certain facts and statistics are derived from publications not independently verified by us, the Sole Bookrunner or our respective advisors

Facts and statistics in this Offering Circular relating to China's economy and the real estate industry are derived from publicly available and third-party professional 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 Sole Bookrunner or our or its advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

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

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

RISKS RELATING TO THE SUBSIDIARY GUARANTEES, THE JV SUBSIDIARY GUARANTEES AND THE COLLATERAL

The Bonds will be subordinated to the existing Permitted Pari Passu Secured Indebtedness to the extent of the costs and expenses of the Sub-Collateral Agent

On the original issue date of the Bonds, the Trustee on behalf of itself and the Bondholders will accede to the Sub-Collateral Agent Appointment Agreement pursuant to which the Trustee and future holders of Permitted Pari Passu Secured Indebtedness will agree to share the Collateral on a *pari passu* basis. Under the terms of the Intercreditor Agreement dated November 12, 2009 (as amended, supplemented or modified through the date of this Offering Circular), after the costs and expense of the Collateral Agent and the agent or trustee of the Permitted Pari Passu Secured Indebtedness and other administrative expenses have been paid, any proceeds of the Collateral will be shared on a *pro rata* basis among all debt that has the benefit of the Collateral. However, under the terms of the Sub-Collateral Agent Appointment Agreement, the costs and expenses of the Sub-Collateral Agent not otherwise paid under the Intercreditor Agreement shall be paid before such proceeds will be shared on a *pro rata* basis between the Bonds and the future holders of Permitted Pari Passu Secured Indebtedness. As a result, the Bonds and future Permitted Pari Passu Secured Indebtedness will be subordinated to the existing Permitted Pari Passu Secured Indebtedness to the extent of the costs and expenses of the Sub-Collateral Agent.

Our initial Subsidiary Guarantors do not currently have significant operations

None of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Bonds or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC, that are not permitted by applicable law or regulation to guarantee the Bonds (the "Exempted Subsidiaries") or that are listed on certain qualified stock exchanges (the "Listed Subsidiaries"), will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. Moreover, the Bonds will not be guaranteed by certain other Non-Guarantor Subsidiaries and under the terms of the Existing Notes, Subsidiary Guarantors may be able to release their Subsidiary Guarantees subject to certain conditions and become Non-Guarantor Subsidiaries. In addition, certain of our offshore subsidiaries are permitted to not guarantee the Bonds and have their capital stock pledged to secure the Bonds, if the consolidated assets of all these offshore subsidiaries (other than the Crown Golden Group, the Exempted Subsidiaries and the Listed Subsidiaries) do not exceed 30% of our total assets. As a result, the Bonds will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of the PRC subsidiaries and such Non-Guarantor Subsidiaries. In addition, certain of our subsidiaries holding our major project in Hainan Province, Hainan Clearwater Bay, and other subsidiaries, including certain subsidiaries responsible for property management and marketing and certain dormant companies, will not provide Subsidiary Guarantees upon issuance of the Bonds and as a result, the Bonds will be effectively subordinated to all the debt and other obligations of these subsidiaries. Moreover, the Collateral will not include the capital stock of our existing or future PRC subsidiaries and Non-Guarantor Subsidiaries.

The initial Subsidiary Guarantors that will guarantee the Bonds 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 Bonds if we are unable to do so.

Under the terms of the Bonds, a Subsidiary Guarantor (and the corresponding Collateral) may be released if the same are released under the Existing Notes. Under the terms of the Existing Notes, among the various release provisions, 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 the Crown Golden Group, the Exempted Subsidiaries and the Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 30% of our total assets.

In addition, a Subsidiary Guarantee required to be provided by a subsidiary of the Company under the terms of the Existing Notes may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to, or purchase from, a third party of an equity interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under 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. See "— We are a holding company and payments with respect to the Bonds are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries."

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 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:

For Subsidiary Guarantors incorporated in other jurisdictions:

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

For Subsidiary Guarantors incorporated in the British Virgin Islands:

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

(ii) 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;

(iii) received no consideration, or received consideration in money or money's worth that is significantly less than the consideration supplied by the guarantor;

(iv) in the case of (ii) and (iii), a guarantee will be only be voidable if it was entered into at a time when the guarantor was insolvent, or if it became insolvent as a consequence of doing so. Insolvent in this context under BVI law means that the guarantor is unable to pay its debts as they fall due. Additionally, a guarantee will only be vulnerable if is given within the six month period preceding the commencement of liquidation, or, if the guarantee and beneficiary are connected entities, two years. Further, a guarantor would be considered insolvent if it fails to comply with the requirements of a statutory demand that has not been set aside or it fails to satisfy a judgment, order or decree of the court in favour of a creditor upon execution of the same.

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

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

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 Guarantors (as the case may be) will be limited to the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor or JV Subsidiary Guarantors (if any) without rendering the guarantee, as it relates to such Subsidiary Guarantor or JV Subsidiary Guarantors (if any), voidable under such applicable insolvency or fraudulent transfer laws.

If a court voided a Subsidiary Guarantee, subordinated such guarantee to other indebtedness of the Subsidiary Guarantor or JV Subsidiary Guarantor, or held the Subsidiary Guarantee or JV Subsidiary Guarantee (as the case may be) unenforceable for any other reason, holders of the Bonds 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, and would solely be creditors of us and any Subsidiary Guarantor or JV Subsidiary Guarantors whose guarantee was not voided or held unenforceable. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Bonds.

All of the Collateral may be released in the future

Under the terms of the Bonds, any and all of the Collateral may be released if the same are released under the Existing Notes. Under the terms of the Existing Notes, if certain circumstances are met even when the Existing Notes are outstanding, all of the Collateral may be released simultaneously with respect to all debt that is secured by the Collateral at such time. Holders of the Bonds should note that the Bonds may become unsecured in the future.

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 or where applicable, certain JV Subsidiary Guarantors may also be voidable as a preference under relevant insolvency or fraudulent transfer or similar laws. In addition, the pledge of certain Collateral may be voided based on the analysis set forth under "— The Subsidiary Guarantees 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."

The value of the Collateral will likely not be sufficient to satisfy our obligations under the Guarantees 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 certain JV Subsidiary Guarantors. The security interest in respect of certain Collateral may be released upon the disposition of such Collateral and any proceeds from such disposition may be applied, prior to repaying any amounts due under the terms of the Existing Notes and the Bonds, 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 Bonds, to foreclose on the Collateral upon the occurrence of an Event of Default or otherwise, will be subject in certain instances to perfection and priority issues. The Trustee will also have no direct recourse whatsoever to enforce or realise any Collateral, and will have to rely, without liability to any Bondholder or any other person, on the Collateral Agent and/or the Sub-Collateral Agent, as the case may be, to take such actions as the Collateral Agent and/or the Sub-Collateral Agent, as the case may be, may take under any one or more of the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement or the relevant security document(s). Although procedures will be undertaken to support the validity and enforceability of the security interests by us, we cannot assure you that the Trustee or holders of the Bonds will be able to enforce, or direct the enforcement of, the security interest.

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

The Collateral will be shared on a *pari passu* basis pursuant to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement by the holders of the Bonds, the holders of our high-yield notes and bank lenders and may be shared on a *pari passu* basis with holders of other permitted indebtedness ranking *pari passu* with the Bonds that we may issue in the future. Accordingly, in the event of a default on the Bonds or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of secured indebtedness. The value of the Collateral securing the Guarantees is unlikely to be sufficient to satisfy the Guarantor's and each of the Subsidiary Guarantor Pledgors' obligations under the Bonds and the Subsidiary Guarantees of the Subsidiary Guarantor Pledgors, and the Collateral securing the Guarantees may be reduced or diluted under certain circumstances, including the issuance of further Bonds and the disposition of assets comprising the Collateral, subject to the terms of the indentures governing the Existing Notes and the terms and conditions of the Bonds.

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

Under the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement, upon the occurrence of an event of default under the respective debt instruments (including the Existing Notes or other permitted *pari passu* secured indebtedness), the relevant secured party may 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 Bonds. Similarly, the Subsidiary Guarantors' ability to pay under the Subsidiary Guarantees will be adversely affected.

The Collateral Agent and the Sub-Collateral Agent, pursuant to the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement, the security documents relating to the Collateral and underlying indentures or finance documents, have 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 Bonds and other secured parties.

In addition, the Collateral Agent and the Sub-Collateral Agent, acting in their capacity as such, shall have such duties with respect to the Collateral pledged, assigned or granted pursuant to the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement, and the Security Documents as are set forth in the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement and as trustee and agent in respect of other obligations including the Bonds and the Existing Notes. Under certain circumstances, the Collateral Agent and the Sub-Collateral Agent may have obligations under the respective security documents or the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement, and the underlying indentures or finance documents that are in conflict with the interests of the holders of the Bonds, the holders of the Existing Notes or the holders of other permitted *pari passu* secured indebtedness. The Collateral Agent and the Sub-Collateral Agent will not be under any obligation to exercise any rights or powers conferred under the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement, or any of the security documents relating to the Collateral for the benefit of the holders of the Bonds or the holders of the Existing Notes, unless such holders have offered to the Collateral Agent and the Sub-Collateral Agent indemnity and/or security and/or pre-funding satisfactory to the Collateral Agent and the Sub-Collateral Agent against any loss, liability, cost or expenses.

If an Event of Default occurs under the Bonds, the Existing 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, take such action pursuant to the terms of the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement, and their security documents. Such action may be adverse to holders of the Bonds. In that event, the holders of the Bonds would retain only the remedy to sue for payment on the Bonds and the Subsidiary Guarantees.

Further, the Collateral has already been granted in favor of the trustees for the Existing Notes and lenders of various credit facilities and term loans (or their agents or representatives). Although pursuant to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement the Collateral will be shared on a *pari passu* basis among holders of the Bonds, the Existing Notes and lenders of various credit facilities and term loans and other permitted *pari passu* secured indebtedness, under Hong Kong and BVI laws, the security interests that have been granted to the trustees for the Existing Notes and lenders of various credit facilities and term loans (or their agents or representatives) do have legal priority over the Collateral, varied only by contractual arrangements under the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement. If the Hong Kong courts or the BVI courts do not recognize the Intercreditor Agreement or the Sub-Collateral Agent Appointment Agreement or if the Intercreditor Agreement or the Sub-Collateral Agent Appointment Agreement has become invalid or void, the security interests held by the Trustee (for the benefit of the holders of the Bonds) over the Collateral will rank behind the security interests over the Collateral held by other secured parties to which the Collateral was granted prior to the issuance of the Bonds.

USE OF PROCEEDS

We intend to use the net proceeds from this offering, after deducting commissions and other expenses payable in connection with this offering, for the refinancing of certain existing medium to long term offshore indebtedness which will become due within one year.

Subject to compliance with applicable laws and regulations, we may adjust the foregoing plans in response to changing market conditions and circumstances and, thus, reallocate the use of the net proceeds.

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 SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On 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. On March 17, 2014, the PBOC further widened the floating bond against the U.S. dollar to 2.0%. The PRC government 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 inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity rate for the trading against the Renminbi on the following working day.

Effective since August 11, 2015, market makers are required to quote their central parity rates for Renminbi against U.S. dollar to the China Foreign Exchange Trade System daily before the market opens by reference to the closing rate of the PRC inter-bank foreign exchange market on the previous trading day in conjunction with the demand and supply conditions in the foreign exchange markets and exchange rate movements of major currencies. PBOC has further authorized the China Foreign Exchange Trade System to announce its central parity rate for Renminbi against the U.S. dollar through a weighted averaging of the quotes from the market makers after removing the highest quote and the lowest quote. PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for trading against the Renminbi on the following working day. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Since October 2016, 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 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[(1)]	High	Low
	(RMB per US$1.00)			
2016	6.9430	6.6549	6.9580	6.9430
2017	6.5063	6.7530	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9014	7.1786	6.6822
2020	6.5250	6.8878	7.1681	6.5208
2021				
May	6.3674	6.4321	6.4749	6.3674
June	6.4566	6.4250	6.4811	6.3796
July	6.4609	6.4763	6.5104	6.4562
August	6.4604	6.4768	6.5012	6.4604
September	6.4434	6.4563	6.4702	6.4320
October	6.4050	6.4172	6.4485	6.3820
November (through November 12, 2021)	6.3787	6.3938	6.4061	6.3787

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 as set forth in the H.10 statistical release of the Federal Reserve Board for and as of the period ends as indicated.

Noon Buying Rate

Period	Noon buying rate (HK per US$1.00)			
	Period end	**Average[(1)]**	**High**	**Low**
2016	7.7534	7.7618	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8335	7.8499	7.7850
2020	7.7534	7.7562	7.7951	7.7498
2021				
May	7.7610	7.7654	7.7697	7.7608
June	7.7658	7.7617	7.7666	7.7566
July	7.7723	7.7705	7.7837	7.7651
August	7.7779	7.7834	7.7925	7.7735
September	7.7850	7.7807	7.7877	7.7708
October	7.7790	7.7793	7.7871	7.7725
November (through November 12, 2021)	7.7921	7.7860	7.7921	7.7819

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

The following table sets forth on an actual basis our capitalization and indebtedness as of June 30, 2021, and as adjusted to give effect to the gross proceeds from the issuance of the Bonds, before deducting commissions and other estimated expenses payable in connection with this offering. Except as otherwise disclosed in this Offering Circular, there has been no material change in our capitalization since June 30, 2021.

	As of June 30, 2021			
	Actual		Adjusted	
	RMB (unaudited)	US$ (unaudited)	RMB (unaudited)	US$ (unaudited)
	(in thousands)			
Cash and cash equivalents(1)	46,512,122	7,203,810	48,513,668	7,513,810
Short-term borrowings(2)(3)				
Current portion of non-current borrowings	32,648,980	5,056,683	32,648,980	5,056,683
Other borrowings				
— secured	2,026,861	313,921	2,026,861	313,921
— unsecured	2,254,292	349,145	2,254,292	349,145
Short-term bank borrowings				
— secured	1,921,690	297,632	1,921,690	297,632
— unsecured	634,800	98,318	634,800	98,318
Total short-term borrowings	39,486,623	6,115,699	39,486,623	6,115,699
Long-term borrowings(3)(4)(5)				
2017 Notes	1,286,782	199,297	1,286,782	199,297
2018 Notes	3,877,260	600,511	3,877,260	600,511
2019 Notes	3,223,836	499,309	3,223,836	499,309
2020 Notes	6,319,736	978,802	6,319,736	978,802
2021 Notes	2,881,169	446,236	2,881,169	446,236
PRC corporate bonds	7,442,137	1,152,640	7,442,137	1,152,640
Asset-backed securities	948,820	146,954	948,820	146,954
Commercial Mortgage backed Securities	4,079,603	631,850	4,079,603	631,850
Other borrowings				
— secured	7,686,478	1,190,484	7,686,478	1,190,484
— unsecured	631,019	97,732	631,019	97,732
Long-term syndicated loans				
— secured	16,031,810	2,483,011	16,031,810	2,483,011
— unsecured	720,412	111,578	720,412	111,578
Long-term bank borrowings				
— secured	27,895,817	4,320,512	27,895,817	4,320,512
— unsecured	8,036,979	1,244,770	8,036,979	1,244,770
Bonds to be issued(6)	—	—	2,001,546	310,000
Less: Current portion of non-current borrowings	(32,648,980)	(5,056,683)	(32,648,980)	(5,056,683)
Total long-term borrowings	58,412,878	9,047,003	60,414,424	9,357,003
Capital and reserves				
Total capital and reserve attributable to our shareholders	55,070,677	8,529,362	55,070,677	8,529,362
Perpetual capital securities	13,013,810	2,015,583	13,013,810	2,015,583
Total capitalization(7)	126,497,365	19,591,947	128,498,911	19,901,948

Notes:

(1) Cash and cash equivalents exclude restricted cash of RMB10,648 million (US$1,649 million) as of June 30, 2021. Restricted cash consists principally of guarantee deposits for mortgage loans, guarantee deposits for construction of pre-sold properties, deposits for accident compensation and collateral for borrowings.

(2) Short-term borrowings include the current portion of long-term borrowings.

(3) As of June 30, 2021, RMB51,613.3 million (US$7,993.9 million) of our long-term and short-term borrowings had been incurred by our PRC subsidiaries.

(4) As of June 30, 2021, our consolidated capital commitments were RMB36,241.3 million (US$5,613.1 million) and our contingent liabilities amounted to approximately RMB59,175.7 million (US$9,165.2 million).

(5) Long-term borrowings exclude the current portion of long-term borrowings.

(6) The translations from H.K. dollars into U.S. dollars for the gross proceeds from the issuance of the Bonds were made at the rate of HK$7.8 to US$1.0. The Bonds should be bifurcated into and separately accounted for as debt component and equity or derivative liability component according to Hong Kong Financial Reporting Standards. For illustrative purposes only, the initial gross proceeds from issuance of the Bonds as a whole have been presented as the Bonds to be issued under "Long-term borrowings" in the above table.

(7) Total capitalization includes total long-term borrowings plus total capital and reserves attributable to our shareholders and perpetual capital securities.

We have, since June 30, 2021, in the ordinary course of business, entered into additional financial arrangements to finance our property development and for general corporate purposes, such as the July 2021 Notes and the September 2021 Notes, which are not reflected in the table above. We will continue to enter into short-term and long-term borrowings and other financing arrangements in the ordinary course of business, including construction and project loans and issuing debt securities and perpetual securities. In addition, we will continue to evaluate investment and acquisition opportunities and may conduct such investments and acquisitions in the ordinary course of business. See "Recent Developments" and "Description of Other Material Indebtedness."

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our selected financial and other data. The selected financial data as of and for each of the fiscal years ended December 31, 2018, 2019 and 2020 (except for EBITDA data and amounts presented in U.S. dollars), are derived from our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020. The summary financial data as of and for the six months ended June 30, 2020 and 2021 (except for EBITDA data and amounts presented in U.S. dollars) are derived from our unaudited condensed consolidated interim financial information for the six months ended and as of June 30, 2021. Consequently, such unaudited condensed consolidated interim financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit and should not be taken as an indication of our expected financial condition, results of operations and results for the full financial year ended December 31, 2021. Our unaudited condensed consolidated interim financial information as of and for the six months ended June 30, 2021 reproduced in this Offering Circular have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. The selected financial data below should be read in conjunction with the audited consolidated financial statements for the years ended December 2019 and 2020, the unaudited condensed consolidated interim financial information for the six months ended June 30, 2021, and the notes to those financial statements and information included elsewhere in this Offering Circular. All significant intra-group transactions, balances and unrealized gains on intra-group transactions have been eliminated.

With effect from January 1, 2019, we adopted HKFRS 16 under which we are required to adjust certain amounts recognized in our financial statements. Please refer to Note 2.2 of our audited consolidated financial statements for the year ended December 31, 2019 for a discussion on the effects of the adoption of HKFRS 16. We adopted HKFRS 16 from January 1, 2019, without requiring any restatement of the corresponding figures of the prior period before January 1, 2019 as permitted under the specific transitional provisions in the standard. Our audited consolidated financial statements as of and for the years ended December 31, 2018 may not be directly comparable against our audited consolidated financial statements on or after January 1, 2019, including our audited consolidated financial statements for each of the year ended December 31, 2019 and 2020. Investors must therefore exercise caution when making comparisons of any financial figures on or after January 1, 2019 against our consolidated financial figures prior to January 1, 2019 and when evaluating our financial position and results of operations.

SELECTED CONSOLIDATED INCOME STATEMENT INFORMATION

	Year Ended December 31,				Six Months Ended June 30,		
	2018	2019	2020		2020	2021	
	RMB	RMB	RMB	US$ (unaudited)	RMB (unaudited)	RMB (unaudited)	US$ (unaudited)
	(in thousands, except percentages)						
Revenue	56,144,926	60,239,097	80,245,252	12,428,407	33,527,374	38,587,759	5,976,483
Cost of sales	(31,471,009)	(41,881,111)	(56,142,868)	(8,695,423)	(22,006,936)	(27,739,181)	(4,296,252)
Gross profit	24,673,917	18,357,986	24,102,384	3,732,984	11,520,438	10,848,578	1,680,231
Selling and marketing costs	(2,318,044)	(2,026,178)	(2,384,710)	(369,345)	(952,070)	(1,273,482)	(197,237)
Administrative expenses	(2,909,554)	(3,998,883)	(5,234,723)	(810,755)	(1,713,554)	(1,899,444)	(294,186)
Net impairment (losses)/ reversal on financial and contract assets	(97,250)	(149,574)	(566,679)	(87,767)	(98,127)	(198,222)	(30,701)
Other gains/(losses), net	1,986,253	4,802,164	3,740,426	579,318	2,831,959	4,253,080	658,718
Other income	1,040,034	1,282,537	1,669,854	258,627	777,584	787,574	121,980
Other expenses	(257,002)	(228,300)	(400,044)	(61,959)	(128,308)	(112,698)	(17,455)
Operating profit	22,118,354	18,039,752	20,926,508	3,241,103	12,237,922	12,405,386	1,921,350
Finance costs, net	(2,744,353)	(2,529,824)	(1,042,210)	(161,108)	(1,342,235)	(1,239,305)	(191,944)
Share of post-tax profits of investments accounted for using the equity method	27,098	1,086,246	1,585,630	245,583	491,115	195,619	30,297
Profit before income tax	19,401,099	16,596,174	21,471,928	3,325,578	11,386,802	11,361,700	1,759,703
Income tax expenses	(11,043,282)	(7,362,928)	(9,223,051)	(1,428,469)	(5,047,603)	(4,891,083)	(757,532)
Profit for the year/period	8,357,817	9,233,246	12,248,877	1,897,109	(6,339,199)	6,470,617	1,002,171
Profit attributable to:							
Shareholders of the Company	7,125,007	7,511,794	9,474,597	1,467,428	5,127,482	5,290,297	819,363
Holders of perpetual capital securities	676,906	850,225	1,083,780	167,856	549,386	507,533	78,607
Non-controlling interests	555,904	871,227	1,690,500	261,825	662,331	672,787	104,201
	8,357,817	9,233,246	12,248,877	1,897,109	6,339,199	6,470,617	1,002,171
Dividends	1,658,443	3,772,477	3,132,664	485,188	1,750,626	1,629,218	252,234
OTHER FINANCIAL DATA							
EBITDA(1)	23,035,519	22,438,005	27,114,612	4,199,519	14,847,746	14,078,653	2,180,506
EBITDA Margin(2)	41.0%	37.2%	33.8%	33.8%	44.3%	36.5%	36.5%

Notes:

(1) The calculation of earnings before interest, taxation, depreciation and amortization (EBITDA) excluded fair value gains on investment properties. 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 performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. EBITDA does not account for income taxes, interests, depreciation and amortization, fair value gains on investment properties, non-recurring other income/ expense, and exchange gains/losses. 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.

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

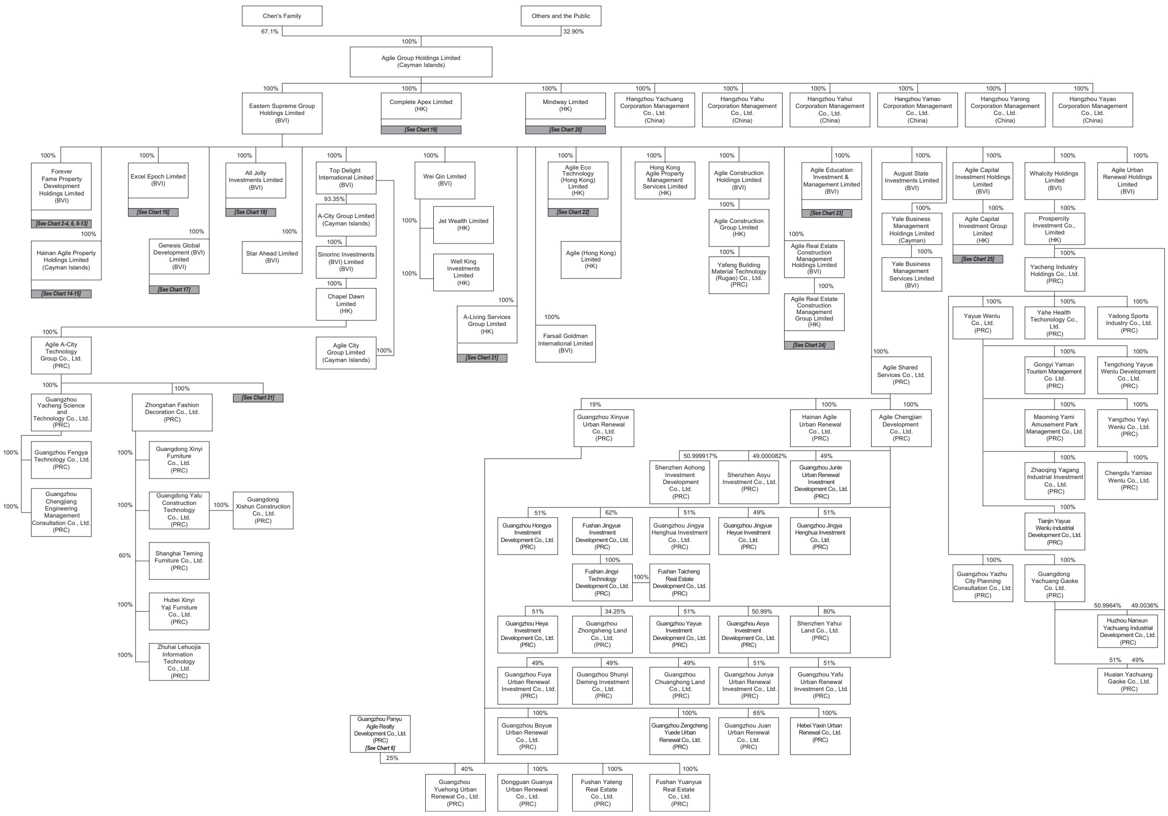
SELECTED CONSOLIDATED BALANCE SHEET INFORMATION

	As of December 31,				As of June 30,	
	2018	2019	2020		2021	
	RMB	RMB	RMB	US$ (unaudited)	RMB (unaudited)	US$ (unaudited)
			(in thousands, except percentages)			
ASSETS						
Non-current assets						
Property, plant and equipment	8,753,527	11,701,956	12,080,847	1,871,085	12,859,541	1,991,689
Prepayments for acquisition of land use rights	2,039,236	—	34,285	5,310	—	—
Properties under development	16,936,396	31,742,993	30,973,623	4,797,203	23,243,298	3,599,928
Intangible assets	258,990	1,578,192	3,576,350	553,906	4,039,993	625,715
Investment properties	8,804,220	8,495,950	10,849,449	1,680,366	10,960,386	1,697,548
Goodwill	1,841,613	3,897,055	4,264,614	660,505	4,622,196	715,887
Investments accounted for using the equity method	10,088,353	14,711,189	18,179,155	2,815,593	31,927,699	4,944,971
Trade and other receivables	12,510,503	5,182,026	7,508,793	1,162,964	8,579,305	1,328,765
Right of use assets	—	3,077,209	3,376,304	522,923	3,441,413	533,007
Financial assets at fair value through other comprehensive income	—	262,036	510,639	79,088	322,123	49,890
Deferred income tax assets	1,433,982	1,350,770	1,392,281	215,637	1,481,590	229,469
Prepayments for acquisition of equity interests	870,856	468,000	523,321	81,052	10,000	1,549
	63,537,676	82,467,376	93,269,661	14,445,631	101,487,544	15,718,419
Current assets						
Properties under development	73,584,977	79,622,115	82,148,512	12,723,184	80,925,093	12,533,701
Completed properties held for sale	8,446,700	13,447,730	19,092,671	2,957,078	17,260,770	2,673,353
Inventories	46,467	343,029	248,325	38,461	295,890	45,828
Prepayments for acquisition of land use rights	5,187,072	10,669,360	8,311,775	1,287,330	7,102,659	1,100,062
Trade and other receivables	27,735,425	35,360,168	50,021,335	7,747,318	55,811,527	8,644,105
Prepaid income taxes	3,165,117	6,077,471	5,355,663	829,487	4,785,630	741,200
Financial assets at fair value through profit and loss	3,232,031	1,008,031	1,247,819	193,263	1,503,154	232,809
Restricted cash	9,285,376	9,003,578	8,938,792	1,384,443	10,647,890	1,649,148
Assets held for sale	—	302,108	—	—	—	—
Cash and cash equivalents	35,776,231	33,551,303	41,925,908	6,493,496	46,512,122	7,203,810
Contract assets	448,715	1,379,556	3,204,597	496,329	4,058,997	628,659
	166,908,111	190,764,449	220,495,397	34,150,388	228,903,732	35,452,674
Total assets	230,445,787	273,231,825	313,765,058	48,596,019	330,391,276	51,171,093

	As of December 31,				As of June 30,	
	2018	2019	2020		2021	
	RMB	RMB	RMB	US$ (unaudited)	RMB (unaudited)	US$ (unaudited)
	(in thousands, except percentages)					
EQUITY						
Capital and reserves attributable to the shareholders of the Company						
Share capital and premium	3,421,883	3,421,883	3,421,883	529,982	3,421,883	529,982
Shares held for Share Award Scheme	(156,588)	(156,588)	(156,588)	(24,252)	(156,588)	(24,252)
Other reserves	2,604,982	2,931,267	3,416,513	529,150	4,564,159	706,898
Retained earnings	35,368,931	38,277,061	44,133,820	6,835,458	47,241,223	7,316,734
	41,239,208	44,473,623	50,815,628	7,870,339	55,070,677	8,529,362
Perpetual capital securities	8,334,875	13,566,867	13,637,493	2,112,179	13,013,810	2,015,582
Non-controlling interests	5,406,850	7,295,986	12,516,601	1,938,575	21,882,534	3,389,173
Total equity	54,980,933	65,336,476	76,969,722	11,921,092	89,967,021	13,934,117
LIABILITIES						
Non-current liabilities						
Borrowings	53,196,485	54,372,620	59,243,748	9,175,688	58,412,878	9,047,003
Trade and other payables	—	2,201,976	4,284,452	663,577	4,670,829	723,419
Deferred income tax liabilities	1,884,085	3,179,780	4,087,131	633,016	3,976,706	615,913
Financial liabilities at fair value through profit or loss	6,144	83,092	101,235	15,679	6,611	1,024
Contract liabilities	—	—	75,271	11,658	117,746	18,237
Lease liabilities	—	390,326	392,927	60,857	410,267	63,542
	55,086,714	60,227,794	68,184,764	10,560,475	67,595,037	10,469,138
Current liabilities						
Borrowings	35,332,872	42,297,082	38,569,018	5,973,580	39,486,623	6,115,699
Trade and other payables	42,533,971	53,917,720	75,229,690	11,651,595	73,314,728	11,355,005
Current income tax liabilities	17,014,547	17,562,708	17,257,347	2,672,823	17,139,026	2,654,497
Financial liabilities at fair value through profit or loss	7,192	53,684	1,004,423	155,565	447,109	69,248
Contract liabilities	25,489,558	33,653,950	36,306,083	5,623,096	42,211,917	6,537,794
Lease liabilities	—	182,411	244,011	37,796	229,815	35,594
	120,378,140	147,667,555	168,610,572	26,114,452	172,829,218	26,767,837
Total liabilities	175,464,854	207,895,349	236,795,336	36,674,927	240,424,255	37,236,975
Total equity and liabilities	230,445,787	273,231,825	313,765,058	48,596,019	330,391,276	51,171,093
Net current assets	46,529,971	43,096,894	51,884,825	8,035,936	56,074,514	8,684,837
Total assets less current liabilities	110,067,647	125,564,270	145,154,486	22,481,567	157,562,058	24,403,256

CORPORATE STRUCTURE

The following charts show our corporate structure as of June 30, 2021.



* *As of June 30, 2021, we had 239 non-PRC subsidiaries.*

Subsequent to June 30, 2021, we have, in our ordinary course of business, incorporated or acquired certain onshore or offshore subsidiaries, and ownerships structure of certain PRC subsidiaries have changed which are not reflected in the corporate structure in this Offering Circular.

The initial Subsidiary Guarantors will be All Jolly Investments Limited (普熹投資有限公司), Best Forward Investments Limited (佳躍投資有限公司), Champoint Holdings Limited (冠邦控股有限公司), Charming Way Investments Limited (悦威投資有限公司), Chieffield Global Limited (捷輝環球有限公司), Clear Fortune Investments Limited (晴福投資有限公司), Dual Win Development Ltd (多勝發展有限公司), East Kent International (BVI) Limited (東建國際(BVI)有限公司), Eastern Supreme Group Holdings Limited (東萃集團控股有限公司), Eternal Sun International (BVI) Limited (恒日國際(BVI)有限公司), Ever Access Limited (恆通有限公司), Excel Epoch Limited (卓代有限公司), Forever Fame Property Development Holdings Limited (譽永房地產發展控股有限公司), Fortune Century International (BVI) Limited (富陞國際(BVI)有限公司), Giant Delight Limited (宏悦有限公司), Hefty Wealth Holdings Limited (鉅富控股有限公司), Infoglory (BVI) Limited (訊耀(BVI)有限公司), Intersino Holdings (BVI) Limited (聯華控股(BVI)有限公司), Jolly China International Limited (華熹國際有限公司), Jolly Day Investments Limited (朝熹投資有限公司), Joy New Property Limited (悦新地產有限公司), Linkan Enterprises Ltd (麗嘉企業有限公司), Magic Resources (BVI) Limited (美城物業(BVI)有限公司), Massive King Development Limited (浩京發展有限公司), Maximum Rise Investments (BVI) Limited (盛興投資(BVI)有限公司), Maxsino (Panyu) Investments Limited (陞美(番禺)投資有限公司), Mega Build Investments (BVI) Limited (鴻建投資(BVI)有限公司), Mexon Holdings (BVI) Limited (明誠控股(BVI)有限公司), Narita Global Limited (成田環球有限公司), On Glory (BVI) Limited (光盛(BVI)有限公司), Pomaine International (BVI) Limited (寶明國際(BVI)有限公司), Proactive Asia Investments (BVI) Limited (寶亞投資(BVI)有限公司), Profitica Group (BVI) Limited (盈嘉集團(BVI)有限公司), Prospero International Group Limited (富道國際集團有限公司), Real Genius International Limited (賢域國際有限公司), Rich Pacific International (BVI) Limited (豐平國際(BVI)有限公司), Richy Bright Investments (BVI) Limited (富輝 投資(BVI)有限公司), Rise Achieve Limited (騰達有限公司), Rise Max Property Limited (晉溢地產有限公司), Rising Wood International Limited (昇林國際有限公司), Rovex Holdings Limited (朗榮控股有限公司), Shining Talent Limited (耀能有限公司), Sino Casa International Limited (莎華國際有限公司), Speed Ample (BVI) Limited (迅盈(BVI)有限公司),

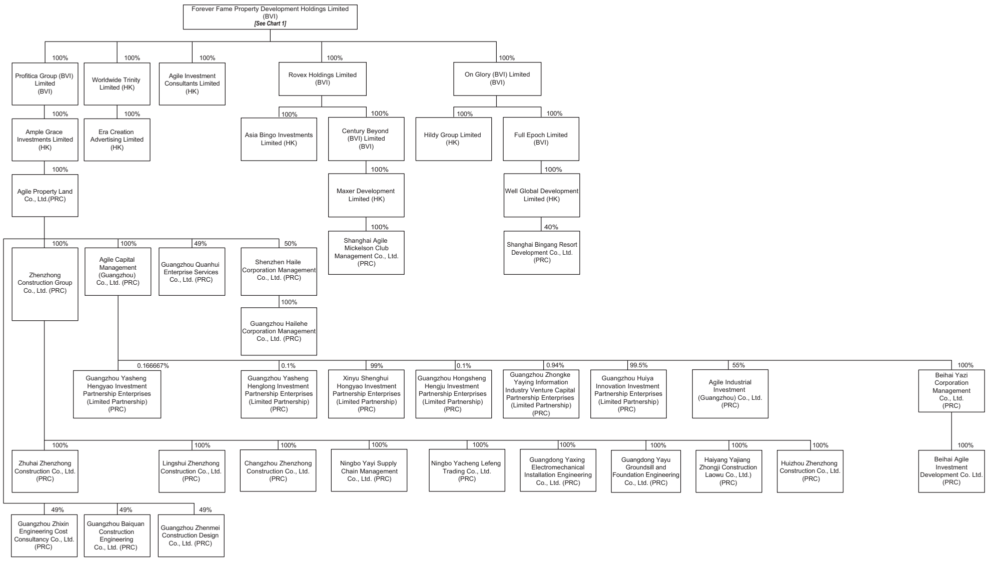
Success Port Global Limited (盛港環球有限公司), Supremacy Development (BVI) Limited (卓傑發展(BVI)有限公司), Transfortune Development (BVI) Limited (財運發展(BVI)有限公司), Wise Idea (BVI) Limited (穎思(BVI)有限公司), Along Goal Limited (奕晉有限公司), Ample Grace Investments Limited (崇升投資有限公司), Asia Bingo Investments Limited (億尊投資有限公司), Blue Heaven Group Limited (統合集團有限公司), Charter Prime Limited (瑞領有限公司), Cherry Land International Limited (利泉國際有限公司), Conquer Power Investments Limited (勤柏投資有限公司), Courage Shield Limited (卓拔有限公司), Ever York International Limited (旭恒國際有限公司), Funetic Group Limited (利浚集團有限公司), Gesture Investments Limited (舒麗投資有限公司), Giant Sea Holdings Limited (添洋控股有限公司), Giant Stone Holdings Limited (忠傑控股有限公司), Gold Volcano Group Limited (威泉集團有限公司), Golden Grain Investments Limited (連億投資有限公司), Grace Home Group Limited (勇富集團有限公司), Grantee Investments Limited (江景投資有限公司), Hildy Group Limited (鉅祥集團有限公司), Hitime International Limited (愷天國際有限公司), Huge Asset International Limited (永羣國際有限公司), Image Lead Limited (佰臨有限公司), Key Route Investments Limited (吉航投資有限公司), Level Jump Holdings Limited (保智控股有限公司), Lucky Line Group Limited (永鉅集團有限公司), Ma Lee International Holdings Limited (馬里國際集團有限公司), Marco Rich International Limited (百譽國際有限公司), Minute Speed Limited (廸揚有限公司), Pack Star Investments Limited (軒升投資有限公司), Season Globe Investments Limited (雄濤投資有限公司), Sheeny Joy Investments Limited (標泰投資有限公司), Skyvast International Limited (佳翔國際有限公司), Stand Power Investments Limited (衛中投資有限公司), Supreme Host Investments Limited (超鴻投資有限公司), Surplus Gain Investments Limited (泛晉投資有限公司), Time Add Limited (京旭有限公司), Trigrow Limited (佰進有限公司), Triumph Hero Investments Limited (俊越投資有限公司), Vibrate Light Limited (展秀有限公司), Well Lane Investments Limited (利頤投資有限公司) and Wide Sun Group Limited (千澤集團有限公司).

Note 1: The company have 2 types of shares. 45% of ordinary shares and 100% of non-voting shares held by Great Dawn Investments Limited. 55% of ordinary shares held by Yasheng Investment L.P.

Note 2: As of June 30, 2021, certain PRC subsidiaries had not fully paid their registered capital, including Wuhan Changkai Property Development Co., Ltd., Changzhou Jintan Agile Real Estate Development Co., Ltd., Zhenzhong Construction Group Co., Ltd., Hainan Agile Real Estate Development Co., Ltd., Tengchong Agile Resort Co., Ltd., Hainan Yaheng Real Estate Development Co., Ltd., Guangzhou Yayue Landscape Engineering Co., Ltd., Xishuangbanna Agile Resort Co., Ltd., Yangzhou Yaheng Real Estate Development Co., Ltd., Wuxi Agile Real Estate Development Co., Ltd, Ningbo Yayi Supply Chain Management Co. Ltd and Yulin Xintao Eco Technology Co. Ltd.

Note 3: As of June 30, 2021, Shares of certain PRC subsidiaries are pledged to banks, including Zhongshan Shiguang Chuangjian Real Estate Co., Ltd., Zhongshan Wenhua Real Estate Co., Ltd., Tianjin Yarun Real Estate Development Co., Ltd., Changzhou Lujing Real Estate Development Co., Ltd, Beijing Jinglin Garden Group Co., Ltd and Yulin Xintao Eco Technology Co. Ltd.

Note 4: The name of PRC companies are for identification purposes only.



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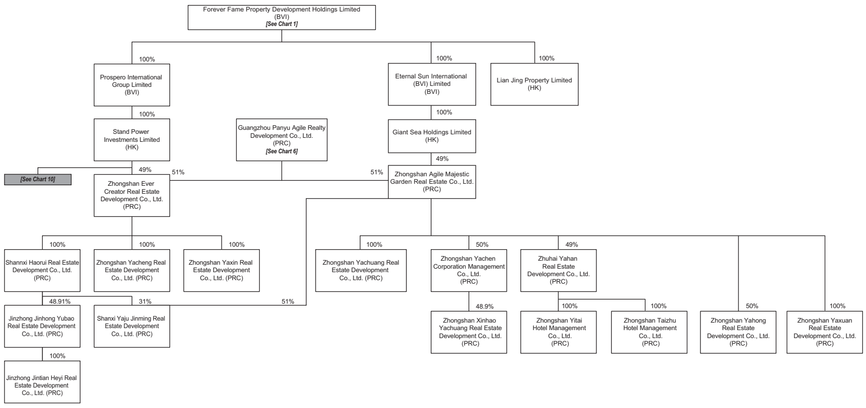

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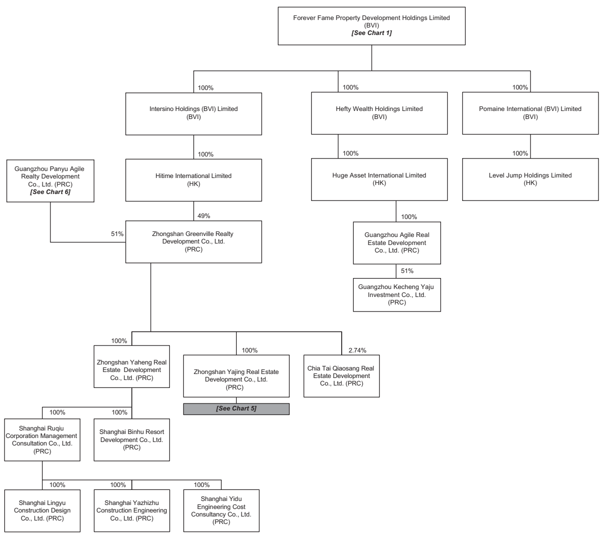

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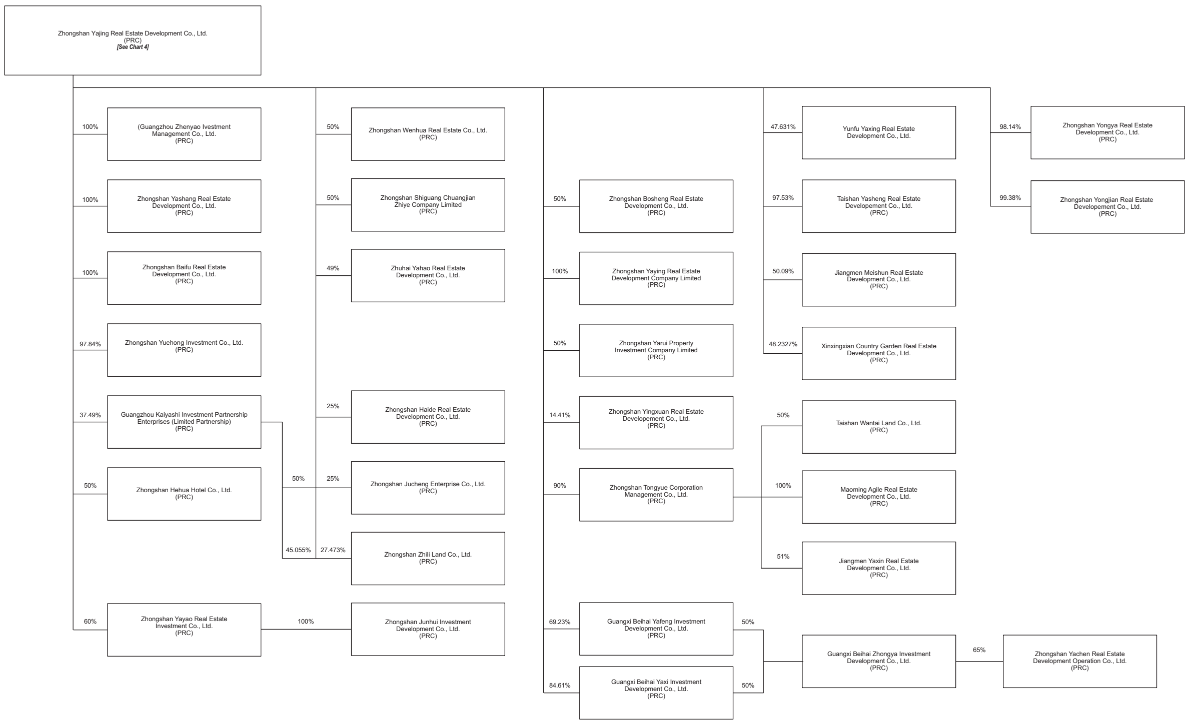

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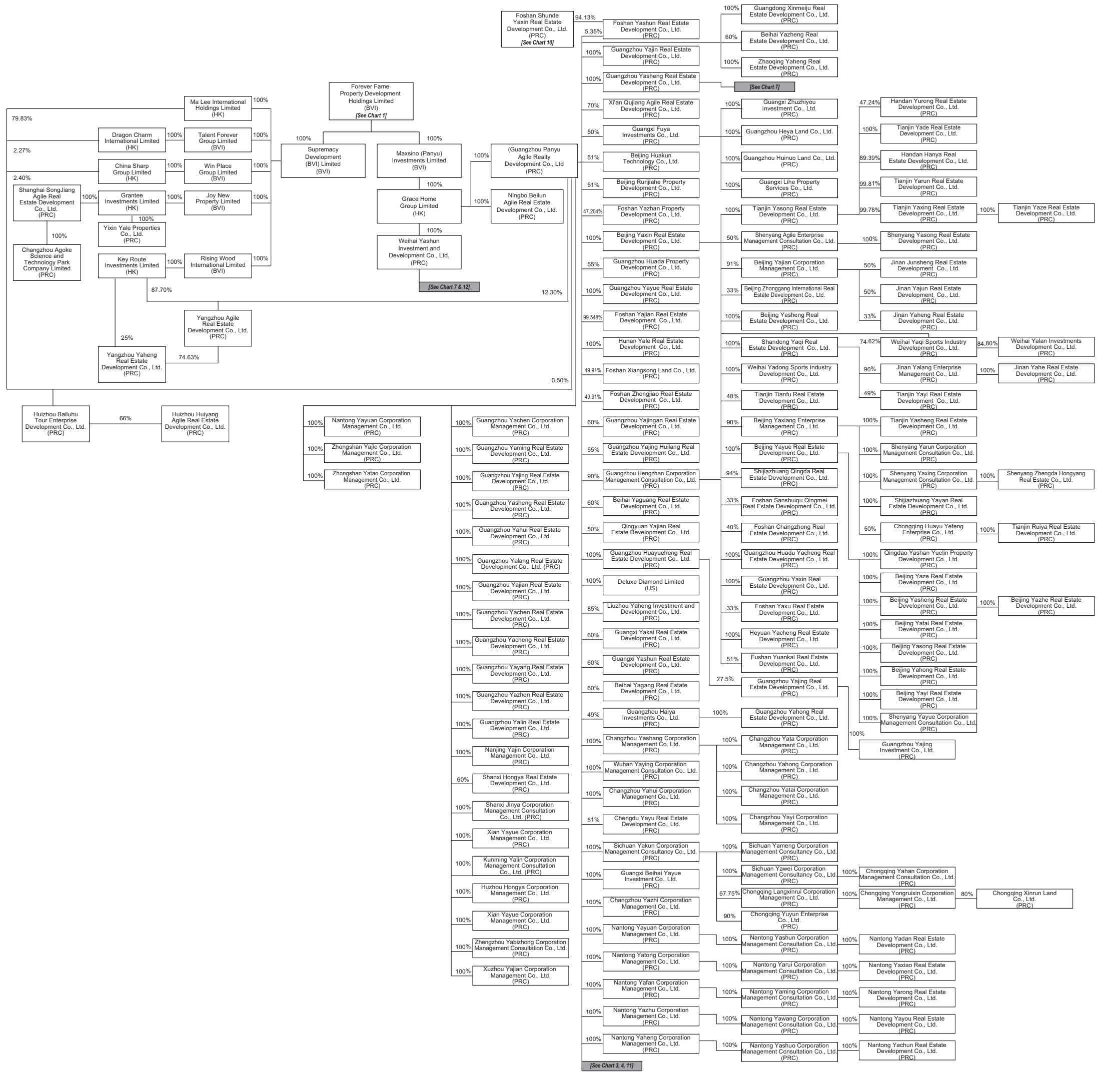

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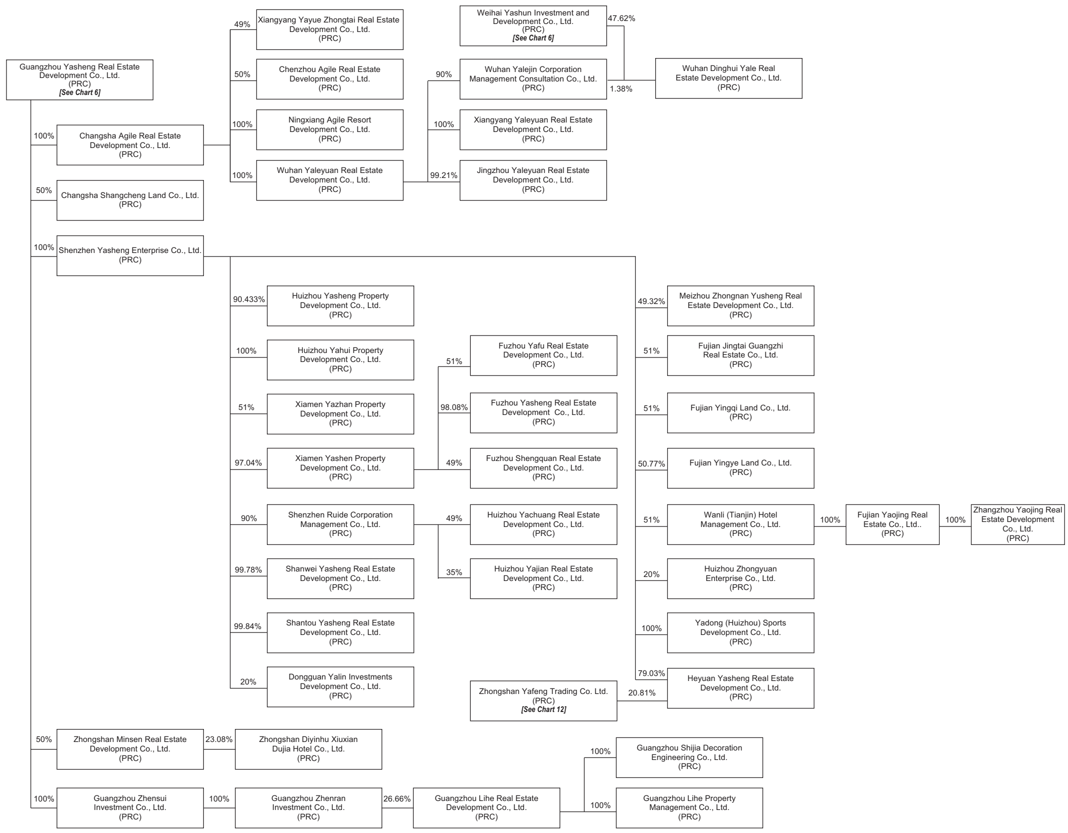

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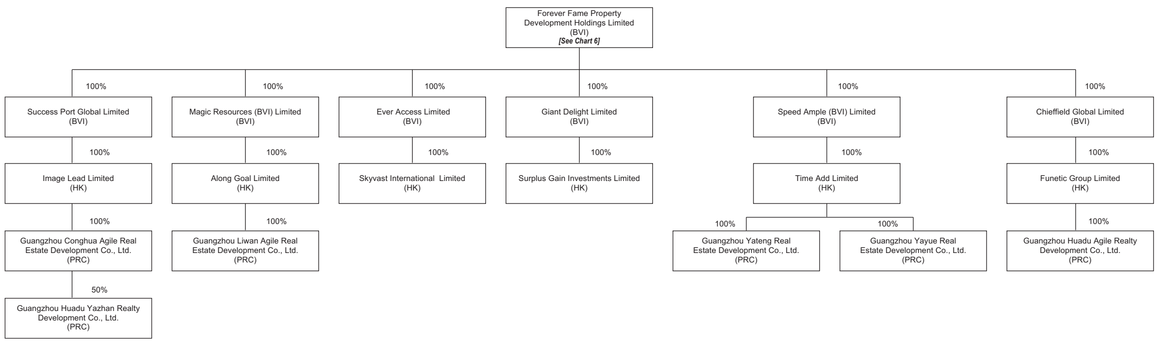

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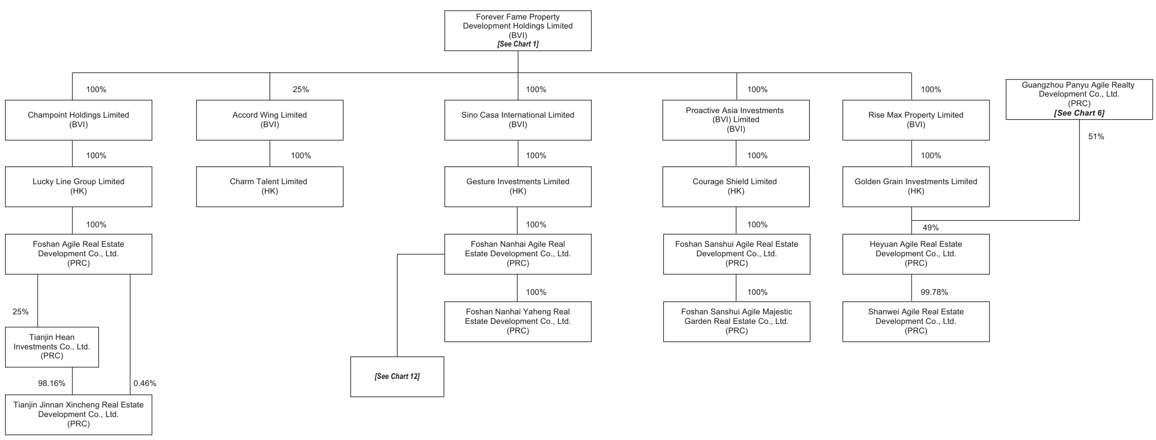

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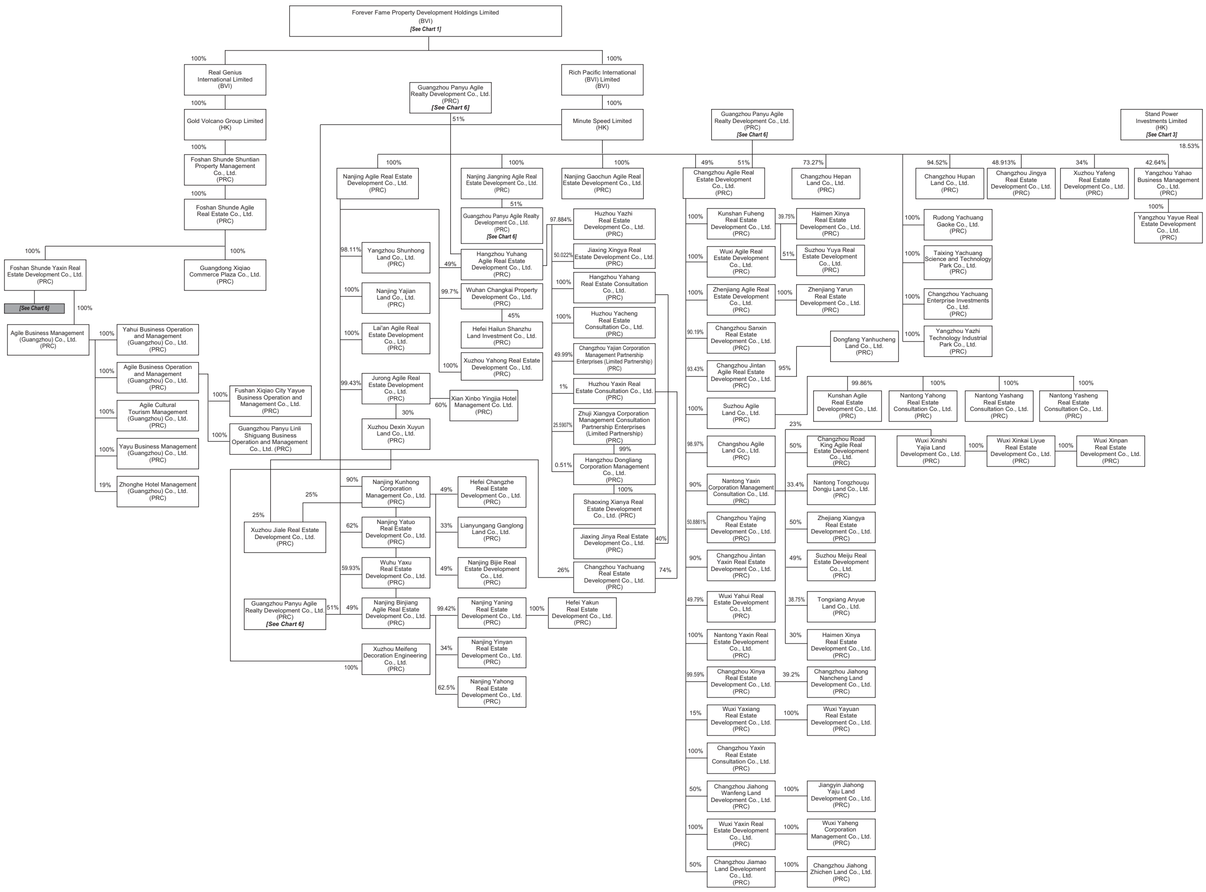

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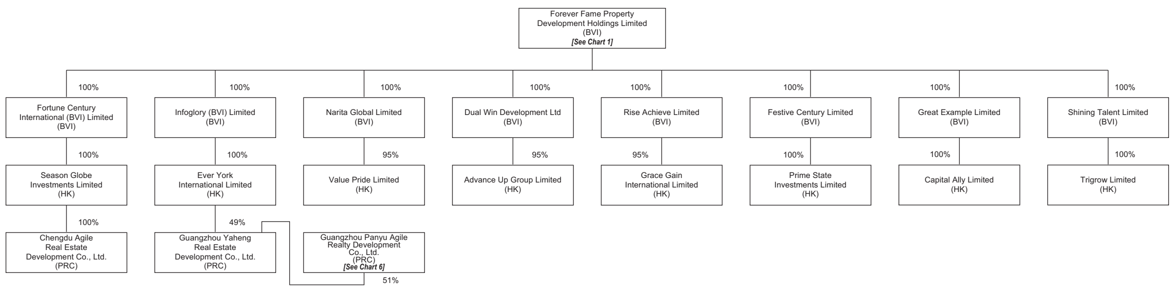

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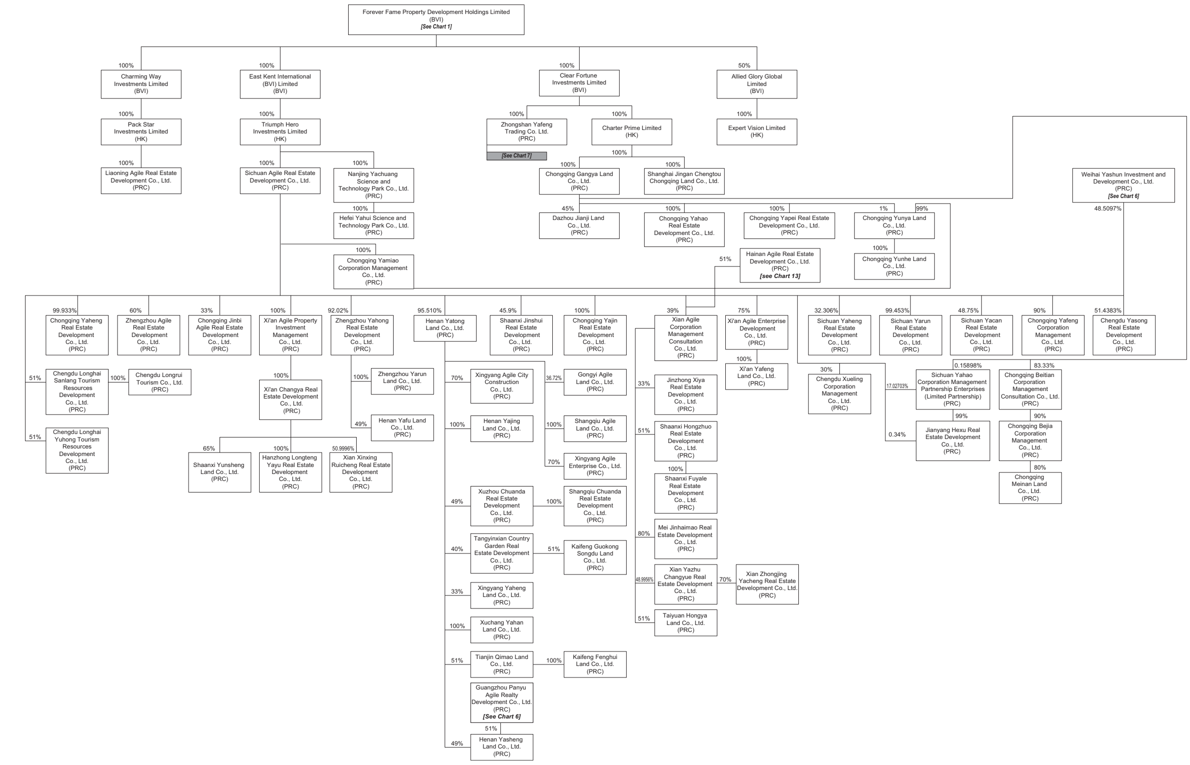

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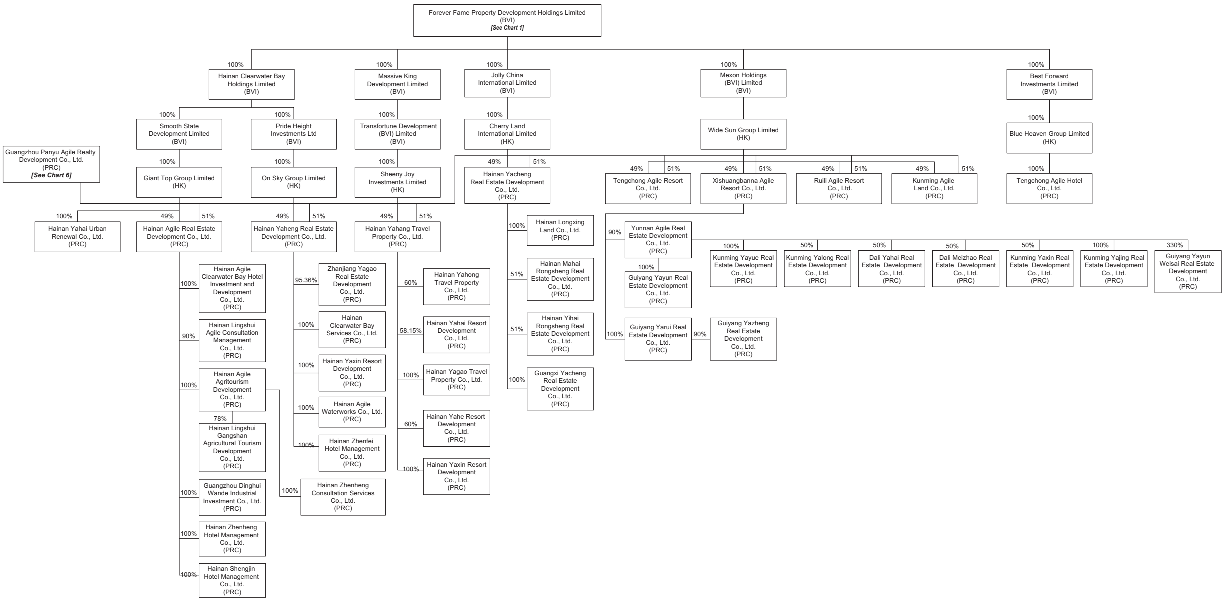

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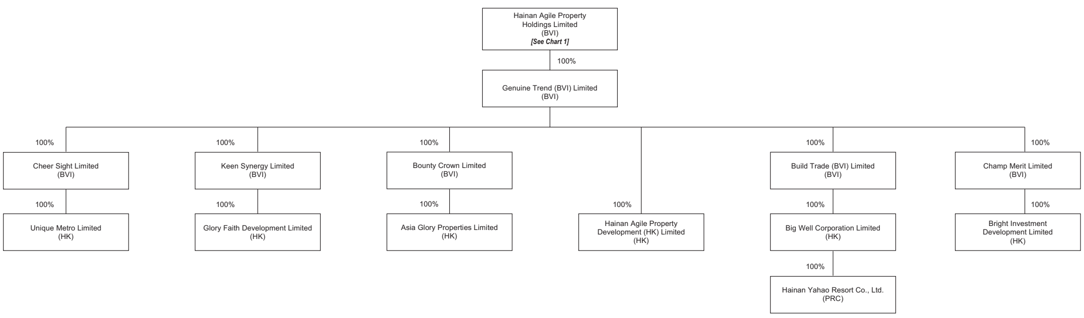

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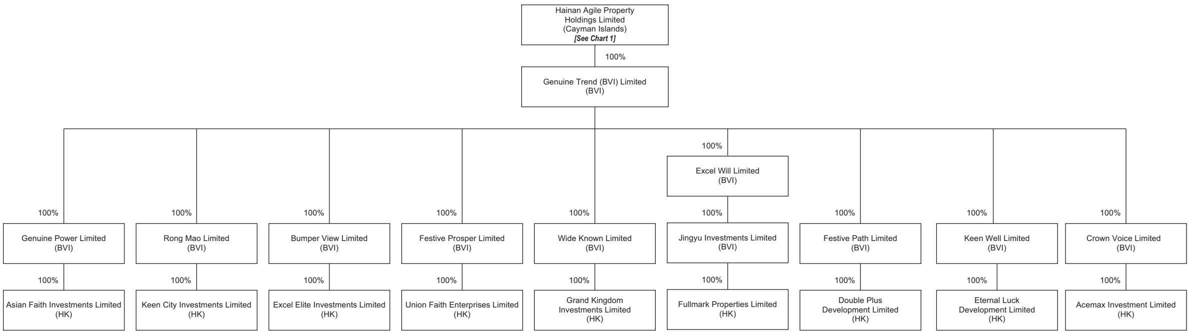

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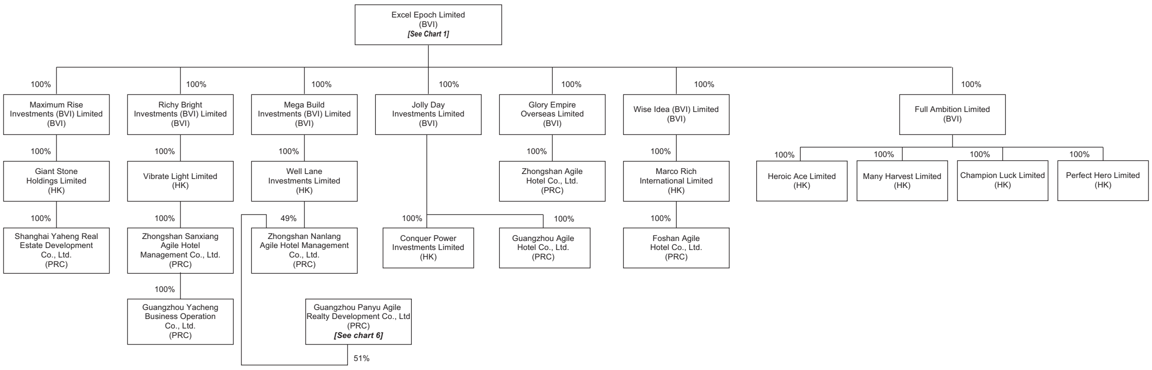

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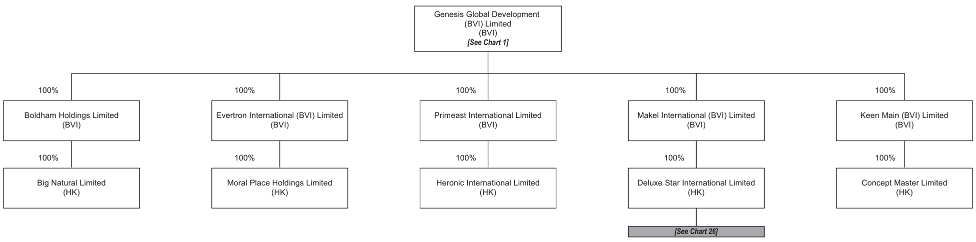
Chart 16



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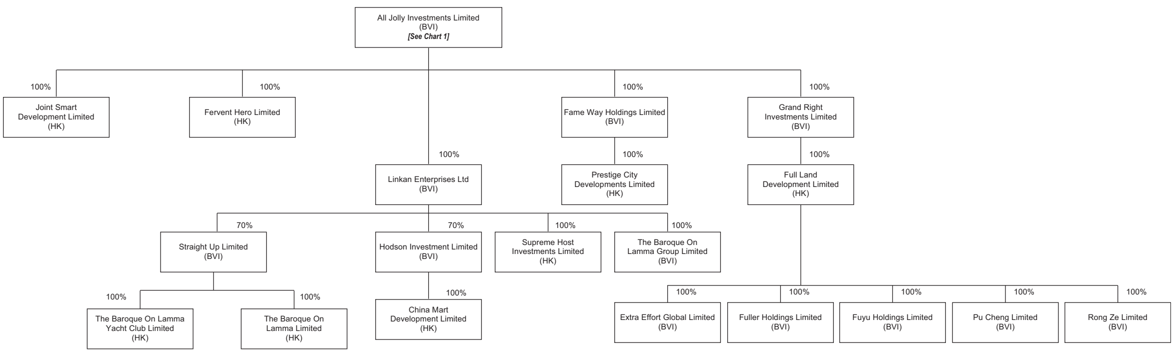

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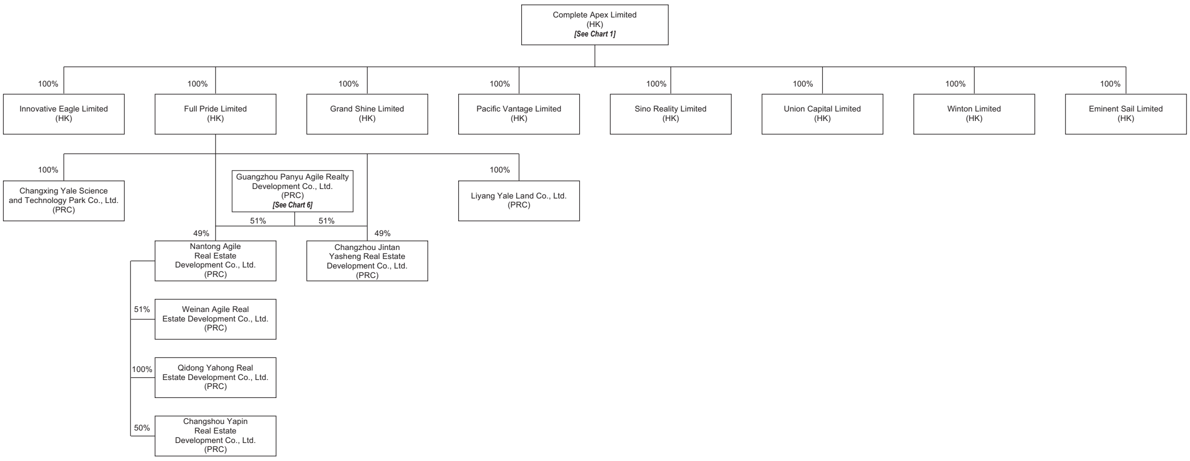

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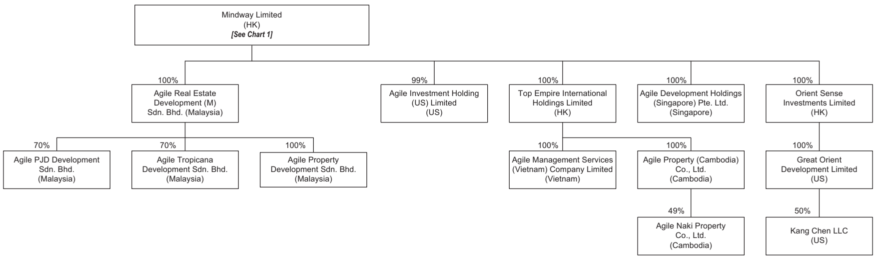

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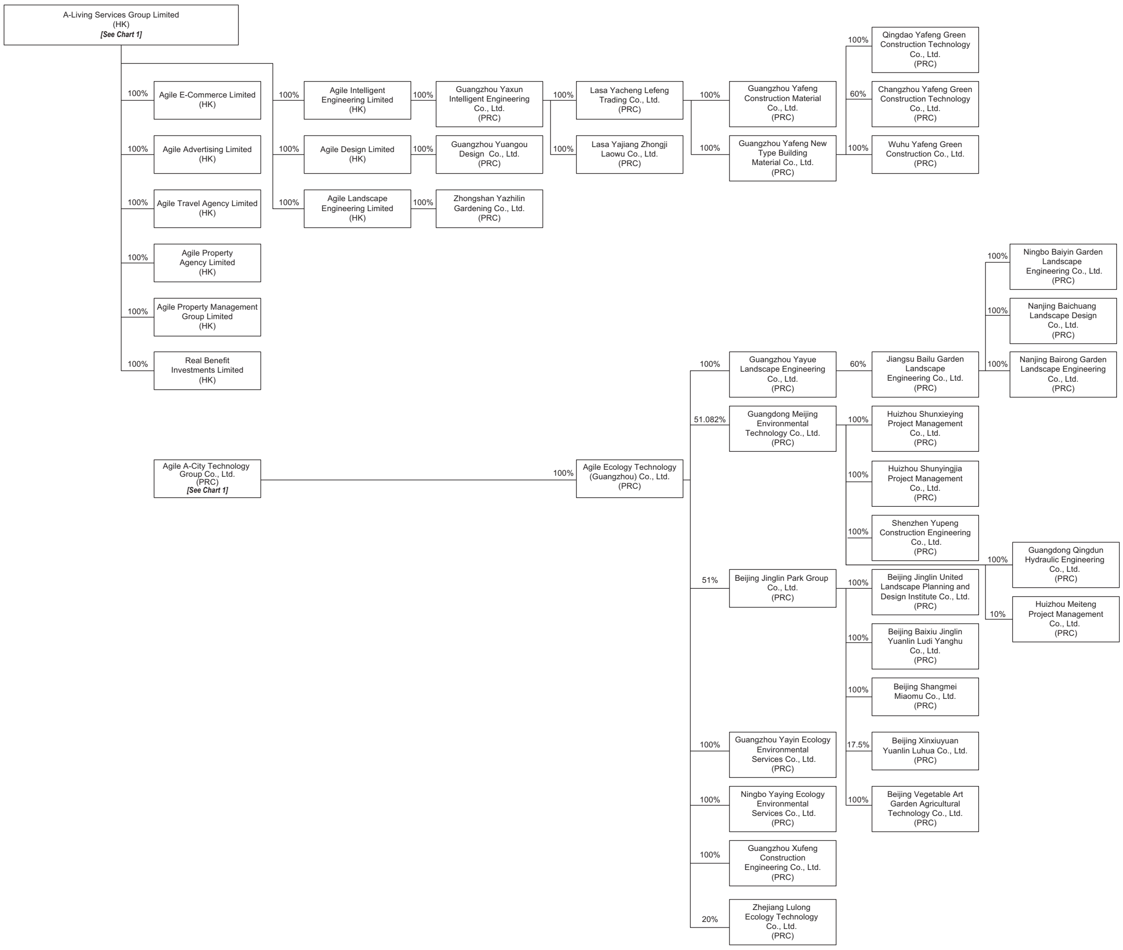

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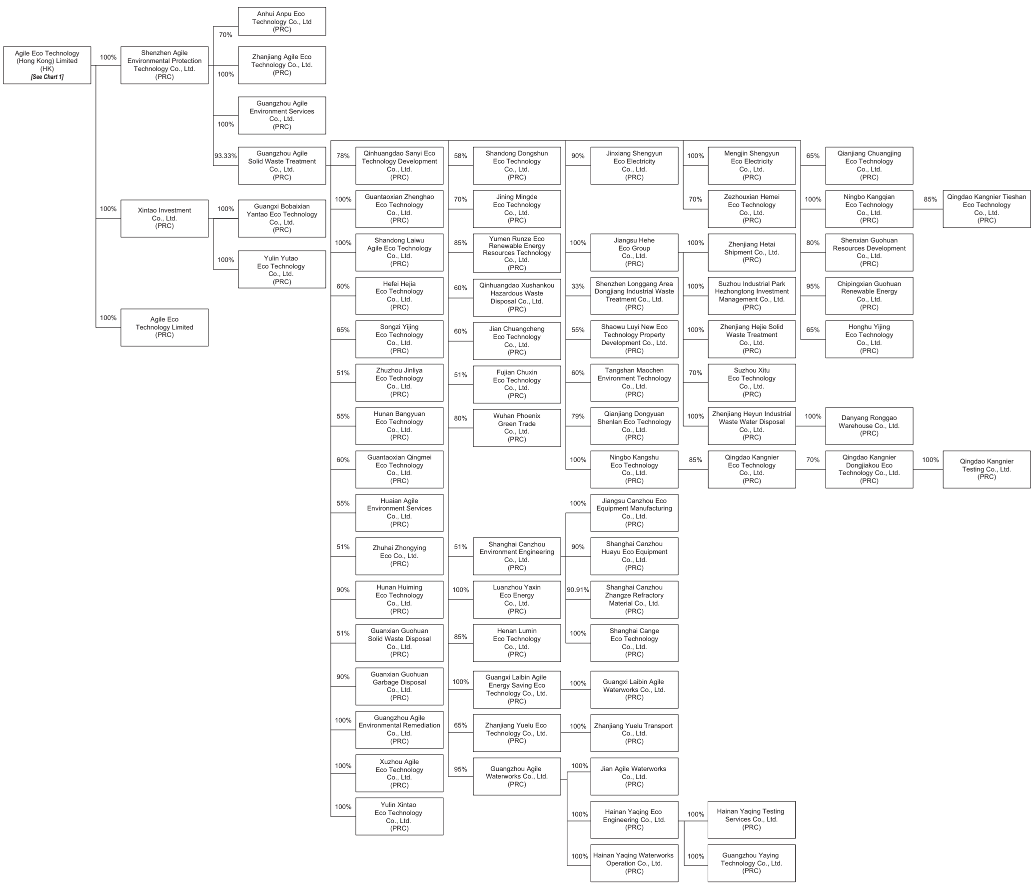

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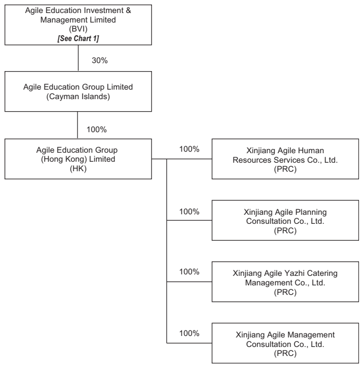

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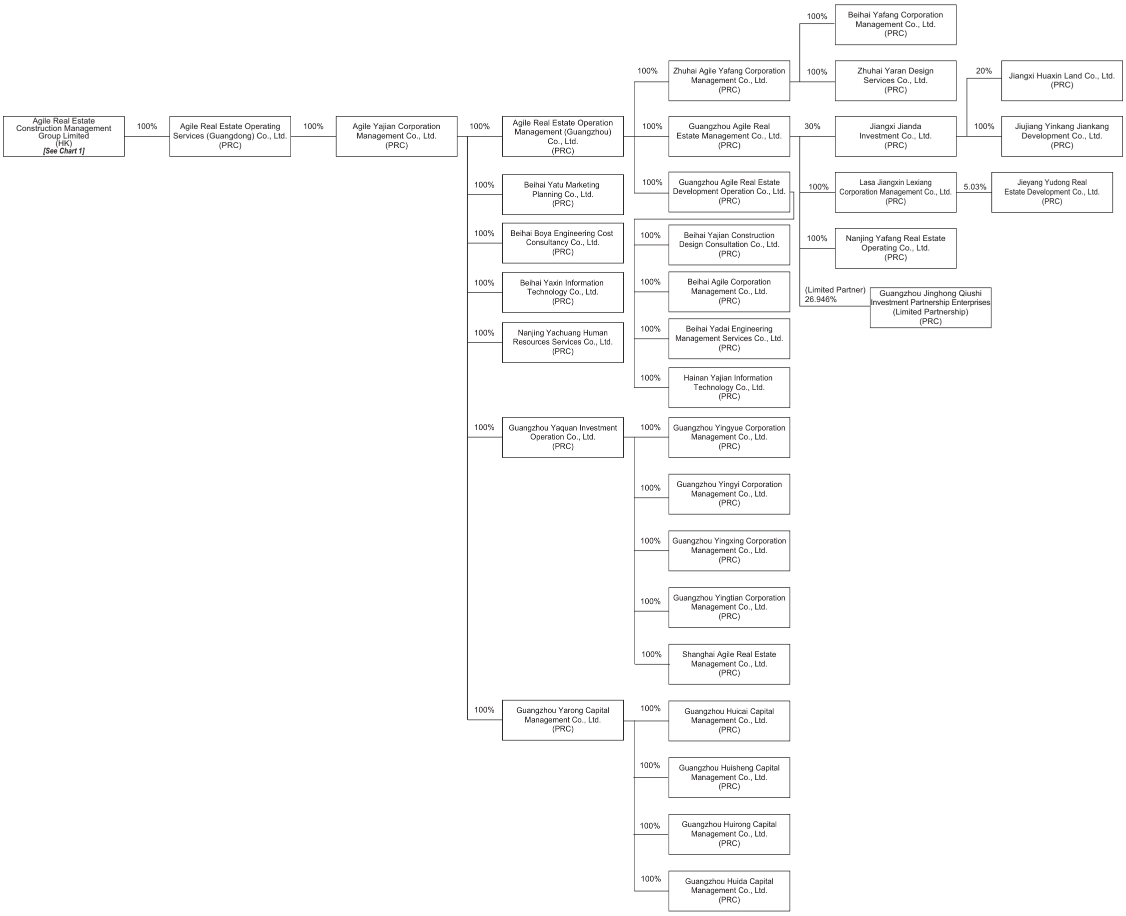

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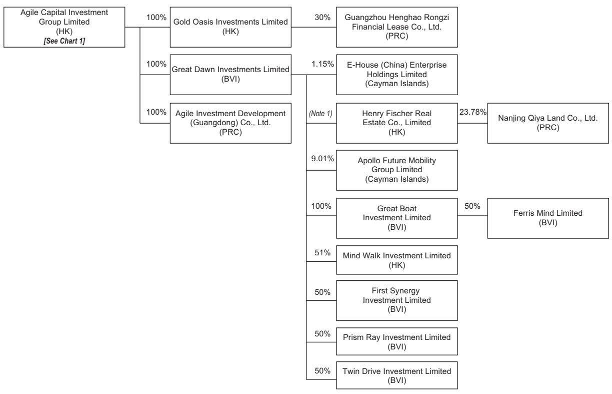

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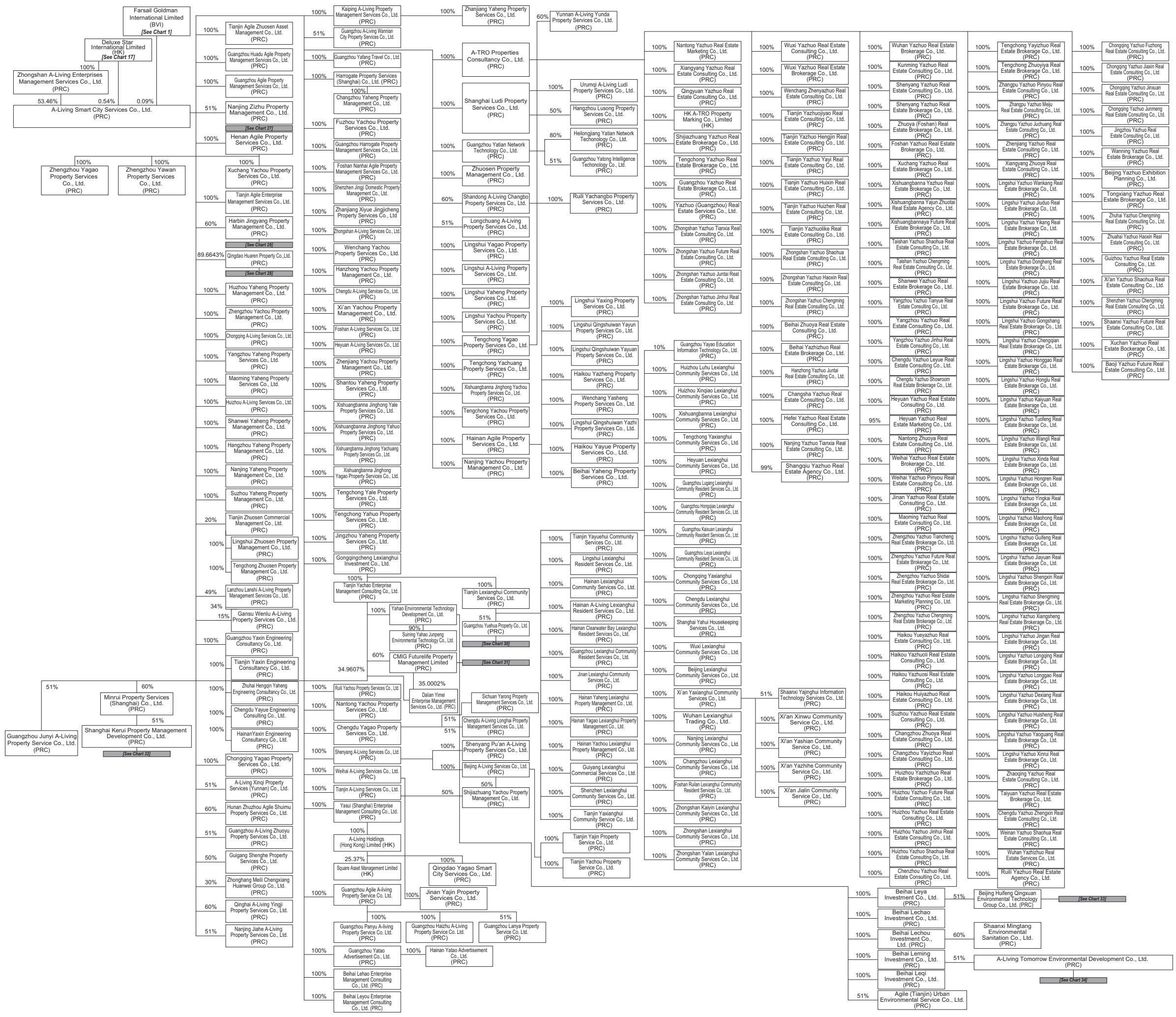

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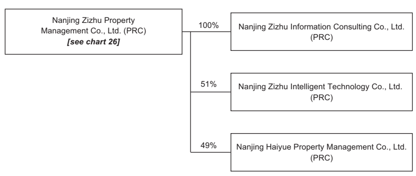

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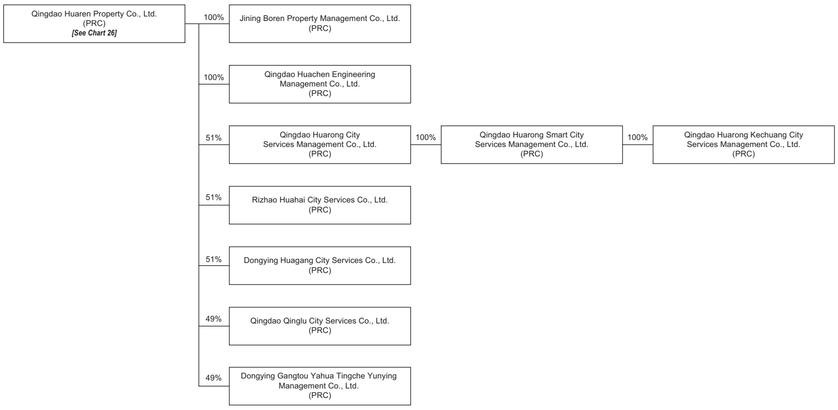

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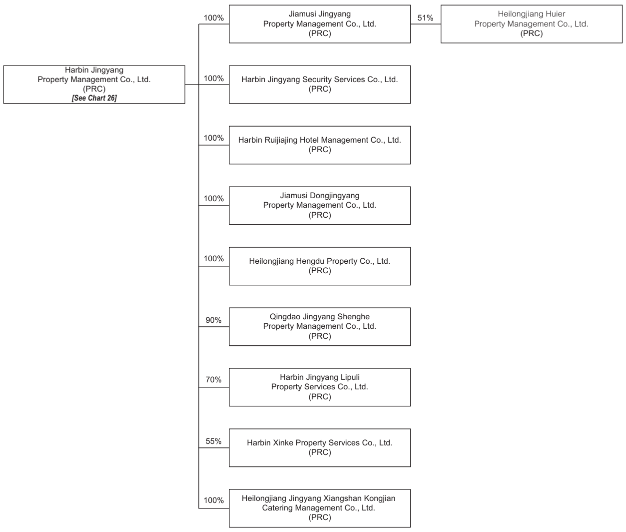

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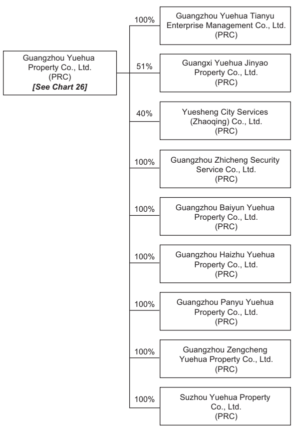

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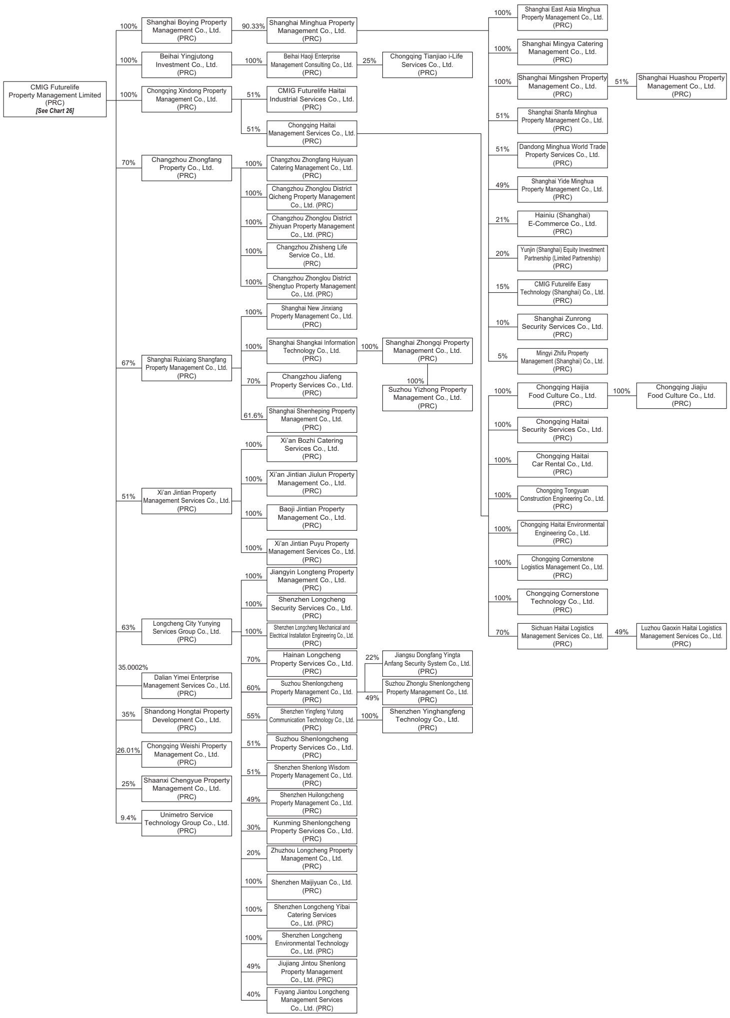

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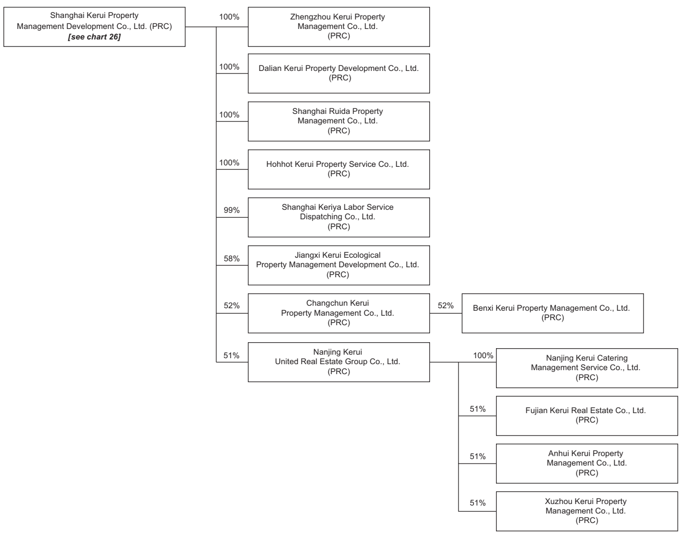

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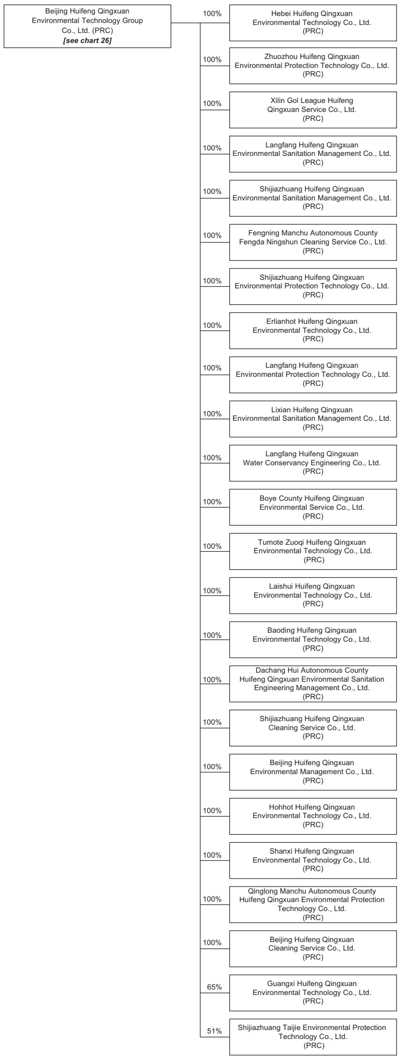

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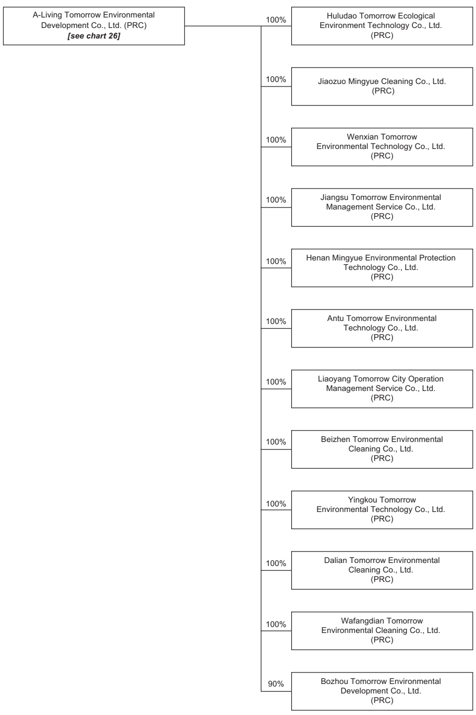


Chart 34

DESCRIPTION OF THE ISSUER

Formation

The Issuer is a business company with limited liability incorporated under the laws of British Virgin Islands (Company Number: 1917677). It was incorporated in British Virgin Islands on July 5, 2016. The Issuer is a wholly-owned subsidiary of the Company.

Business Activity

As of the date of this Offering Circular, the nature of business of the Issuer is investment holding.

Financial Statements

Under British Virgin Islands law, the Issuer is not required to publish interim or annual financial statements. The Issuer does not propose to publish any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

Directors and Officers

The sole director of the Issuer is Chen Zhuo Lin whose business addresses is 18/F., Three Pacific Place, 1 Queen's Road East, Hong Kong.

OVERVIEW

We are a leading property developer in China. We focus primarily on the development of large-scale mixed-use property projects, with extensive presence in the businesses of property management, environmental protection, construction, real estate construction management and commercial projects. We believe our brand is well-recognized. We have received numerous awards and recognition, including most recently, "Headline NO. 1 Award 2019 — No. 1 China's Property Developer in Greater Bay Area" by Headline Daily, "China Top 500 Private Enterprises" and "China Top 100 Private Service Enterprises" by All-China Federation of Industry and Commerce and "Hong Kong Outstanding Enterprises 2019 — Main Board Category" and "Extraordinary Enterprises Awards 2019" by Economic Digest magazine.

We offer a wide range of real estate products, including low-density units (comprising stand-alone houses, semi-detached houses and townhouses), duplexes and apartments, to satisfy a broad range of customers of varying income levels with a majority of our products targeting end users including both first time home purchasers and upgraders. In addition to residential properties, we develop commercial properties, including retail shops complementary to our residential properties, shopping malls, office buildings and hotels. We also provide property management and hotel operation services.

Our management team includes members with over 29 years of experience in the PRC real estate industry and has contributed to the growth of our business substantially since we first commenced property development activities in Guangdong Province in 1992. As of June 30, 2021, we had 222 projects within our land bank, 68 of which were located in Southern China region with a total planned GFA of approximately 17.46 million sq.m.; 70 in Eastern China region with a total planned GFA of approximately 11.78 million sq.m.; 25 in Western China region with a total planned GFA of approximately 4.75 million sq.m.; 22 in Central China region with a total planned GFA of approximately 4.97 million sq.m.; 7 in Hainan Province with a total planned GFA of approximately 3.53 million sq.m.; 7 in Yunnan Province with a total planned GFA of approximately 5.18 million sq.m.; 3 in Northeast China region with a total planned GFA of approximately 0.15 million sq.m.; 14 in Northern China region with a total planned GFA of approximately 4.79 million sq.m.; 2 in Hong Kong with a total planned GFA of approximately 20,199 sq.m.; 2 in Kuala Lumpur of Malaysia with a total planned GFA of approximately 263,861 sq.m.; 1 in Phnom Penh of Cambodia with a total GFA of approximately 50,640 sq.m. and 1 in San Francisco of the United States with a total planned GFA of approximately 10,674 sq.m. These 222 projects have an aggregate site area of approximately 95.50 million sq.m. and an aggregate planned GFA of approximately 52.95 million sq.m., which includes an aggregate GFA of approximately 3.36 million sq.m. of completed properties, an aggregate GFA of approximately 22.98 million sq.m. of properties under development and an aggregate GFA of approximately 26.61 million sq.m. of properties held for future development.

In 2018, 2019 and 2020 and the six months ended June 30, 2021, the total recognized GFA sold was approximately 4.7 million sq.m., 4.5 million sq.m., 4.9 million sq.m. and 2.0 million sq.m., respectively. In 2018, 2019 and 2020 and the six months ended June 30, 2021, we recorded sales revenue from property development of RMB52,487.7 million, RMB54,177.2 million, RMB69,547.4 million and RMB32,091.5 million (US$4,970.3 million), respectively, and the net profit attributable to our equity holders was approximately RMB7,125.0 million, RMB7,511.8 million, RMB9,474.6 million and RMB6,470.6 million (US$1,002.2 million), respectively.

Since 2006, we have begun to expand our property development business to strategically selected cities outside the Southern China Region to other parts of China and overseas. We intend to continue the expansion of our presence in markets outside the Southern China region while maintaining our core focus in Southern China. We initiated our tourism property business in the Hainan and Yunnan regions in 2007 and 2012, respectively, in order to leverage the thriving tourism industry in these provinces to attract purchasers of vacation homes. In 2014, we further expanded our business outside of China with our first overseas project in Malaysia. In 2017, we acquired a project in Hong Kong. In 2019, we acquired one project in Phnom Penh, Cambodia. In 2020, we acquired a project in San Francisco of the United States. On a selective basis, we also engage in other complementary businesses, such as property management, the development and management of hotels, investment properties, with a view to dispersing operational risks, generating steady income and enhancing the value of the nearby property projects. On February 9, 2018, A-Living Services Co., Ltd. ("A-Living"), which provides property management services, was listed on the Hong Kong Stock Exchange, constituting a spin-off from our

Company, which we believe allows us to capitalize on our brand and further diversify the platforms through which we offer value-added services. As of June 30, 2021, the total GFA (except the GFA of associates and consultant projects) under management was 424 million sq.m. As of June 30, 2021, we have 6 hotels, 4 major shopping malls and two office buildings in operation.

In recent years, we have entered into the environmental protection business to further diversify our sources of income and organically add value to our property development and management projects. Our environmental protection business primarily involves hazardous waste treatment, water treatment and common solid waste treatment. See "— Environmental Protection." We also launched our real estate construction management business and completed the integration and restructuring of the construction business in 2018. See "— Construction" and "— Real Estate Construction Management."

We are a constituent stock of the Hang Seng Composite Index, the Hang Seng Global Composite Index, the Hang Seng Stock Connect Hong Kong Index Series, the Hang Seng High Dividend Yield Index, the Hang Seng Mainland China Companies High Dividend Yield Index, the Hang Seng Mainland Properties Index, the Hang Seng High Beta Index, the Hang Seng China (Hong Kong-listed) 100 Index, the MSCI China Index and the Lippo Select HK & Mainland Property Index.

The following table sets forth the geographical distribution of our 222 projects in terms of GFA completed, GFA under development and GFA held for future development within the land bank as of June 30, 2021.

	GFA Completed sq.m.	%	GFA Under Development sq.m.	%	GFA Held for Future Development sq.m.	%
Southern China Region	1,312,149	39.0%	6,778,304	29.5%	9,367,821	35.2%
Eastern China Region	622,779	18.5%	4,875,782	21.2%	6,276,747	23.6%
Western China Region	103,474	3.1%	2,344,083	10.2%	2,307,241	8.7%
Central China Region	342,118	10.2%	2,210,135	9.6%	2,419,665	9.1%
Hainan Region	412,509	12.3%	2,169,372	9.4%	946,992	3.6%
Yunnan Region	197,377	5.9%	1,446,138	6.3%	3,534,081	13.3%
Northeast China Region	96,057	2.9%	52,198	0.2%	—	0.0%
Northern China Region	276,320	8.2%	2,776,206	12.1%	1,737,784	6.5%
Hong Kong	—	0.0%	—	0.0%	20,199	0.1%
Overseas	—	0.0%	325,175	1.4%	—	0.0%
Total	**3,362,783**	**100.0%**	**22,977,392**	**100.0%**	**26,610,531**	**100.0%**

Recent Developments

COVID-19 Pandemic

The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. Cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. The COVID-19 outbreak has affected our business operation and financial condition. During the four months ended April 30, 2020, our pre-sale value (including contracted sales and subscriptions) is RMB26.37 billion, representing a decrease of 23% when compared with the corresponding period of 2019 due to the impact of COVID-19. However, the PRC central and local governments have taken various measures to manage cases and reduce potential spread and impact of infection, and further introduced various policies to boost the economy and stimulate the local property markets. Since April 2020, China and some other countries gradually lifted stay-at-home orders and began to resume work and school at varying levels and scopes. However, the pandemic is far from over, especially with the emergence of new variants such as the Delta variant. Different countries continue to suffer the impact of renewed lockdowns and other restrictive measures imposed by their governments in light of further waves of infections. 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 to what extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected. See "Risk Factors—The COVID-19 pandemic may adversely affect the PRC economy, the PRC real estate industry and our business operations."

Increase of Shareholding in A-Living Smart City Services Co., Ltd.

On July 15, 2021, Farsail Goldman International Limited (遠航金門國際有限公司) ("Farsail Goldman"), an indirect wholly-owned subsidiary of the Company, and Shenzhen Lvjin Enterprise Management Co., Ltd., an indirect wholly-owned subsidiary of Greenland Holdings Group Company Limited, entered into a share transfer agreement, pursuant to which Farsail Goldman agreed to purchase, and Shenzhen Lvjin agreed to sell, an aggregate of 50,000,000 overseas listed shares of A-Living Smart City Services Co., Ltd. ("A-Living") at HK$32 per share, for a total consideration of HK$1.6 billion. Following completion of the purchase, the Company will be interested in 771,256,750 overseas listed shares of A-Living, representing approximately 54.31% of the total issued share capital of A-Living as of July 15, 2021.

Redemption of July 2018 Notes

On July 18, 2021, we fully redeemed the July 2018 Notes.

Issuance of July 2021 Notes

On July 21, 2021, we issued the July 2021 Notes. See "Description of Other Material Indebtedness."

Issuance of September 2021 Notes

On September 1, 2021, we issued the September 2021 Notes. See "Description of Other Material Indebtedness."

Partial Repurchases of Senior Notes

On November 4, 2021, we have repurchased the principal amount of US$10 million plus accrued and unpaid interests of its 3.85% senior notes with the total principal amount of US$200 million to be due on November 18, 2021 (ISIN: XS2261175801).

Repurchase and Resale of Domestic Corporate Bonds

We completed the repurchase of 12,000,000 domestic corporate bonds which were issued in 2016 in an aggregate principal amount of RMB1,200 million on October 11, 2021 and the annual coupon rate has been adjusted to 6.5% from October 11, 2021. Following completion of the repurchase, we have resold all such 12,000,000 domestic corporate bonds during the period from October 11, 2021 to November 5, 2021.

Other Updates

As of June 30, 2021, we had cash and cash equivalents of approximately RMB46.5 billion and restricted cash of approximately RMB10.6 billion, among which approximately RMB3.3 billion cash and cash equivalents were held by us outside the PRC. Since July 1, 2021 and up to October 31, 2021, we have raised an equivalent of approximately RMB4.6 billion cash from issuances of senior notes offshore in July 2021 and September 2021, and have transferred cash of approximately RMB3.5 billion from onshore to offshore. Based on the information currently available, we believe that we are also able to transfer further funds offshore to service our offshore debt obligations if and when necessary.

As of the date of this Offering Circular, we provided a guarantee for the indebtedness of an independent third party of up to US$250 million in principal amount. We expect the guarantee would be terminated upon the maturity and repayment of the underlying debt on November 24, 2021. As of June 30, 2021, we had not raised any other financing, borrowed any monies or provided other forms of guarantee or credit support in respect of indebtedness which were not disclosed in our interim consolidated financial statements for the six months ended June 30, 2021, or in the notes to such financial statements (excluding intra group transactions eliminated via accounting consolidation and de minimis amount).

COMPETITIVE STRENGTHS

We believe that our success and future prospects are supported by a combination of the following competitive strengths:

Market leadership with a well-established track record

We are a leading property developer in China. According to research institutes such as the CRIC Research Center, we were among the top 30 PRC property developers in terms of pre-sales in 2020. We are one of the key players in Southern China region and our key markets include cities such as Zhongshan, Guangzhou, Huizhou and Foshan. Our sales performance in these cities remain strong. In Zhongshan, several of our projects ranked top 10 in terms of number of units sold, pre-sale value and GFA pre-sold in the local market in 2020 according to CRIC Research Center. In Guangzhou, we were one of the top 10 property developers in terms of presale amount in the local market in 2020 according to Yangguang Jia Yuan Research. In Huizhou, we were one of the top 20 property developers in terms of pre-sale value and number of units sold in the local market in 2020 according to WORLDUNION Research. In 2018, 2019 and 2020 and the six months ended June 30, 2021, pre-sale from Southern China region accounted for 34.6%, 32.2%, 31.3% and 24.7% of our pre-sale value during these periods, respectively.

Since 2006, we have begun to expand outside of Southern China region to other parts of China and overseas. We have established our tourism property business in Hainan and Yunnan Region. Sales contribution from our tourism property business in Hainan and Yunnan Region and from outside of Southern China region have since grown steadily. In 2018, 2019 and 2020 and the six months ended June 30, 2021, pre-sale from our tourism property business accounted for 19.2%, 15.0%, 22.2% and 28.9% of our pre-sale value during these years, respectively, pre-sale from other regions outside of Southern China region and Hainan and Yunnan Provinces accounted for 46.2%, 52.8%, 46.5% and 46.4% of our pre-sale value during same years, respectively.

Diversified, sizeable and low-cost land bank

As of June 30, 2021, we had 222 projects within our land bank, 68 of which were located in Southern China region with a total planned GFA of approximately 17.46 million sq.m.; 70 in Eastern China region with a total planned GFA of approximately 11.78 million sq.m.; 25 in Western China region with a total planned GFA of approximately 4.75 million sq.m.; 22 in Central China region with a total planned GFA of approximately 4.97 million sq.m.; 7 in Hainan Province with a total planned GFA of approximately 3.53 million sq.m.; 7 in Yunnan Province with a total planned GFA of approximately 5.18 million sq.m.; 3 in Northeast China region with a total planned GFA of approximately 0.15 million sq.m.; 14 in Northern China region with a total planned GFA of approximately 4.79 million sq.m.; 2 in Hong Kong with a total planned GFA of approximately 20,199 sq.m.; 4 in overseas with a total GFA of approximately 325,175 sq.m. These 222 projects have an aggregate site area of approximately 95.50 million sq.m. and an aggregate planned GFA of approximately 52.95 million sq.m., which includes an aggregate GFA of approximately 3.36 million sq.m. of completed properties, an aggregate GFA of approximately 22.98 million sq.m. of properties under development and an aggregate GFA of approximately 26.61 million sq.m. of properties held for future development.

Most of our projects are located in municipalities and provincial capital cities, other second-tier and third-tier cities, and cities in the Hainan and Yunnan Region that are popular tourist destinations, where the respective property markets are still expanding and are less affected by macroeconomic control measures implemented by the PRC government as compared to first-tier cities, which afford us greater flexibility in adapting to the changes in market conditions. We also have projects located in first-tier cities in Beijing, Guangzhou and Shanghai. In addition, as of June 30, 2021, we had entered into contracts to acquire additional parcels of land with a total site area of 2.5 million sq.m. and an aggregate GFA of projects of 4.9 million sq.m. We were in the process of applying for the land use rights certificates or the land titles with respect to such land parcels. We leverage our management's extensive experience and in-depth industry knowledge and believe that most of our land acquisitions were well-timed and at relatively low or reasonable prices. In 2018, 2019 and 2020 and the six months ended June 30, 2021, our total land costs transferred to cost of sales amounted to approximately RMB7,432.1 million, RMB13,303 million, RMB16,446 million and RMB7,948.7 million (US$1,231.1 million), or 14.2%, 24.6%, 23.6% and 24.7%, respectively, of our sales revenue from property development. We believe our geographically diverse and low-cost land reserves allow us to diversify our product portfolio, access wider market segments, and reduce our exposure to market fluctuations.

Strong brand name recognition and a wide spectrum of high-quality products

We believe we have established a reputation as a provider of quality residential properties and comprehensive customer services with over 25 years of successful track record in the Chinese real estate sector. Numerous awards and recognition have been granted to recognize our success in this area. The more recent awards and recognition we received include, "Headline NO. 1 Award 2019 — No. 1 China's Property Developer in Greater Bay Area" by Headline Daily, "China Top 500 Private Enterprises" and "China Top 100 Private Service Enterprises" by All-China Federation of Industry and Commerce and "Hong Kong Outstanding Enterprises 2019 — Main Board Category" and "Extraordinary Enterprises Awards 2019" by Economic Digest magazine. We use various marketing methods to reach potential customers, including advertising through traditional media such as television and newspapers, online media as well as sponsoring performances and other public events.

We have pursued a long-term strategy of providing high-quality properties in a healthy and scenic living environment. A substantial portion of our property developments are located in suburban neighborhoods approximately a 15-to-30 minute drive from the urban centers, combining the more spacious and pleasant living environment in suburban areas with convenient access to transportation networks. Many of our projects are adjacent to natural scenery such as mountains, sea and lakes. For example, we expanded our operations into Yunnan Province with plans of developing property in popular tourist destinations to attract purchasers of vacation homes, given the region's pleasant weather, natural offerings of hot springs and red wood forests and local production of jade, gemstones, tobacco and tea. We also selected main sites for development in anticipation of local governments' plans for investing in transportation, tourist attractions and other public infrastructure, which we believe will enhance the desirability and growth potential of properties in the area.

We devote significant efforts to design and landscaping. We endeavor to design and create a modern living experience that is integrated with the surrounding environment. Our internal design team works closely with internationally and nationally renowned architects and designers. The collaboration has resulted in successful and thoughtful designs, such as man-made lagoons and residential units offering panoramic lake views. In most of our projects, there are areas specifically designated for children and the elderly. Some of our large developments such as Agile Mountain Guangzhou and Agile Garden Huiyang also have hill-top parks. We believe these characteristics distinguish our properties from those of our competitors. We offer a wide spectrum of products including low-density units (comprising stand-alone houses, semi-detached houses and townhouses), duplexes and apartments. The majority of our products cater to end users including both first time home purchasers and upgraders. We have also developed several high-end residential projects and tourism property projects which target high-income households and purchasers of vacation homes, respectively. Our wide product range has allowed us to cater to the demands of a broad customer base and to respond effectively and rapidly to changing market conditions, thereby increasing our chance to secure demand for upgrades from our existing customers as their purchasing power improves.

Stable income from other segments

On a selective basis, we have also engaged in other businesses, such as property management, environmental protection, construction, real estate construction management and commercial, with a view to dispersing operational risks, and generating steady income. We have laid the foundation of our property management business by contracting to manage substantially all of our properties since the 1990s. Since 2015, we have made continuous effort to obtain contracts to manage properties developed by independent property developers and have developed a mature business model. In 2018, 2019 and 2020 and the six months ended June 30, 2021, revenue generated from property management were RMB2,132.8 million, RMB3,577.3 million, RMB7,852.7 million and RMB4,992.4 million (US$773.2 million), respectively. On February 9, 2018, A-Living, which provides property management services, was listed on the Hong Kong Stock Exchange, constituting a spin-off from our Company. We have also been cautiously developing a commercial property portfolio including hotels, shopping malls and office buildings, which enhances the value and creates synergies for our nearby residential developments and generate additional recurring income for us. As of June 30, 2021, we had six hotels, four major shopping malls and two office buildings in operation. For 2018, 2019 and 2020 and the six months ended June 30, 2021, revenue from hotel operations and rental income from our investment properties, consisting of shopping malls and office buildings, were RMB910.7 million, RMB974.3 million, RMB556.0 million and RMB284.9 million (US$44.1 million), respectively.

Extensive experience in large-scale multi-phase developments

We specialize in developing large-scale property projects in multiple phases, providing residents with a large residential community equipped with comprehensive facilities and amenities such as club houses, schools, shopping areas, restaurants and various sport facilities. Large-scale multi-phase residential developments not only allow us to benefit from economies of scale but also allow us to monitor market acceptance of our projects and receive early and ongoing customer feedback, thereby enabling us to adjust our product offerings and related property designs in response to the changing market demand. Moreover, we believe phase-by-phase development generally achieves higher selling prices and better profit margins in later development phases as the overall living environment improves with the maturity of such projects. Over the past 25 years, we believe we have accumulated the necessary skills, knowledge and experience to manage the development and sales of large scale multi-phase projects. Examples of large scale multi-phase projects include, among others, our La CitéGreenville Zhongshan (which was launched in 2002 with a site area of approximately 2.0 million sq.m.), Agile Garden Huiyang (which was launched in 2015 with a site area of approximately 1.2 million sq.m.), Agile Garden Chengdu (which was launched in 2007 with a site area of approximately 1.3 million sq.m.), Agile Dream Lake Fairy Hill Changzhou (which was launched in 2017 with a site area of approximately 0.7 million sq.m.), Agile Eden Yunnan (which was launched in 2013 with a site area of approximately 2.4 million sq.m.), Hainan Clearwater Bay (which was launched in 2009 with a site area of approximately 10.7 million sq.m.) and Agile champion Town Weihai (which was launched in 2019 with a site area of approximately 2.3 million sq.m.). Large-scale multi-phase projects generally require several years for development and completion and offer a wide variety of products and facilities, including villas, townhouses, mid- to high-rise apartments, services apartments, hotels and resorts and different ancillary facilities such as yacht club, shopping mall, commercial streets and schools.

Strong corporate governance and experienced management

Our management team comprises some individuals with over 25 years' experience in the PRC real estate industry. Mr. Chen Zhuo Lin, our Chairman, President and founder, received several honorary awards, including "World Outstanding Chinese Award (世界傑出華人獎)", "Top 30 Chinese Philanthropists in 30 Years of Reform (改革開放30年，華人慈善30人)", "China Philanthropy Outstanding Contribution Individual Award (中華慈善突出貢獻人物獎)", Top 10 Persons of the Year for China Enterprise Management Excellence Award (中國企業十大卓越管理年度人物)", "Year of the People in Education of Zhongshan (中山教育年度人物)" and "Honorary Resident in Zhongshan (中山市榮譽市民)". Mr. Chan Cheuk Hung, our executive Director and Vice President, has received several honorary awards, including "Honorary Resident in Foshan (佛山市榮譽市民)" and "Community Construction Outstanding Contribution Award (小區建設突出貢獻獎)" in National Xiaokang Housing Demonstration Community Competition (國家小康住宅示範小區評比) hosted by Ministry of Construction (國家建設部) in 2000. Most of the other key members of the board of directors of the Company (the "Board") have served our Company since the 1990s, and some senior management has worked with us for more than ten years. We believe the stability of our management team and its extensive experience, industry knowledge and in-depth understanding of the property market enable us to continue to take advantage of future business opportunities and expand into new markets.

In order to improve overall operational efficiency, we have adopted a two-tiered management structure split between central management and regional offices. Central management formulates overall strategy, establishes standard operating procedures, policies and operational targets, controls the capital transfer, and is responsible for the standardization of products. Regional offices oversee the execution of regional businesses and carry out the day-to-day operations of their respective projects. We believe our centralized management system optimizes our capacities and resources, enhances our negotiating power with suppliers and contractors and facilitates the sharing of resources and expertise among various projects. With the expanding scale and scope of our business, in order to enhance our operating efficiency, the regional offices have been given higher degree of autonomy and greater flexibility in day-to-day operations. In addition, we have been investing in state-of-the-art technologies and computer systems to support and integrate the operations and decision-making process. In particular, our award-winning Enterprise Resource Planning platform and its implementation over the past few years has been key to the management control of our cost control, sales and marketing as well as finance departments.

In light of the on-going market changes in recent years, we have been adopting a steady and responsible policy for our operations and development and aim to maintain effective and prudent corporate governance and continue to improve our internal monitoring and control system. We believe sound and prudent corporate governance will enhance our credibility and transparency.

BUSINESS STRATEGIES

We plan to further diversify our "1+N" business model, which is to strengthen our position in the property development business and accelerate the development of other businesses. We are also aiming to improve our execution, operational efficiency and overall management quality. We intend to achieve our overall business objectives by pursuing the following strategies:

Optimize land bank with an active but prudent land acquisition strategy

A premium land bank is the cornerstone of the property business. We intend to further improve our geographic diversification by adopting an active but prudent land acquisition strategy, with priority given to cities located in regions where we saw long-term strong sales performance and competitive edge, as well as in first- and second-tier cities and quality satellite third-tier cities in core city clusters. We consider those cities to be the fast developing regions in China with great economic growth potential and expect a strong demand for housing in these regions over the mid- to long-term. We believe we benefit from our well-established brand reputation in these regions. Historically, we have acquired most of our land through tender, auction and listing-for-sale. Since 2016, we have acquired land parcels through equity acquisitions in order to replenish our land bank at a more competitive price. We will continue to replenish our land bank strategically with an aim to maintain steady and sustainable growth of our property development business. We will also seek to develop featured towns projects and urban renewal projects so as to further expand our market share.

Enhance overall management to maximize profits

We aim to enhance our overall management and execution capability by further streamlining the decision-making process and strengthening control on expenses with a focus on efficiency and sustainable growth. We will continue to control costs through product standardization and will implement strict construction management to ensure effective management of resources for sales. We will continue adopting a multi-pronged strategy in promoting project development efficiency and lowering inventory level through sales-based production and dynamic adjustments. We believe, with these measures, we will be able to maximize profits for our property development business.

Further expand A-Living with diversified value-added services

We intend to expand our property management business and further increase our market share in this industry. Leveraging our experience in managing our own properties, we have obtained contracts to manage properties developed by independent property developers since 2015. We will continue to increase the total contracted GFA under our management by obtaining more new property management contracts. At the same time, we intend to selectively explore strategic investment and acquisition opportunities to further enhance our property management business. In June 2017, A-Living acquired Shanghai Greenland Property Services Co., Ltd. from Greenland Group. In August 2017, Greenland Group became the long-term strategic shareholder of A-Living through the capital injection in A-Living. We also intend to devote more resources to improve the services of our "A-Steward" online platform, to further improve the quality of life of residents of the properties we manage. On February 9, 2018, A-Living was listed on the Hong Kong Stock Exchange, constituting a spin-off from our Company. In 2018, A-Living fully re-organized our existing business lines to form a new landscape of integrated development of three business segments, namely the "property management services", "asset management services" and "community commercial services". We also deepened the development model of "focusing on property management while developing a variety of other businesses", and recorded historic breakthroughs in the first year after the Listing of A-Living with leapfrog growth in various operational indicators, stable furtherance of investment and mergers and acquisitions, and ranked top 10 in the PRC in terms of its comprehensive strength and was awarded the "TOP 8 Property Management Companies of the PRC in terms of Comprehensive Strength". We believe our property management business may further profit from our efforts to increase the amount of total contracted GFA under our management and improve popularity of our online platform.

Increase our competitive edge in other businesses, including A-Living, environmental protection, construction, real estate construction management and commercial

We will further drive our diversified development and increase our competitive edge in other businesses including A-Living, environmental protection, construction, real estate construction management and commercial. In respect of environmental protection, we have established diversified environmental protection business covering hazardous waste treatment, water treatment and common solid waste treatment. We will continue to acquire premium projects, with a view to increasing its contribution to our profit while ensuring long-standing and steady operation and sustainable development. In respect of construction business, we plan to leverage our expertise in home decoration and landscape planning and design to further reinforce the industry position and expand our business on an on-going basis. In respect of real estate construction management business, we will fully capitalize on the strength of our brand to develop agent construction business with Agile's characteristics while continuing to acquire premium real estate construction management projects. In respect of commercial business, we will further integrate our existing assets and adjust the development direction for commercial, office, hotel and self-used properties in light of the market environment, with a view to expanding our scale, increasing our revenue and contribution to the Group's income.

Strengthen our brand recognition nationwide and overseas

We intend to continue to strengthen our established brand name both in and outside China. A key factor to our brand-building effort is to continuously focus on the value of our properties by providing high-quality products, stylish design and comprehensive property management services to create a comfortable modern living experience. We believe customer satisfaction and referrals have been and will continue to be an effective channel to enhance our reputation. In addition, we intend to strengthen our brand image and market awareness overseas through developing property projects with international business partners. As of June 30, 2021, we have a total of 4 projects under development in overseas. In Malaysia, the Group had 2 high-quality property projects on sale in Kuala Lumpur, including Agile Bukit Bintang Kuala Lumpur and Agile Embassy Garden Kuala Lumpur. In Cambodia, Agile Sky Residence Phnom Penh is the Group's first project on sale in Phnom Penh. In the United States, the construction of Project 88 in San Francisco has been topped-out and is planned to be launched by end of 2021.

DESCRIPTION OF PROPERTY DEVELOPMENTS

As of June 30, 2021, we had 222 projects at various stages of development within our land bank (as listed below), 68 of which were located in Southern China region; 70 in Eastern China region; 25 in Western China region; 22 in Central China region; seven in Hainan Province; seven in Yunnan Province; 3 in Northeast China region; 14 in Northern China region; two in Hong Kong; four in overseas. From time to time we review and consider potential projects for development in various cities in mainland China. We divide our property developments into three categories: (i) completed properties; (ii) properties under development; and (iii) properties held for future development. As our projects typically comprise multiple-phase developments, one project may include different phases that are at various stages of development and completion. As of June 30, 2021, we had, in terms of GFA of our 222 projects within our land bank, completed but undelivered properties of approximately 3.4 million sq.m., properties under development of approximately 23.0 million sq.m. and properties held for future development of approximately 26.6 million sq.m..

We seek to replenish our land reserves on a continuous basis and generally have on-going land acquisitions at various stages of the acquisition process. Among the 222 projects, as of June 30, 2021, our project companies signed land grant or transfer documents or held other forms of interest with respect to 25 projects with an aggregate site area of approximately 2.5 million sq.m. and an aggregate GFA of projects of 4.9 million sq.m. We cannot, however, assure you that we will be able to obtain the land use rights certificates or the land titles in respect of these pieces of land in a timely manner, or at all.

A property development is considered completed when we have received completion certificates or reports from the relevant construction authorities. These certificates are typically issued when we have obtained approval certificates from the bureaus of zoning, fire services and environmental protection, signed guarantees of construction quality from contractors and other documents required by applicable laws and regulations. A property is considered to be under development immediately following the issuance of the Notice to Proceed with Civil Engineering Project with respect to the property and before completion of the property. Typically, we issue the Notice to Proceed with Civil Engineering Project to our contractors to commence the construction works after we have applied for construction to the local authorities.

The site area information of an entire project is based on the relevant land use rights certificates. The aggregate GFA of an entire project is calculated by multiplying its site area by the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments relating to the project or such lower plot ratio that we reasonably expect to be able to develop for such project. Unlike the above-ground and semi-underground car parks, underground car parks generally are not included in a project's total GFA. The aggregate GFA of a project includes both saleable and non-saleable GFA. Saleable GFA refers primarily to the areas of residential units (including internal floor area and common areas in the building that are exclusively allocated to such residential units) and retail shops. Non-saleable GFA refers to certain communal facilities, including, among others, club houses and schools.

A property is considered sold after we have executed the purchase contract with a customer and have delivered the property to the customer. A property is pre-sold when we have executed the purchase contract but physical delivery of the property to the purchaser has not been made. GFA with respect to which revenues are recognized in any given period is based on our internal records. Information regarding land costs and development costs in this Offering Circular is based solely on our internal records or estimates.

The table below sets forth certain information of our 222 projects as of June 30, 2021.

No.	Project Name	City	Interests Attributable to the Group *(Note 3)*	Total Site Area of the Project	Total Planned GFA of the Project	Land Bank (sq.m.) *(Note 1)*			
							Development Stage (B)		
						Total Planned GFA	Completed	Under Development	Held for Future Development
			(sq.m.)	(sq.m.)	(sq.m.)	(A) (sq.m.)	(B1)	(B2)	(B3)
Southern China Region									
1	Guangzhou Asian Games City Project.	Guangzhou	26.66%	2,640,000	4,380,000	1,668,138	134,873	1,368,876	164,389
2	Agile Haizhu Xiaoya Guangzhou. . . .	Guangzhou	100%	13,660	68,121	701	701	—	—
3	Agile Skyline 715 Guangzhou	Guangzhou	100%	21,908	91,656	91,656	—	91,656	—
4	Agile Huadu County Guangzhou	Guangzhou	100%	67,260	97,814	97,814	—	97,814	—
5	Glory of City Garden Guangzhou (Formerly known as Guangzhou Huadu Jinghu Project)	Guangzhou	20%	54,400	119,680	119,680	—	84,109	35,571
6	Agile Riverside Park Guangzhou (Formerly known as Guangzhou Yingbin Avenue Project).	Guangzhou	49%	126,140	289,884	289,884	—	130,882	159,002
7	Agile Riverside Garden Guangzhou . .	Guangzhou	100%	30,148	86,848	86,848	—	86,848	—
Guangzhou Subtotal				**2,953,516**	**5,134,003**	**2,354,721**	**135,574**	**1,860,184**	**358,962**
8	La Cité Greenville Zhongshan	Zhongshan	100%	1,970,275	1,889,961	8,293	8,293	—	—
9	Metro Agile Zhongshan.	Zhongshan	100%	1,476,285	3,519,253	368,827	43,689	325,138	—
10	Zhongshan Minzhong Town Project . .	Zhongshan	100%	63,450	95,175	95,175	—	—	95,175
11	Agile Cambridgeshire Zhongshan. . . .	Zhongshan	100%	375,357	1,444,668	322,419	15,128	—	307,291
12	Agile Royal Mount Zhongshan.	Zhongshan	100%	563,253	1,126,505	3,887	3,887	—	—
13	Zhongshan Kunlun Hotel Project. . . .	Zhongshan	100%	29,267	87,801	87,801	—	—	87,801
14	Agile Coastal Pearl Zhongshan.	Zhongshan	100%	338,892	677,782	1,484	1,484	—	—
15	Zhongshan Haotousha Project	Zhongshan	100%	83,483	60,813	60,813	—	60,813	—
16	Agile River Pearl Zhongshan.	Zhongshan	100%	27,868	69,316	4,614	4,614	—	—
17	Crescent Hill Center City Zhongshan .	Zhongshan	100%	181,667	454,167	85,403	85,403	—	—
18	Zhongshan Dongcheng Lufeng Project.	Zhongshan	50%	162,795	347,086	347,086	—	119,219	227,867
19	Mont Orchid Riverlet Zhongshan . . .	Zhongshan	60%	131,863	395,588	221,579	59,657	161,922	—
20	Agile Diyin Lake Town Zhongshan . .	Zhongshan	50%	478,955	823,803	728,947	2,978	119,264	606,705
21	Weilan Siji Zhongshan	Zhongshan	50%	40,865	122,596	109,076	109,076	—	—
22	Zhongshan Bosheng Project	Zhongshan	50%	45,016	118,564	118,564	—	118,564	—
23	The Leading World Zhongshan.	Zhongshan	100%	35,993	71,986	31,792	31,792	—	—
24	Shenzhong One Zhongshan	Zhongshan	50%	180,718	451,795	451,795	—	—	451,795
25	Zhongshan Hehua Hotel Project	Zhongshan	100%	64,536	96,804	96,804	—	—	96,804
26	Agile Starry Jade Zhongshan.	Zhongshan	15%	47,097	117,742	54,301	54,301	—	—
27	Agile City of Lohas Zhongshan	Zhongshan	100%	69,808	154,987	11,521	11,521	—	—
28	Zhongshan Dongfeng Town Project . .	Zhongshan	100%	669,960	1,490,400	1,490,400	—	—	1,490,400
29	Zhongshan Cuiheng New District Project	Zhognshan	65%	245,526	919,016	919,016	—	96,989	822,028
30	Zhongshan Ma'an Island Project	Zhognshan	25%	503,617	850,211	850,211	—	—	850,211
31	Agile Garden Guzhen.	Zhongshan	100%	26,799	80,398	80,398	—	80,398	—
Zhongshan Subtotal				**7,813,345**	**15,466,417**	**6,550,207**	**431,824**	**1,082,308**	**5,036,075**
32	Agile International Garden Zhuhai . . .	Zhuhai	49%	83,997	206,494	201,399	93,932	107,467	—
Zhuhai Subtotal				**83,997**	**206,494**	**201,399**	**93,932**	**107,467**	**0**
33	Park Irisation Jiangmen.	Jiangmen	51%	44,033	110,083	43,155	43,155	—	—
34	Agile Honorable Mansion Jiangmen . .	Jiangmen	51%	29,372	63,525	63,525	—	63,525	—
35	Agile Chairman Taishan	Jiangmen	50%	29,257	73,142	23,431	23,431	—	—
36	Agile Garden Taishan.	Jiangmen	100%	58,411	146,026	10,781	10,781	—	—
37	Taishan Taicheng District Project . . .	Jiangmen	100%	34,387	96,284	52,856	9,956	42,900	—
Jiangmen Subtotal				**195,460**	**489,060**	**193,749**	**87,324**	**106,425**	**0**
38	Majestic Garden Nanhai	Foshan	100%	601,230	859,757	3,065	3,065	—	—
39	Agile Personage Nanhai	Foshan	100%	44,786	143,315	1,817	1,817	—	—
40	Agile Sunday Nanhai	Foshan	100%	35,337	88,342	1,468	1,468	—	—
41	Pleasure Mansion Sanshui	Foshan	33%	79,015	252,846	182,525	470	182,055	—
42	Qingyue Shunde.	Foshan	40%	81,455	203,638	147,987	10,583	137,404	—
43	Agile Garden Shunde	Foshan	100%	212,410	488,500	1,529	1,529	—	—
44	Agile Mix City Shunde.	Foshan	100%	62,515	143,126	90,829	2,828	88,001	—
45	Agile Cambridgeshire Shunde	Foshan	50%	110,833	310,332	198,234	3,084	195,149	—
46	Agile Landscape Foshan (Formerly known as Foshan Shunde District Project)	Foshan	51%	27,407	64,856	64,856	—	64,856	—
47	Emerald Park Foshan	Foshan	33%	81,136	243,407	121,576	9,000	112,576	—
Foshan Subtotal				**1,336,123**	**2,798,119**	**813,886**	**33,844**	**780,042**	**0**

No.	Project Name	City	Interests Attributable to the Group *(Note 3)*	Total Site Area of the Project	Total Planned GFA of the Project	Total Planned GFA	Land Bank (sq.m.) *(Note 1)* Development Stage (B) Completed	Under Development	Held for Future Development
			(sq.m.)	(sq.m.)	(sq.m.)	(A) (sq.m.)	(B1)	(B2)	(B3)
48(A)	Agile Egret Lake Huizhou Project A	Huizhou	50%	811,500	811,500	695,571	—	118,046	577,525
48(B)	Agile Egret Lake Huizhou Project B	Huizhou	100%	1,188,500	1,188,500	331,520	8,954	—	322,566
49	Agile Lohas World Huizhou	Huizhou	49%	24,792	76,855	76,855	—	76,855	—
50	Violet Castle Huizhou	Huizhou	35%	88,844	222,110	222,110	—	222,110	—
51	Agile Garden Huiyang	Huizhou	66%	1,248,191	2,995,658	1,597,553	58,464	188,076	1,351,012
52	Agile Duhuiya County Huizhou	Huizhou	70%	55,000	196,508	101,057	39,471	61,586	—
Huizhou Subtotal				**3,416,827**	**5,491,131**	**3,024,667**	**106,890**	**666,673**	**2,251,103**
53	Agile HK City Zhaoqing	Zhaoqing	100%	287,781	700,758	700,758	—	316,237	384,522
Zhaoqing Subtotal				**287,781**	**700,758**	**700,758**	**0**	**316,237**	**384,522**
54	Agile Garden Heyuan	Heyuan	100%	1,364,741	2,729,481	440	440	—	—
55	Agile Kylin Mansion Heyuan	Heyuan	100%	113,202	283,612	47,244	47,244	—	—
56	Heyuan Dongyuan County Central District Project	Heyuan	51%	60,704	151,760	151,760	—	151,760	—
57	Agile Chairman Shantou	Shantou	100%	78,193	351,869	351,869	—	143,099	208,770
58	Agile Costal Pearl Shanwei	Shanwei	100%	183,407	416,914	379,213	26,174	190,210	162,829
59	Fenghui Meizhou	Meizhou	50%	44,774	116,412	54,018	3,974	50,044	—
Eastern Guangdong Subtotal				**1,845,021**	**4,050,048**	**984,544**	**77,833**	**535,112**	**371,599**
60	Agile Honorable Mansion Zhanjiang	Zhanjiang	100%	20,058	60,027	3,609	3,609	—	—
61	Agile City Pearl Maoming	Maoming	100%	21,463	64,390	263	263	—	—
62	Agile Lohas New City Maoming	Maoming	100%	86,400	207,255	207,060	—	114,907	92,153
63	Ellite Residence Yunfu	Yunfu	50%	156,737	470,228	238,737	11,287	227,450	—
64	Jieyang Jiedong District Project	Jieyang	5%	46,599	157,982	157,982	—	157,982	—
Western Guangdong Subtotal				**331,257**	**959,882**	**607,651**	**15,159**	**500,339**	**92,153**
65	City of Lohas Qingyuan	Qingyuan	50%	53,331	111,995	111,995	—	111,995	—
66	Agile County Qingyuan	Qingyuan	51%	166,700	466,760	466,760	—	393,354	73,406
Northern Guangdong Subtotal				**220,031**	**578,755**	**578,755**	**0**	**505,349**	**73,406**
67	Agile International Financial Center Nanning	Nanning	50%	56,736	375,446	219,854	219,854	—	—
68	Agile Golden Bay Beihai	Beihai	60%	420,450	1,248,641	1,228,085	109,916	318,168	800,001
Guangxi Subtotal				**477,186**	**1,624,087**	**1,447,939**	**329,770**	**318,168**	**800,001**
Southern China Region Subtotal				**18,960,543**	**37,498,753**	**17,458,275**	**1,312,149**	**6,778,304**	**9,367,821**
Eastern China Region									
69	Agile Chang Le Du Nanjing	Nanjing	100%	59,900	59,600	480	480	—	—
70	The Territory Nanjing	Nanjing	100%	316,697	910,561	37,267	37,267	—	—
71	Nanjing Yuhuatai District Project	Nanjing	34%	35,058	98,162	98,162	—	98,162	—
72	Agile Harbour City Nanjing	Nanjing	65%	233,257	702,104	702,104	—	—	702,104
73	Agile Yajun Lanting Nanjing	Nanjing	100%	63,132	155,936	155,936	—	155,936	—
74	Agile Central Mansion Nanjing (Formerly known as Nanjing Gaochun District Project)	Nanjing	50%	38,602	54,043	54,043	—	54,043	—
75	Agile International Yangzhou	Yangzhou	100%	110,597	436,858	307,354	—	139,233	168,121
76	Agile Orchid Mansion Yangzhou	Yangzhou	100%	83,312	96,559	6,586	6,586	—	—
77	Agile Mountain Yangzhou	Yangzhou	100%	148,142	235,600	9,051	9,051	—	—
78	Yangzhou Huaisi Industrial Project	Yangzhou	100%	48,430	73,614	73,614	—	—	73,614
79	Yangzhou International Waterfront New Town Project	Yangzhou	100%	306,886	508,218	452,654	—	154,595	298,058
80	Agile Silva Town Chuzhou	Chuzhou	100%	270,907	677,266	202,592	657	—	201,935
81	Agile Hillgrove Zhenjiang	Zhenjiang	100%	113,117	226,200	4,531	4,531	—	—
82	Agile Luxuriant Palace Zhenjiang	Zhenjiang	100%	75,795	128,860	37,172	3,340	33,832	—
83	Agile Garden Jurong	Jurong	100%	34,906	69,812	457	457	—	—
84	Agile Landscape House Xuzhou	Xuzhou	34%	147,531	177,037	137,880	—	137,880	—
85	Agile Fuchun Mountain Xuzhou	Xuzhou	50%	132,397	172,115	170,188	51,716	118,472	—
86	Xuzhou Gulou District Project	Xuzhou	30%	41,100	97,100	97,100	—	97,100	—
87	Phoenix Orientalism Lianyungang	Lianyungang	33%	56,593	113,185	40,749	40,749	—	—
88	Landscape Hefei	Hefei	49%	92,216	174,164	122,122	16,285	105,837	—
89	Agile County Hefei	Hefei	100%	75,608	136,094	136,094	—	136,094	—
90	Park View Mansion Hefei (Formerly known as Hefei New Station Project)	Hefei	45%	65,742	118,336	118,336	—	118,336	—
91	Hefei Feidong Industrial Project	Hefei	100%	79,893	88,258	88,258	—	—	88,258
92	Agile New Joy Mansion Wuhu	Wuhu	60%	124,059	272,930	138,136	131,975	6,161	—
93(A)	Shanghai Pudong New District Project A	Shanghai	100%	542,952	293,001	293,001	—	—	293,001

No.	Project Name	City	Interests Attributable to the Group *(Note 3)*	Total Site Area of the Project	Total Planned GFA of the Project	Total Planned GFA	Land Bank (sq.m.) *(Note 1)* Development Stage (B) Completed		
							Completed	Under Development	Held for Future Development
			(sq.m.)	(sq.m.)	(sq.m.)	(A) (sq.m.)	(B1)	(B2)	(B3)
93(B)	Shanghai Pudong New District Project B	Shanghai	40%	1,190,661	146,487	146,487	—	—	146,487
94	Shanghai Songjiang District Project . .	Shanghai	25%	88,442	101,709	101,709	—	—	101,709
95	Agile Guanghe City Jiaxing	Jiaxing	40%	31,163	68,559	68,559	—	68,559	—
96	Agile Yuejingzhuang Chunfengdu Jiaxing	Jiaxing	50%	31,025	70,738	70,738	—	70,738	—
97	Agile Riverside Metropolis Huzhou . .	Huzhou	100%	64,220	134,862	410	410	—	—
98	Huzhou Fenghuang District East Project	Huzhou	50%	65,257	130,514	130,514	—	130,514	—
99	Huzhou High Technology Town Project	Huzhou	100%	74,689	89,288	45,729	2,339	43,390	—
100	Shaoxing Keqiao District Project . . .	Shaoxing	51%	63,836	76,603	76,603	—	76,603	—
101(A)	Agile Dream Lake Fairy Hill Changzhou Project A	Changzhou	100%	614,915	297,309	223,768	1,505	33,058	189,205
101(B)	Agile Dream Lake Fairy Hill Changzhou Project B.	Changzhou	95%	352,357	183,468	71,004	1,093	—	69,911
102	Agile Tangsong Changzhou.	Changzhou	51%	129,136	282,740	150,870	394	150,476	—
103	Changzhou Xixiashu Pure Industry Project	Changzhou	100%	47,566	61,249	6,282	6,282	—	—
104	Mansion of Lake Changzhou.	Changzhou	49%	68,563	137,126	137,126	—	137,126	—
105	Agile Jingshang Yachen Changzhou . .	Changzhou	100%	48,985	107,767	22,826	2,849	19,977	—
106	Agile The Rivulet Changzhou	Changzhou	34%	98,451	150,748	150,748	—	150,748	—
107	Changzhou Industry Project	Changzhou	100%	85,644	121,712	121,712	—	77,962	43,750
108	Changzhou Tianning District Project. .	Changzhou	50%	40,131	80,262	80,262	—	—	80,262
109	Yixing Guanlin Industry Project	Yixing	100%	121,827	133,000	133,000	—	40,923	92,077
110	Liyang Industry Project.	Liyang	100%	44,682	51,200	2,244	2,244	—	—
111	Agile City Center Villa Wuxi	Wuxi	100%	214,664	590,325	202,394	1,760	200,634	—
112	Life in Park Wuxi (Formerly known as Wuxi Xinwu District Project) . . .	Wuxi	50%	89,647	161,364	161,364	—	161,364	—
113	Agile Honor Mansion Wuxi (Formerly known as Wuxi Chengjiang Street Project)	Wuxi	50%	88,976	177,952	177,952	—	177,952	—
114	Wuxi Economic Development Zone Project	Wuxi	23%	21,820	48,004	48,004	—	48,004	—
115	Mount Lake Oriental Landscape Nantong.	Nantong	33.4%	83,920	134,272	53,182	—	53,182	—
116	Agile Metropolis Nantong	Nantong	40%	141,257	296,640	108,998	147	108,850	—
117	Agile Central Mansion Nantong	Nantong	50%	43,170	96,794	54,775	54,775	—	—
118	Nantong Hongwei Road Project	Nantong	30%	53,092	95,566	95,566	—	95,566	—
119	Agile Central Mansion Qidong.	Qidong	50%	49,737	124,343	124,343	—	124,343	—
120	Qidong Huashi Road East Project . . .	Qidong	40%	72,182	137,435	137,435	—	75,074	62,361
121	Taizhou Industry Project	Taixing	100%	62,294	67,154	67,154	—	67,154	—
122	Agile International Garden Hangzhou .	Hangzhou	100%	132,446	423,827	7,705	7,705	—	—
123	Agile Luxuriant Palace Suzhou	Suzhou	100%	81,202	162,404	57,346	6,187	51,159	—
124	Suzhou Xiangcheng Development Zone Project	Suzhou	51%	49,913	89,843	89,843	—	89,843	—
125	Agile Lake Mansion Changshu.	Changshu	49%	51,039	132,701	132,701	—	132,701	—
126	Agile Shanyue County Changshu (Formerly known as Changshu Changfu Street Project)	Changshu	100%	68,001	102,002	102,803	—	102,803	—
127	Agile Mountain Mansion Changshu . .	Changshu	100%	45,420	59,046	1,370	1,370	—	—
128	Agile Linghu Garden Kunshan	Kunshan	100%	60,291	108,523	108,523	—	108,523	—
129	Long Beach Fuzhou.	Fuzhou	49%	70,618	197,730	197,730	—	197,730	—
130	Agile Mountains & Aqua Fuzhou . . .	Fuzhou	100%	39,096	64,392	16,778	16,778	—	—
131	Fuzhou Cangshan District Project . . .	Fuzhou	100%	20,007	42,015	42,015	—	42,015	—
132	Agile Chairman Xiamen	Xiamen	100%	12,206	29,296	373	373	—	—
133	Jinyu Tixiang Xiamen	Xiamen	51%	7,964	19,112	19,112	—	19,112	—
134	Agile Xiangshan in the Bay Zhangzhou	Zhangzhou	51%	353,391	1,140,725	1,091,375	109,725	89,339	892,311
135	Agile Champion Town Weihai	Weihai	65%	2,632,249	3,109,555	3,025,689	40,969	211,137	2,773,583
136(A)	Jing Yuan Jinan.	Jinan	50.0%	21,181	63,543	63,543	—	63,543	—
136(B)	Jing Yuan Jinan.	Jinan	50%	49,573	143,920	143,920	24,608	119,312	—
137	Jiangshan The One Jinan	Jinan	33%	23,856	38,170	38,170	38,170	—	—
138	Agile City of Lohas Jinan	Jinan	100%	69,495	180,687	180,687	—	180,687	—
Eastern China Region Subtotal.				**11,267,085**	**16,538,293**	**11,775,307**	**622,779**	**4,875,782**	**6,276,747**

No.	Project Name	City	Interests Attributable to the Group *(Note 3)*	Total Site Area of the Project	Total Planned GFA of the Project	Total Planned GFA	Land Bank (sq.m.) *(Note 1)*		
							Development Stage (B)		
							Completed	Under Development	Held for Future Development
			(sq.m.)	(sq.m.)	(sq.m.)	(A) (sq.m.)	(B1)	(B2)	(B3)
Western China Region									
139	Agile Garden Chengdu	Chengdu	100%	1,338,960	1,606,752	10,959	10,959	—	—
140	Agile Born to Shine Chengdu	Chengdu	49%	56,005	112,011	112,011	—	112,011	—
141	Flowers Island Chengdu	Chengdu	33%	69,999	139,999	139,999	—	139,999	—
142	Agile City of Lohas Chengdu	Chengdu	100%	66,009	165,023	101,134	12,259	88,875	—
143	Agile Boguang County Chengdu	Chengdu	100%	105,832	245,068	245,068	—	181,691	63,377
144	IN Tian Fu Chengdu (Formerly known as Chengdu Chenghua District Project)	Chengdu	30%	97,600	244,000	244,000	—	244,000	—
145	Agile Nine Foothills Chengdu (Formerly known as Chengdu International Resort District Project)	Chengdu	51%	226,895	470,975	450,891	—	126,107	324,784
146	Agile Yuejiang Lai Chengdu (Formerly known as Chengdu Shiqiao Street Project)	Chengdu	34%	62,450	156,125	156,125	—	156,125	—
147	Agile Life Diary Xi'an	Xi'an	100%	277,519	695,070	171,502	408	115,621	55,473
148	Agile North City County Xi'an	Xi'an	51%	128,087	256,174	256,174	—	178,768	77,406
149	Xi'an Lianhu District Project	Xi'an	49%	68,651	192,223	192,223	—	—	192,223
150	Baoji Taibai Mountain National Tourism Scenic Area Project . . .	Baoji	80%	105,816	105,800	105,800	—	—	105,800
151	Agile Garden Hanzhong	Hanzhong	100%	442,647	1,549,263	1,001,962	19,696	360,406	621,860
152	Agile Hanlin Garden Weinan.	Weinan	51%	43,637	104,730	104,730	—	104,730	—
153	Agile Cambridgeshire Guiyang (Formerly known as Guiyang Huaxi District Project).	Guiyan	51%	29,104	72,760	72,760	—	72,760	—
154	Agile Chairman Chongqing.	Chongqing	100%	119,287	348,172	8,359	8,359	—	—
155	Agile Mountain Chongqing.	Chongqing	100%	203,112	362,486	80,948	2,001	26,398	52,549
156	Lumingfu Chongqing	Chongqing	33%	157,427	366,953	56,485	—	56,485	—
157	Agile Bay Area Villa Chongqing . . .	Chongqing	100%	138,394	187,009	145,209	43,011	31,437	70,761
158	Agile Hanyun Garden Chongqing (Formerly known as Chongqing Jiahe Avenue Project)	Chongqing	100%	139,225	400,867	400,867	—	148,624	252,243
159	Agile Jiulong County Chongqing. . . .	Chongqing	100%	50,035	100,070	100,070	—	100,070	—
160	Agile Star County Chongqing	Chongqing	100%	112,059	168,089	134,177	6,780	88,982	38,416
161	Chongqing Ba'nan District Project. . .	Chongqing	100%	98,981	231,016	231,016	—	—	231,016
162	Chongqing Bishan District Project . . .	Chongqing	60%	79,883	119,824	119,824	—	10,994	108,830
163	Chongqing Tianding Yinxing Project .	Chongqing	51%	75,003	112,505	112,505	—	—	112,505
Western China Region Subtotal				**4,292,618**	**8,512,963**	**4,754,798**	**103,474**	**2,344,083**	**2,307,241**
Central China Region									
164	Bund Mansion Changsha	Changsha	50%	197,406	670,237	289,758	723	—	289,034
165	Agile Evian Town Changsha	Changsha	100%	410,911	739,641	486,014	116,198	—	369,816
166	Agile Sunday Changsha.	Changsha	100%	15,853	69,596	69,596	—	69,596	—
167	Agile Forest Lake Zhengzhou	Zhengzhou	100%	78,328	196,086	495	495	—	—
168	Agile Chairman Zhengzhou.	Zhengzhou	100%	49,485	74,040	30,626	30,626	—	—
169	Agile Celestial Mansion Zhengzhou . .	Zhengzhou	49%	52,189	156,566	152,669	79,426	73,243	—
170	West City Garden Zhenzhou	Zhengzhou	33%	46,691	116,726	116,726	—	116,726	—
171	Agile Romantic Town Gongyi	Zhengzhou	37%	420,723	765,094	649,823	50,460	186,663	412,700
172	Grand View Kaifeng	Kaifeng	51%	59,545	148,863	148,863	—	148,863	—
173	Guokong Kaifeng	Kaifeng	20.4%	264,008	660,019	660,019	—	311,205	348,814
174	Agile International Garden Xuchang . .	Xuchang	100%	93,186	243,289	46,192	4,263	41,929	—
175	Agile County of Earl Xuchang.	Xuchang	100%	31,083	40,609	33,699	9,028	24,671	—
176	Agile Hanlinya County Xuchang	Xuchang	100%	165,972	481,319	481,319	—	160,447	320,872
177	Lantai Mansion Shangqiu	Shangqiu	49%	59,698	179,093	179,093	—	55,586	123,507
178	Agile International Garden Shangqiu. .	Shangqiu	100%	52,607	157,820	81,895	—	81,895	—
179	Agile Nanlu Mountain Chenzhou. . . .	Chenzhou	50%	121,066	145,279	145,279	—	73,485	71,794
180	Agile International Garden Wuhan . . .	Wuhan	100%	406,583	790,694	369,388	14,481	303,926	50,982
181	Agile Yunzhu Wuhan	Wuhan	49%	119,789	275,514	275,514	—	188,403	87,111
182	Agile City of Lohas Jingzhou	Jingzhou	100%	42,113	146,931	49,269	30,759	18,510	—
183	Agile Modern Mansion Xiangyang . . .	Xiangyang	100%	213,809	442,912	354,522	5,659	269,087	79,775
184	Xiangyang Gaoxin District Project . . .	Xiangyang	49%	37,700	63,800	63,800	—	—	63,800
185	Jiujiang Lianxi District Project.	Jiujiang	30%	230,966	287,360	287,360	—	85,900	201,460
Central China Region Subtotal				**3,169,709**	**6,851,489**	**4,971,918**	**342,118**	**2,210,135**	**2,419,665**

No.	Project Name	City	Interests Attributable to the Group *(Note 3)*	Total Site Area of the Project	Total Planned GFA of the Project	Total Planned GFA	Land Bank (sq.m.) *(Note 1)* Development Stage (B) Completed	Under Development	Held for Future Development
			(sq.m.)	(sq.m.)	(sq.m.)	(A) (sq.m.)	(B1)	(B2)	(B3)
Hainan Region									
186	Hainan Clearwater Bay	Lingshui	100%	10,698,576	8,402,563	2,695,773	392,675	1,646,495	656,603
187	Agile Starlight City Hainan	Wenchang	100%	110,098	330,294	302,003	13,036	189,777	99,190
188	Agile Golden Bay Hainan	Haikou	60%	376,502	704,451	163,606	6,798	124,866	31,942
189	Agile Center Haikou	Haikou	60%	36,944	92,359	92,359	—	92,359	—
190	Agile Shanqin Bay Wanning	Wanning	51%	233,325	184,658	184,658	—	71,393	113,265
191	Hainan Shangen Bay Project	Wanning	100%	41,811	45,992	45,992	—	—	45,992
192	Lingao Nanbao Town Project	Lingao	100%	88,963	44,482	44,482	—	44,482	—
Hainan Region Subtotal				**11,586,219**	**9,804,799**	**3,528,873**	**412,509**	**2,169,372**	**946,992**
Yunnan Region									
193	Agile International Garden Ruili	Ruili	100%	413,273	1,400,178	663,059	44,322	224,374	394,364
194	Agile Eden Yunnan	Tengchong	100%	2,423,266	4,004,836	2,622,539	141,273	164,001	2,317,265
195(A)	Agile Erhai Dali	Dali	50%	30,893	114,305	114,305	—	43,828	70,478
195(B)	Erhai Dali	Dali	50%	31,320	125,280	125,280	—	62,753	62,527
196	Agile Quenya Yunnan	Xishuangbanna	100%	1,071,600	1,285,920	723,770	11,782	407,967	304,021
197	Agile Central County Kunming (Formerly known as Kunming Guandu District Project)	Kunming	100%	114,200	366,300	366,300	—	220,805	145,495
198	Jinlin Fenghui Kunming	Kunming	50%	81,914	262,126	262,126	—	118,582	143,544
199	Agile City Central Kunming	Kunming	50%	73,912	300,216	300,216	—	203,828	96,388
Yunnan Region Subtotal				**4,240,378**	**7,859,161**	**5,177,596**	**197,377**	**1,446,138**	**3,534,081**
Northeast China Region									
200	Agile Garden Shenyang	Shenyang	100%	536,848	1,110,834	19,357	19,357	—	—
201	Agile Shine Song Shenyang	Shenyang	50%	30,705	52,198	52,198	—	52,198	—
202	Shenyang Hunnan District Project . . .	Shenyang	100%	36,000	76,700	76,700	76,700	—	—
Northeast China Region Subtotal				**603,553**	**1,239,732**	**148,255**	**96,057**	**52,198**	**—**
Northern China Region									
203	Tianjin Jinnan New City	Tianjin	25%	1,289,227	3,010,901	1,261,411	168,934	1,092,477	—
204	Agile Chairman Tianjin	Tianjin	100%	85,689	128,532	20,646	632	—	20,014
205	Agile Tianfu Tianjin	Tianjin	48%	436,800	1,122,661	1,122,661	—	275,428	847,233
206(A)	Agile Samite Dajia Tianjin	Tianjin	50%	230,355	327,276	327,276	—	142,421	184,855
206(B)	Tianjin Haijiao Garden Project B . . .	Tianjin	100%	45,709	77,704	77,704	—	77,704	—
207	Agile Baodi Jinqiao International Town Tianjin	Tianjin	96%	493,845	825,535	733,760	52,600	257,003	424,157
208	Agile Chairman Handan	Handan	90%	18,240	36,480	36,480	—	36,480	—
209	Courtyard Handan	Handan	49%	30,581	61,162	61,162	—	61,162	—
210	Agile Lohas Life Jinzhong	Jinzhong	33%	46,603	163,112	54,154	54,154	—	—
211	Yourge'nd Peninsula Jinzhong	Jinzhong	49%	145,037	452,292	452,292	—	360,340	91,952
212	Beijing Yanqing District Project	Beijing	51%	198,254	65,000	65,000	—	—	65,000
213	Agile Jinghua Ya Jun Beijing	Beijing	100%	36,478	80,252	80,252	—	80,252	—
214	Beijing Mentougou District Project . .	Beijing	100%	52,916	57,638	57,638	—	57,638	—
215	Agile Territory Epic Taiyuan.	Taiyuan	82%	87,907	340,480	340,480	—	235,907	104,573
216	Agile Chairman Shijiazhuang	Shijiazhuang	100%	49,697	99,394	99,394	—	99,394	—
Northern China Region Subtotal				**3,247,338**	**6,848,418**	**4,790,310**	**276,320**	**2,776,206**	**1,737,784**
Hong Kong									
217(A)	Eastbourne Road Kowloon Tong Project A	Hong Kong	82%	2,010	6,030	6,030	—	—	6,030
217(B)	Eastbourne Road Kowloon Tong Project B	Hong Kong	23%	2,548	7,644	7,644	—	—	7,644
218	King's Road & Mount Parker Road Project	Hong Kong	100%	2,925	6,525	6,525	—	—	6,525
Hong Kong Subtotal				**7,483**	**20,199**	**20,199**	**—**	**—**	**20,199**
Overseas									
219	Agile Bukit Bintang Kuala Lumpur . .	Kuala Lumpur	70%	15,174	151,961	151,961	—	151,961	—
220	Agile Embassy Garden Kuala Lumpur.	Kuala Lumpur	100%	12,464	111,900	111,900	—	111,900	—
221	Agile Sky Residence Phnom Penh . . .	Phnom Penh	85%	4,220	50,640	50,640	—	50,640	—
222	San Francisco Project 88	California	50%	2,787	10,674	10,674	—	10,674	—
Overseas Subtotal				**34,645**	**325,175**	**325,175**	**—**	**325,175**	**—**
Grand Total *(Note 2)*				**57,409,572**	**95,498,984**	**52,950,706**	**3,362,783**	**22,977,392**	**26,610,531**

Notes:

1. Land bank data includes only GFA that is calculated based on plot ratio and A=B=C. The data of completed GFA and GFA under development are as at June 30, 2021. Data are derived from the Group's internal record.

2. In addition to the above information, the Group has a planned project in Hong Kong. The Group is holding 70% equity interest in lands (including agricultural land and others) with total site area of approximately 1.29 million sq. feet in the New Territories and is intended to submit its application for amendment of plan to the relevant government department.

3. The Group's equity interests in the projects listed in the Land Bank Table may change as a result of introduction of cooperation parties for the joint development of some of these projects. The current percentages of shareholdings listed in the Land Bank Table are for reference only.

As of June 30, 2021, there were also parcels of land for 25 of our projects for which our project companies had entered into land grant contracts, land grant confirmation agreements or land use rights transfer agreements or held other forms of interest but for which we had not obtained the relevant land use rights certificates or the land titles or were pending share transfer.

With respect to the pieces of land for which we had not yet obtained such land use rights certificates, there can be no assurance that we will obtain the land use rights certificates, in a timely manner, or at all. Under the "Law of the Administration of Urban Real Estate of the PRC", we are not allowed to engage in any pre-sale activity prior to issuance of land use rights certificates.

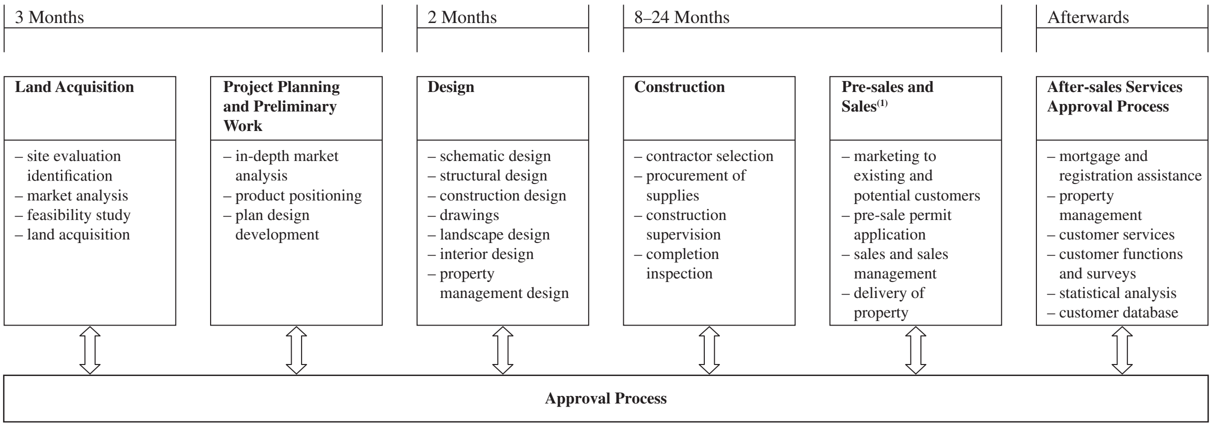
QUALIFICATIONS OF PROPERTY DEVELOPERS

Property developers in the PRC must obtain a formal qualification certificate in order to carry out property development activities in the PRC. According to the "Provisions on Administration of Qualification Certificates of Property Developers promulgated by the PRC Ministry of Construction", newly established developers must first apply for a temporary qualification certificate, which may be renewed for a maximum of two additional one-year periods. Entities engaged in interior decoration must also obtain qualification certificates before commencing their business activities, according to the "Provisions on Administration of Qualification Certificates of Construction Enterprises" promulgated by the PRC Ministry of Construction. All qualification certificates of property development enterprises are subject to renewal on an annual basis. In determining whether to renew a qualification certificate, the local government authority evaluates the various aspects of the property developer's business, including its registered capital, property development investments, history of property development, quality of property construction, the expertise of its management, as well as whether the real estate developer has any illegal or inappropriate operations. As of the date of this Offering Circular, all our project companies have obtained a valid formal qualification certificate, except that certain newly established project companies are in the process of applying for their qualification certificates and certain project companies are in the process of renewing their qualification certificates.

PROJECT MANAGEMENT

We have established various centralized control centers to oversee and control all aspects of our major operating subsidiaries or projects including project identification, project planning and design and budget control, such as Finance Center (財務中心), Sales and Marketing Center (營銷中心), Operations Center (運營中心), Design Center (設計中心), Engineering Center (工程中心), Procurement Center (採購中心), Human Resources and Administrative Center (人力行政中心), Strategic Investment Center (戰略投資中心) and Cost Center (成本中心). We have also established 11 regional offices to carry out the day to day operations for our projects.

The diagram below summarizes the different stages in the development of a property:



Note:

(1) Pre-sales typically commence several months after the beginning of construction and are completed at the end of construction.

SITE SELECTION AND PRODUCT POSITIONING

We place a strong emphasis on site selection and consider it fundamental to the success of a property development. Our major site selection criteria include:

- government development plans for the relevant site;
- access to the site and availability of infrastructure support;
- customer demand for properties in the relevant area;
- existing and potential competition from other developments in the locality;
- convenience of the site, such as proximity to the city center, schools, shopping malls and other commercial facilities and access to transportation networks;
- surrounding environment, such as greenery, lakes and rivers; and
- cost, investment and financial return ratios of the potential developments.

Following site selection, our Design Center determines the products based on their analysis of the purchasing power and preferences of our target customers to better match their demand.

LAND ACQUISITION

Prior to the introduction by the PRC government of regulations requiring that land use rights for property development be granted by tender, auction or listing-for-sale, we obtained most of our land use rights through purchase arrangements or co-operative arrangements with local governments or original grantees of land use rights.

"The PRC 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權規定) issued by the PRC Ministry of Land and Resources provide that, from July 1, 2002, state-owned land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may be granted by the government only through public tender, auction or listing-for-sale. When land use rights are to be granted by way of a tender, an evaluation committee consisting of not fewer than five members (including a representative of the grantor and other experts) is to consider and select the tenders that have been submitted. When deciding whom to grant land use rights, the relevant authorities are to consider not only the tender price, but also the credit history and qualifications of the tenderer and its tender proposal. Where land use rights are granted by way of an auction, a public auction is to be held by the relevant local land bureau and the land use rights are granted to the highest bidder. We believe these measures should result in a more transparent land grant process, which should enable developers to compete more effectively. Under current regulations, grantees of land use rights are generally allowed to sell, assign or transfer the land use rights granted to them in secondary markets, unless the transferor is a state-owned enterprise or a collectively owned enterprise or the land use right is obtained by way of allocation. In these latter cases, such land is to be transferred through public tenders, auction or listing-for-sale. In addition to acquiring land through government-organized tender, auction or listing-for-sale, we intend to continue to obtain land use rights through transfers from third parties or through cooperative arrangements with third parties in the secondary markets. The availability of privately held land will, however, remain limited and subject to uncertainties.

Starting November 1, 2007, a regulation issued by the Ministry of Land and Resources requires property developers to pay the land premium in full for the entire parcel under the land grant contract before they can receive a land use right certificate. 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 right certificate for the corresponding portion of land in order to commence development, which had been the practice in many Chinese cities. In March 2010, the Ministry of Land and Resources issued a circular imposing more stringent requirements on the payment of land premium by property developers. The implementation of the regulation will require property developers to maintain a higher level of working capital. Under this regulation, larger property developers generally are in a better position to compete for large pieces of land due to their stronger financial condition. See "Risk Factors — Risks Relating to Our Business — The PRC government has implemented restrictions on the payment terms for land use rights."

Historically, we have acquired most of our land through government land sales and secondary market land sales. In recent years, we have adopted a more prudent and efficient land acquisition strategy to increase our land bank by way of tender, auction, listing-for-sale and equity acquisition.

Government Land Sales

When local governments invite property developers to bid on particular projects, they typically require each developer to provide a bid bond. The bid bond is set by each local government with respect to each project, and varies in terms of amount and percentage of the total estimated sale price. Historically, the bid bonds we have posted have ranged from 20% to 50% of the estimated sale price.

If we are unsuccessful in a bid, the local governments will refund the bid bond to us, usually within five days of the announcement of the successful bidder.

In many cases, our land acquisitions from local governments involve large parcels of land which we intend to develop in stages. Accordingly, we may structure our purchase of a parcel of land for an entire project in several stages which can last from several months to several years. If we are successful in a bid, our bid bond becomes part of our initial installment payment for the acquisition of the land, and our obligation to make the balance of our payments becomes unconditional. For smaller developments, we pay the purchase price either by installments or in one lump sum and, the government delivers a single land use right certificate for the entire parcel after our payment in full of the purchase price for the land, typically within one month after the final payment.

Any outstanding bid deposits are recorded under other receivables on our consolidated balance sheet. In certain cases, local governments may approach us many months in advance of the commencement of a bidding exercise to seek assistance in preparing the land for development. In such cases, we may assist the government by depositing funds with the local government in order to fund the clearing of impediments to land title and other administrative matters required for the land to be fully ready for bidding. Once the bidding exercise commences, the deposited funds are treated as part of our bid bond, and we participate in the bidding process together with other competitors. If we are unsuccessful in the bid, the deposited funds are returned to us. If we are successful in the bid, the deposited funds are treated as part of our first installment payment.

Secondary Market Land Sales

For land acquisitions from non-government parties in the secondary markets, we typically provide a security deposit to the seller or prepay a certain portion of the purchase price for the land. The amount of such security deposit or prepayment is negotiated between the seller and us, and we may provide deposits or prepayments in advance of each stage of completion of the transfer of the land use rights. Historically, such prepayments and deposits have ranged from 10% to 30% of the purchase price for the land. We usually pay the purchase price of the land by installments into an escrow account and the seller delivers or assists us to obtain the land use right certificate under our name after our full payment of the purchase price, generally within one week after the final payment. In situations where we enjoy a good relationship with the seller, sellers have often transferred the land use right certificate for the entire parcel to us prior to our full payment of the purchase price. As of June 30, 2021, we didn't have any outstanding security deposits and prepayments to non-government sellers of land. Any outstanding security deposits and prepayments are recorded under other receivables on our consolidated balance sheets.

In limited circumstances, our land acquisitions in the secondary market may take the form of cooperation with third parties who hold the land use rights. Historically, we pay the purchase price for such land transfer in cash and through properties we have developed or will develop. The value of the properties we transfer as part of the purchase price is determined by reference to the selling price for such properties, usually at a 10% to 20% discount. The sellers in these cooperation arrangements historically have not held an equity interest or shared any profit in any of the projects involved other than the properties we agree to transfer to them in the relevant cooperation agreements. Given suitable opportunities, we may consider forming equity joint ventures with third parties who hold land use rights to jointly develop the land. Under such joint ventures, generally we will be the majority shareholder and manage the development.

Corporate Acquisitions

In certain cases, we may acquire land use rights by acquiring the corporate entity which owns the land use rights or is in the process of acquiring the land use rights. In such cases, the purchase price of the relevant land is treated as part of the consideration of the corporate acquisition. Upon the completion of the corporate acquisition, we complete the land acquisition and develop the land through the acquired entity, such as the Zhongshan Junhui Project and Beijing Yanjing District Project. From time to time, in compliance with the restricted payments covenant under the indentures governing the Existing Notes, we make loans to third parties who are in the preliminary stages of acquiring land or developing land for prospective projects which we may later decide to develop. Such loans are typically secured by security interests over any relevant land assets and shares of the relevant companies. If we decide to proceed with such projects, the loan is either converted to an equity interest in the project or repaid through a transfer of equity ownership interests in the project. If we decide not to proceed, the loan is repayable to us. See "— Joint Ventures" below.

JOINT VENTURES

Historically, we have developed our property projects primarily through our wholly owned subsidiaries. However, in recent years, we began to develop a number of projects through joint venture arrangements with independent third parties, such as the principal investment groups of global investment banks, real estate funds and other property developers. Arrangements which we may undertake include the following:

- working with strategic partners who are in the preliminary stages of land acquisition or land development by making loans to such partner to further acquire or develop land. We believe that strategic partners in a new market may have local market expertise, or better access to strategic projects in that market;
- working with international business partners and financial investors such as well-known real estate funds to jointly acquire or develop land. We may consider disposing of a minority equity interest in our project company to such business partners and financial investors to generate additional cash

flow and access future pro rata project funding. We believe that forming strategic partnerships with international business partners and financial investors is beneficial to our brand building, reputation and provides us with alternative sources of funding; and

- financing the acquisition and development of land through joint ventures in which we would contribute the right to acquire land, as well as our development expertise and the joint venture partner would contribute funding for the acquisition and development of the land. In these situations, the joint venture party may include foreign partners and financial investors.

FINANCING OF PROPERTY DEVELOPMENTS

Our financing methods vary from project to project and are subject to limitations imposed by PRC regulations and monetary policies. We have three main sources of funding for our property developments: internal funds, borrowings from banks and proceeds from sales and pre-sales. We may also obtain financing through equity or debt offerings such as our initial public offering, various share placements, issuance of senior notes, convertible bonds, asset backed securities, domestic corporate bonds, perpetual securities and various other forms of instruments.

Since June 2003, commercial banks have been prohibited under PBOC guidelines from advancing loans to fund the payment of land premium. As a result, property developers may only use their own funds to pay for land premium.

Prior to June 2003, we financed our payments of land premiums through a combination of borrowings from banks and proceeds from the sales and pre-sales of properties. Since June 2003, all of our payments of land premiums have been funded by proceeds from the sales of properties and sources other than bank borrowings.

In addition to restrictions on land premium financing, the PRC government also encourages property developers to use internal funds to develop their property projects. Under guidelines jointly issued by the PRC Ministry of Construction and other PRC government authorities in May 2006, commercial banks in China may not lend funds to property developers with an internal capital ratio of less than 35%, calculated by dividing the internal funds available by the total project capital required for the project, an increase of five percentage points from 30% as previously required. Such increase in internal capital ratio increased the internally sourced capital requirement for property developers, including ourselves. In May 2009, as part of its measure to mitigate the impact of the global economic downturn, the PRC government lowered this ratio to 20% for affordable housing projects and ordinary commodity housing projects and to 30% for other property projects to stimulate property developments in China. However, since December 2009, the PRC government adjusted some policies in order to enhance the regulation of the property market, such as imposing more stringent requirements on the payment of land premiums. We typically use internal funds and project loans from PRC banks to finance the initial construction costs for our property developments. Additional cash is generated from pre-sales of properties when they meet the requirements of pre-sale under the national and local regulations. Such proceeds from pre-sales, together with the project loans, are the major sources of funds for the construction of our projects.

PROJECT DESIGN WORK

The project design work for our property developments is typically conducted by reputable domestic or overseas architectural and interior design firms under contract with us, with the assistance and under the supervision of our Design Center (設計中心).

In determining the design of a particular property development, we consider:

- the surrounding environment or neighborhood of the site where the relevant property is to be developed;
- relevant site area;
- advice and recommendation of professional advisors, including architects and planning experts; and
- the proposed type of residential development.

Our Design Center (設計中心) is responsible for overseeing project design and interior design of our property developments. The Design Center (設計中心) takes part in the selection of design firms and works to ensure that the project designs are constructed to meet our specifications and completed on time. In selecting design firms, we consider a firm's reputation for reliability and quality, the price quoted, the references provided, and the design proposed. We typically select the design firm for a property development through a tender process. Design Center (設計中心) is responsible for monitoring the progress and quality of the design teams to ensure they meet the required standards.

CONSTRUCTION WORK

We generally outsource our construction work to independent construction companies through a tender process. Our Engineering Center (工程中心) is responsible for selecting our construction contractors and takes into account the reputation of the contractors for reliability, quality and safety, the prices quoted and references provided in the selection. The quality and timeliness of the construction is usually warranted by contract. Our project company monitors cost control closely during construction. We have had disputes with some of our construction contractors in the past. In connection with the development of Majestic Garden, we experienced a two-month delay in the completion of construction in 2000, as Taixing First Construction Company ("Taixing"), an independent construction contractor, suffered financial difficulties. During 2018, 2019 and 2020 and the six months ended June 30, 2021, we did not incur any significant additional costs as a result of our independent contractors' financial or other difficulties. While most of our construction work is carried out by independent construction companies, we also have a construction subsidiary in Guangzhou that engages in foundation construction and certain ancillary construction work for certain of our projects.

The construction contracts we enter into with construction companies typically contain warranties in respect of quality and timely completion of the construction projects. We require construction companies to comply with PRC laws and regulations relating to the quality of construction as well as our own standards and specifications. The contractors are also subject to our quality control procedures, including appointment of internal on-site quality control engineers, examination of materials and supplies, on-site inspection and production of progress reports. Construction payments are determined primarily based on the labor and material costs and fitting requirements, and are adjustable under the construction contract. In the event of delay in construction or unsatisfactory quality of workmanship, we may require the construction companies to pay a penalty or provide other remedies.

QUALITY CONTROL

We place a strong emphasis on quality control to ensure that our properties and services comply with relevant rules and regulations relating to quality and safety and meet market standards. We have quality control procedures in place in our different functional departments as well as in each project company.

We generally contract with reputable design and construction companies and material suppliers to ensure the quality of sub-contracted work. Internal guidelines have been established to ensure control over documentation, record-keeping, remedial actions, preventive actions, management control, construction standards, staff quality, recruitment standards, staff training, construction supervision, supervisory inspection, information exchange and data analysis. We provide our customers with a warranty for the structure and certain fittings and facilities of our property developments in accordance with the relevant rules and regulations.

PRE-SALE

Upon satisfaction of certain requirements set forth in the relevant laws and regulations as discussed below, we typically conduct pre-sale of our property units prior to the completion of a project or a project phase.

Under the "Law of the Administration of Urban Real Estate of the PRC" (中華人民共和國城市房地產管理法) and the "Administrative Measures Governing the Pre-sale of Urban Real Estate" (城市商品房預售管理辦法), as amended in 2001 and 2004 (which are generally applicable in the PRC, including Guangdong Province), we must comply with the following conditions prior to commencing any pre-sale of a particular property development:

- the land premium must have been fully paid and the relevant land use rights certificates have been obtained;

- the construction works planning permit and the construction project building permit must have been obtained;

- the funds contributed to the development of the property developments where property units are pre-sold may not be less than 25% of the total amount invested in the project and the progress and the expected completion date and delivery date of the construction work have been confirmed; and

- pre-sale permits must have been obtained from construction bureaus at the county-level or above.

According to the "Administration of Pre-sale of Commodity Premises Regulations of Guangdong Province" (廣東省商品房預售管理條例) and a notice issued by the Guangdong provincial construction bureau on January 2, 2001, we must fulfill the following conditions, in addition to the four conditions mentioned above, before obtaining a pre-sale permit:

- a business license and a real property development qualification certificate have been obtained;

- the construction quality and safety monitoring procedures have been performed;

- in the case of properties of not more than seven stories, the main structural construction must have been completed and in the case of properties of more than seven stories, at least two-thirds of the main structural construction must have been completed;

- a designated property pre-sale account has been opened with a commercial bank in the place where the project is located; and

- the land use rights with respect to the properties in the project are free from third-party rights.

Other cities and regions in which we have property developments or to which we are expanding (cities such as Shenyang, Tianjin, Hainan and Xi'an) have imposed similar requirements for the pre-sales of properties, including the possession of certain certificates or government approvals, completion of certain structure or facilities, proof of required investment and the setup of a designated pre-sale proceeds account.

On April 13, 2010, the Ministry of Housing and Urban-Rural Development issued the "Circular on further strengthening on real estate market supervision and improvement of the commercial housing pre-sale system (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). It stipulates that:

- prior to obtaining pre-sale permits for a project, the property developer may not accept from a purchaser any deposits or other fees in order to place the purchaser on a waitlist, reserve a purchase, confirm a purchase or grant a VIP card;

- the property developer shall disclose all the residential units that are permitted to be sold at one time and the price of each unit within ten days after obtaining the pre-sale permits;

- the pre-sale permits can only be issued to entire buildings, in addition, a pre-sale permit must not be issued to individual floors or units;

- property developer must publish its residential pre-sale program and promote and sell its residential units in accordance with the program, which includes basic information of the project, such as construction schedule, number of units available for pre-sale, estimated size, areas of common space and public facilities, sale prices and the range of changes in sale prices and the accounting system for pre-sale proceeds. The pre-sale program and all material changes to the program must be filed with the relevant authorities and be published;

- all pre-sale proceeds must be deposited into escrow accounts to ensure the legitimate use for project construction; and

- the property developer must take primary responsibility for the quality of properties it has developed, while survey, design, construction and supervision companies must also bear their respective responsibilities accordingly.

On March 16, 2011, NDRC promulgated the "Regulation on Price of Commodity Property" (商品房銷售明碼標價規定), which took effect on May 1, 2011. According to the 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 state other ancillary charges that would affect housing prices and relative charges before the property transaction, such as commission fee and property management fee. No additional charge beyond what is stated in the quoted price or made public by the property developers is permitted.

See "Risk Factors — Risks Relating to Our Business — We face risks related to the pre-sale of properties, including the risk that property developments are not completed."

A portion of the proceeds from the pre-sales of our properties is required to be deposited into designated escrow accounts. Before the completion of the pre-sold properties, the proceeds deposited in the designated escrow accounts must only be used for the restricted purposes of purchasing construction materials and equipment, making interim construction payments and paying taxes, with the prior approval of the relevant local authorities. If we do not comply with these requirements, the qualification certificates held by our project companies may be revoked, which will result in suspension or termination of the relevant project. We may also be subject to a penalty amounting to 10% to 20% of the used portion of the deposited proceeds if they have been used in violation of these regulations. As of December 31, 2018, 2019 and 2020 and June 30, 2021, our total guarantee deposit proceeds from pre-sales was approximately RMB7,328.6 million, RMB7,483.1 million, RMB7,441.8 million and RMB9,499.3 million (US$1,471.2 million), respectively.

SALES AND MARKETING

Our principal customers are individual purchasers of residential properties from the PRC. We primarily target middle and upper-middle class purchasers, such as white collar workers, middle-level and senior-level managers, entrepreneurs and civil servants.

We have established a Sales and Marketing Center (營銷中心) to supervise, manage and coordinate the sales and marketing activities undertaken by our subsidiaries. Our sales and marketing staff work closely to determine the appropriate advertising and sales strategy for a particular property development as well as to implement efficient and orderly on-site sales procedures.

We adopt a variety of measures to reach potential customers, including advertising through traditional media such as television and newspapers, new media such as websites and mobile apps, as well as sponsoring performances and organizing entertainment activities for customers. We believe that these initiatives have enhanced our brand image and increased the number of referrals by our existing customers.

PAYMENT ARRANGEMENTS

Our customers, including those purchasing pre-sold properties, may need bank mortgages. We typically require that all purchasers pay a deposit between RMB10,000 and RMB50,000 when executing the purchase contracts. If purchasers choose to make a cash payment, the purchase price (less the deposit already given) must generally be paid no later than three months after the execution of the purchase contracts. If the purchasers choose to pay through home mortgage loans provided by banks, under current PRC laws and regulations, they may obtain home mortgage loans in a principal amount of up to 70% of the total purchase price for first-time home purchases, or up to 60% for individuals already owning at least one home, of the purchase price with a repayment period of up to 30 years. A purchaser is generally required to pay the purchase price that is not covered by the mortgage loan prior to the drawdown of the mortgage loan. We generally receive payments for the purchase price covered under the mortgage loan directly from mortgagee banks one to two months after the execution of the purchase contracts. The payment terms of sales and pre-sales of properties are substantially identical. We also offer settlement of purchase price by installments, under which purchasers are required to pay at least 30% of the purchase price at the time of the execution of the sale and purchase contract, with the balance to be paid by installments over a period ranging from six to 18 months and normally within 12 months. The purchase price for purchasers who settle by installments is generally higher than those who do not do so and is generally higher for longer installment periods, in order to compensate us for the additional credit risk that we may be exposed to. In certain cases, we have also entered into group buying arrangements with selected customers and may offer discounts for group purchase of our properties.

In accordance with industry practice, we provide guarantees to banks with respect to the mortgages granted to our purchasers. These guarantees are released upon the earlier of (i) the issuance of the property ownership certificate which will generally be available within one to two years after we deliver the relevant property to our customers; and (ii) the settlement of mortgage loans between the mortgage banks and the purchasers of our properties. In line with industry practice, we do not conduct independent credit checks on our purchasers but rely on the credit checks conducted by the mortgagee banks. As of December 31, 2018, 2019 and 2020 and June 30, 2021, our outstanding guarantees over the mortgage loans of our purchasers amounted to RMB44,775.4 million, RMB38,294.4 million, RMB51,377.8 million and RMB47,653.5 million (US$7,380.6 million), respectively. Pursuant to the terms of the guarantees, upon default in mortgage payments by the purchasers, we are responsible to repay the outstanding mortgage principals together with any accrued interests and penalties owed by the defaulted purchasers to the financial institutions. See "Risk Factors — Risks Relating to Our Business — We guarantee the mortgages provided to our purchasers and consequently are liable to the mortgagee financial institutions if our purchasers default on their mortgage payments."

PROPERTY MANAGEMENT BUSINESS

We provide after-sales property management and after-sales service to the residents of the projects we develop through A-Living. A-Living also provides services to certain projects developed by third parties. Our property management services have won numerous awards and received recognition from different organizations and governmental departments. In 2012, our property management services were accredited with ISO 9001:2008 quality management system certification, ISO 14001:2004 environmental management system certification and OHSAS 18000:2007 occupational health and safety management system certification. In 2018, A-Living was awarded as "2019 Blue Chip Property Management Company", "2019 Listed Property Management Companies with Growth Potential Award", "2019 TOP 5 Listed Company of Property Management Service", "2019 Top 50 Most Valuable Brand of Property Management Service", "The 7th of the 2019 Top 100 Property Management Companies in China" and "2019 Leading Companies in Residential Property Services". A-Living received several authoritative awards and recognitions, such as the 4th of the "2020 Top 100 Property Management Companies in China" in 2020 and 2021, the 1st of the "2020 China Top 100 Leading Property Management Companies in terms of Growth Potential", the 2nd of the "Listed Property Management Company in terms of Comprehensive Strength in China" in 2020 and "2020 Leading Specialized Property Management Company in China — A Leading Brand in the Provision of Comprehensive Public Building Services", which acknowledged the leading advantages of its brands in the niche markets. As of June 30, 2021, A-Living managed projects in different cities and districts across China for a total contracted GFA of approximately 584.1 million sq.m. Under PRC laws and regulations, the owners' association of a residential community has the right to change property management companies pursuant to certain procedures. See "Risk Factors — Risks Relating to Our Business — Our branding and marketing strategy could be adversely affected if homeowners in the projects that we have developed elect to discontinue our engagement as the provider of property management services."

In 2017, we reorganized our property management business and re-arranged the subsidiaries providing property management services to improve our business model and strive to optimize our business portfolio. On February 9, 2018, the shares of A-Living, were listed on the main board of the Hong Kong Stock Exchange, constituting a spin-off from our Company. Upon completion of the global offering, we, through our wholly-owned subsidiaries, indirectly control in aggregate approximately 54% of the total issued share capital of A-Living.

A-Living primarily engages in three major business lines, namely property management services, extended value-added services and community value-added services, forming an integrated service spectrum covering the entire value chain of property management.

- ***Property management services*** — A-Living provides a wide range of property management services to property developers, property owners and residents and property management companies, including, among others, security, cleaning, greening, gardening, and repairs and maintenance services, with a focus on mid- to high-end residential properties (including vacation properties) and non-residential properties (including commercial properties, office buildings and multi-purpose complexes). A-Living also provides consultancy services to local property management companies.

- ***Extended value-added services*** — Extended value-added services primarily include sales center property management services and other extended value-added services for property developers. Other extended value-added services include property marketing agency services and housing inspection services, etc.

- ***Community value-added services*** — Community value-added services mainly include living and comprehensive services, community asset management services and home improvement services. Community value-added services focus on improving the community living experience of property owners and residents at the properties under management and preserving and increasing the value of their properties. Living and comprehensive services include: property repair and maintenance, housekeeping, community-based group purchase, and comprehensive consulting services, etc. Community asset management services primarily include: club house operation, property lease services, apartment operation, community-based advertising, parking lot management services, community property operation, and second-handed property agency services.

With an aim to provide a wide assortment of lifestyle products, A-Living launched a one-stop service platform in July 2016 that integrates (i) key mobile applications, including "A-Steward," "A-Business" and "A-Assistant," as well as "A-Steward" Wechat Public Account, (ii) offline services, including A-Living Experience Center, and (iii) merchandise supplier and service provider network platform on A-Steward Alliance.

We believe A-Living is well positioned in the property management industry of the PRC and differentiates from competitors in various respect: (i) a first-mover with a competitive market position in the property management industry in China; (ii) competitiveness enhanced by the support from our Group and the Greenland Group; (iii) dual brand strategy of Agile Property Management and Greenland Property Services standing for excellent service quality and management capabilities; (iv) an expert in vacation property management and a pioneer in large-scale property management; (v) diversified property management portfolios, operating revenue streams and service offerings; (vi) integrated and convenient one-stop service platform; (vii) management digitalization, service specialization, process standardization and operation automation; and (viii) experienced and professional management team as well as human resources policies designed to cultivate outstanding employees.

COMMERCIAL

In 2018, we formed the commercial segment by integrating our hotel operations and investment properties with a range of commercial projects covering cultural and tourism retail and community retail. For the six months ended June 30, 2021, revenue generated from commercial management was RMB285 million (US$44 million).

Hotel Operations

We engage in commercial hotel development and management to complement our residential property development business. While we have derived a substantial majority of our revenue from residential property development, we expect revenue contribution from our hotel business to remain stable in the next few years. We operate and manage these hotels through our hotel management companies. We have dedicated business units responsible for design, engineering, monitoring, purchasing, marketing, operation, administration and financial management of our hotels.

We are dedicated to building "Agile Hotel" into a recognized "five-star" hotel brand. By associating with the well-known brand names and learning from the extensive experience of our international hotel management partners, we aim to elevate our hotel management and services to world class standards.

The table below sets out details of our key hotels as of June 30, 2021.

	Name of hotels	Location	Status
1	Shanghai Marriott Hotel City Centre	Shanghai	In operation since 2011
2	Raffles Hainan	Hainan	In operation since 2013
3	Sheraton Bailuhu Resort Huizhou	Huizhou	In operation since 2014
4	Holiday Inn Resort Hainan Clearwater Bay	Hainan	In operation since 2014
5	Howard Johnson Agile Plaza Chengdu	Chengdu	In operation since 2014
6	Tengchong Agile Hotel	Tengchong	In operation since 2015

Investment Properties

We designate certain properties as properties held for long-term rental income or for future capital appreciation purpose. In the six months ended June 30, 2021, the fair value gains of these properties amounted to approximately RMB0.6 million (US$0.1 million).

The table below sets out details of our major investment properties as of June 30, 2021.

	Name of Property	Location	Approximate GFA
			(sq.m.)[1]
1	Xiqiao Metropolis Plaza	Foshan	57,585
2	Agile International Plaza Shanghai	Shanghai	24,241
3	Agile Mall Huadu	Guangzhou	69,094
4	Guangzhou Agile Center	Guangzhou	91,167

Note:

(1) Approximate GFA includes above-ground GFA only.

ENVIRONMENTAL PROTECTION

We have established a diversified environmental protection business covering hazardous waste treatment, energy and power generation, ecological industrial parks, environmental protection water treatment, and ecological restoration.

As of June 30, 2021, we had a total of 47 environmental protection projects, including 32 hazardous waste treatment projects, 7 domestic waste-to-energy projects, 5 integrated industrial park projects and 3 water treatment projects, spanning across four major regions of China, namely Central China, Southern China, Guangxi and Northern China. Among these 47 projects, 37 of them have commenced operation. We were honoured as a ''leading enterprise in the field of hazardous waste'' for three consecutive years.

CONSTRUCTION

We restructured our construction business in 2018 and renamed the business segment Agile City Group in December 2019. The restructured construction business is diversified into two major segments, including the ecological landscaping segment, and the intelligent home and decoration service segment. The ecological landscaping segment covers the entire industry value chain, from sapling nurseries to landscape design, construction and maintenance, while the intelligent home and decoration segment mainly engages in residential property decoration, non-residential property decoration and design, production, sale and installation of home furnishing products. We have also obtained key qualification certificates, such as First-class General Construction Contracting, First-class Renovation Project and Grade A Architectural Design, allowing us to provide construction services that tall within their qualification class in the respective categories based on the nature of the construction projects. We believe we have established a vertically integrated construction platform which allows us to provide a wide range of construction services to our customers.

On June 24, 2020, we announced on the Hong Kong Stock Exchange that we propose to spin off and separately list the shares of our subsidiary, A-city Group Limited (''A-City''). A-City principally engages in the provision of (i) ecological landscaping services, and (ii) intelligent home and decoration services. It is a leading ecological habitat service provider in the PRC, committed to providing customers with a green living experience through ecological outdoor landscapes and quality indoor ambience. SEe ''Risk Factors — We have started expanding our operations into other industries and such expansion may not be successful.''

REAL ESTATE CONSTRUCTION MANAGEMENT

In April 2018, we established our real estate construction management business which primarily provides a range of construction management services to the market. We believe we have strong capabilities in supply chain management which allows us to provide partners with high-end technical and professional construction management services ranging from design and application, general management, cost control, brand export to product marketing. The real estate construction management has established three major divisions: (i) government agent construction: The real estate construction management team and the government form an agent construction cooperation or mixed ownership reform cooperation to provide real estate projects with full chain services which cover development, renewal, transformation and real estate development; (ii) capital agent construction: the real estate construction management team and financial institutions establish collaboration to provide liquidation and value-added services for non-performing assets. The team and real estate fund platforms also form an agent construction business partnership to provide professional real estate development business output and brand export services; and (iii) commercial agent construction: The real estate construction management team and small and mediumsized real estate companies establish collaboration to provide two major services including agent construction and minority stake cooperation. The team also provides quality projects with property development full chain services and branding services. In addition, the real estate construction management team has entered into cooperation agreements with a number of real estate developers from Guangdong, Jiangsu and Jiangxi with a view to expanding its presence in major city clusters, such as the Guangdong-Hong Kong-Macao Greater Bay Area and in the Yangtze River Delta.

COMPETITION

The property industry in the PRC is highly competitive. Our existing and potential competitors include major domestic state-owned and private property developers in the PRC, as well as property developers from Hong Kong, elsewhere in Asia and other parts of the world. A number of our competitors have greater financial, marketing, land and other resources than we do, and have better economies of scale, better name recognition, a longer track record and more established relationships in certain markets. See "Risk Factors — Risks Relating to Property Development in the PRC — Increasing competition in the PRC, particularly in Southern China Region, Eastern China Region and Hainan Province, may adversely affect our business and financial condition."

INTELLECTUAL PROPERTY RIGHTS

We have registered or have applied for the registration of the trademarks "Agile," "雅居樂" and certain variations of them under various categories with the PRC Trademark Office of the State Administration for Industry and Commerce (the "SAIC"). In addition, most of our project companies have registered or have applied for registration of the trademarks of their respective project names under the same categories.

"雅居樂" has been recognized as a "China's Well-known Trademark" (中國馳名商標) and a "Guangdong Provincial Famous Trademark" (廣東省著名商標), respectively, by the SAIC and Guangdong Provincial Administration of Industry and Commerce. We have registered the domain name of "www.agile.com.cn" and certain domain names associated with our project names.

See "Risk Factors — Risks Relating to Our Business — Any failure to protect our brand and trademarks could have a negative impact on our business."

INSURANCE

Consistent with industry practice in the property development industry in China, we do not generally maintain insurance coverage for our properties, whether they are under construction or have been completed and are pending delivery. See "Risk Factors — Risks Relating to Our Business — We do not have insurance to cover potential losses and claims in our operations." There are no mandatory legal requirements to maintain insurance coverage in the PRC in respect to our property development operations. We maintain, however, insurance coverage against damage to or loss of certain of our buildings under mortgage for our certain bank borrowings. Since January 1, 2003, we have not suffered any losses or damages or incurred any liabilities relating to our properties that have had a material adverse effect on our business.

Our property management subsidiaries maintain management liability insurance coverage in connection with their business operations. We maintain insurance coverage for certain clubhouses. In addition, we also purchase employee-related insurances, such as pension insurance, for our employees.

EMPLOYEES

As at June 30, 2021, we had 83,463 full-time employees, among which 406 were senior management and 2,001 were middle management.

The remuneration package of our employees includes salary, bonus and other cash subsidies. In general, we determine employee salaries based on each employee's qualification, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our determination on salary raise, bonus and promotion. 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 monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and housing reserve fund. We believe the salaries and benefits that our employees receive are competitive with market rates.

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.

ENVIRONMENTAL AND SAFETY MATTERS

We are subject to PRC national environmental laws and regulations as well as environmental regulations promulgated by local governments. These include regulations relating to air pollution, noise emissions and water and waste discharge. For each of our property developments, we are required to conduct an environmental assessment and submit the related environmental impact assessment document to the relevant government authorities for approval prior to the commencement of construction activities. On the completion of each property development project, the relevant government authorities inspect the site to ensure that applicable environmental standards have been complied with, and the resulting report is then issued together with other specified documents to the local construction administration authorities for their record. As of the date of this Offering Circular, certain of our property projects are in the process of applying for the approval of environmental impact assessments and the acceptance of the environment protection measures. From November 20, 2017, after a construction project has been completed, the project company (other than the environmental authorities) 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 maintained by the Ministry of Ecology and Environment. We believe that our operations are in compliance with currently applicable national and local environmental and safety regulations in all material respects. See "Risk Factors — Risks Relating to Our Business — Potential liability for environmental problems could result in substantial costs and delays."

LEGAL PROCEEDINGS

From time to time, we have been or may be involved in legal proceedings or other disputes in the ordinary course of business which are primarily disputes with our customers, contractors, employees and joint venture partners.

As of the date of this Offering Circular, we are not aware of any material legal proceedings, claims or disputes currently existing or pending against us that may have a material adverse effect on our business or results of operations. See "Risk Factors — Risks Relating to Our Business — We may be involved in legal, administrative and other proceedings arising out of our operations from time to time and may face significant liabilities as a result."

GENERAL INFORMATION OF A-LIVING

The information contained in this section is extracted from, qualified in its entirety by, and should be read in conjunction with, information that has been made publicly available by A-Living. None of the Issuer, the Guarantor and the Sole Bookrunner was involved in the preparation of such information and is not in the position to verify such information. None of the Issuer, the Guarantor and the Sole Bookrunner was make any representations or warranties as to the accuracy, completeness or sufficiency of such information and nothing contained herein is, or shall be relied upon as, a representation or warranty on such information. In particular, certain information given below in relation to A-Living may have been superseded by subsequent events.

A-Living, whose shares are listed on the Hong Kong Stock Exchange (Stock Code: 3319), is a reputable property management service provider focusing on mid- to high-end properties. According to its 2021 interim report, A-Living ranks the 4th among the ‘‘Top 100 Property Management Companies in China’’ with five major business segments, namely ‘‘property management services’’, ‘‘asset management services’’, ‘‘public services’’, ‘‘city services’’ and ‘‘community commercial services.’’ A-Living has developed four business lines, namely property management services, extended value-added services, property owners value-added services and city services, with a nationwide coverage and diversified business portfolio. Through prioritizing the provision of property and living services for city and corporate clients and exploring the mid-to high-end of the value chain of city services, A-Living strives to grow into a smart city space operator, providing property owners with the best and most diversified services. As of June 30, 2021, the A-Living’s total contracted GFA and the total GFA under management increased to approximately 584.1 million sq.m. and approximately 424.2 million sq.m., respectively.

The audited consolidated financial statements of A-Living as of and for the years ended December 31, 2019 and 2020, and the notes thereto, are hereby incorporated by reference in this Offering Circular, and have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their reports incorporated by reference herein. The unaudited condensed consolidated interim financial information of A-Living as of and for the six months ended June 30, 2021, and the notes thereto, is hereby incorporated by reference in this Offering Circular, has been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA.

For further information including financial information of A-Living, please refer to its public disclosure on the website of the Hong Kong Stock Exchange at http://www.hkex.com.hk.

The following discussion summarizes the principal laws, regulations, policies and administrative directives to which we are subject.

The PRC Legal System

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

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

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

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

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

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

The PRC Judicial System

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

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

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

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

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

Establishment of a Property Development Enterprise

According to the "Law of the People's Republic of China on Administration of Urban Real Estate" (中華人民共和國城市房地產管理法) (the "Urban Real Estate Law") promulgated by the Standing Committee of the NPC on July 5, 1994, effective on January 1, 1995 and as amended in August 2007 and in August 2009 and recently amended in August 2019 which was effective on January 1, 2020, a property developer is defined as an enterprise which engages in the development and sale of property for the purpose of making profit. Under the "Regulations on Administration of Development of Urban Real Estate" (城市房地產開發經營管理條例) (the "Development Regulations") promulgated and implemented by the State Council in July 1998 and as amended in January 2011, in March 2019, in March 2020 and November 2020, an enterprise which is to engage in property development shall satisfy the following requirements: (i) its registered capital shall be RMB1 million or more; and (ii) have four or more full-time professional property/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate. 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 registered capital and the professional personnel of a property developer. Under the "Regulations on Real Estate Developments of Guangdong Province" (廣東省房地產開發經營條例) issued by the Standing Committee of Guangdong Provincial People's Congress in 1993 and as amended in 1997 and in November 2020, the registered capital of a property developer in the Guangdong Province ("Guangdong") shall be RMB3 million or more.

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

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

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

On June 23, 2020, MOFCOM and NDRC jointly issued the "Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Version)" (外商投資准入特別管理措施(負面清單)(2020年版)) effective from July 23, 2020.

In July 2006, the Ministry of Construction, MOFCOM, the NDRC, the PBOC, the SAIC and SAFE promulgated the "Circular on Standardizing the Admittance and Administration of Foreign Capital in the Real Estate Market" (關於規範房地產市場外資准入和管理的意見). Under such circular, when a foreign investor establishes a property development enterprise in China with a total investment amount of US$10 million or more, such enterprise's registered capital must not be less than 50% of its total investment amount. Foreign institutions which have no branches or representative offices in the PRC or foreign individuals who work or study in the PRC for less than one year are prohibited from purchasing any real property in the PRC. Furthermore, the admittance and administration of foreign capital in the property market must comply with the following requirements:

- foreign institutions or individuals who buy property not for their own use in China should follow the principle of Commerce Existence and apply for the establishment of 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 institutions and individuals can then carry on their business pursuant to their approved business scope;

- for establishment of a foreign-invested property enterprise, the commerce authorities and the administration for industry and commerce take charge of the approval and registration of the foreign-invested property enterprise and the issuance of the Approval Certificate for a Foreign-Invested Enterprise (which is only effective for one year) and the Business License. Upon full payment of the land premium, the foreign-invested property enterprise should apply for a "Land Use Right Certificate." With a Land Use Right Certificate, it can obtain a formal Approval Certificate for a Foreign-Invested Enterprise from the commerce authorities and an update Business License which will have the same approved business period with the formal approval Certificate for Foreign-Invested Enterprise from the administration of industry and commerce;

- transfers of projects or shares in foreign-invested property enterprises or acquisitions of domestic property enterprises by foreign investors should strictly follow relevant laws, regulations and policies and obtain the relevant approvals. The investor should submit: (i) a written undertaking of fulfillment of the contract for the State-owned land use rights assignment, the "Construction Land Planning Permit" and the "Construction Works Planning Permit;" (ii) a "Land Use Right Certificate;" (iii) documents evidencing the filing for modification with the construction authorities; and (iv) documents from the relevant tax authorities evidencing the payment of tax; and

- when acquiring domestic property enterprises by way of shares transfer or otherwise, or purchasing shares from Chinese parties in Sino-foreign equity joint ventures, foreign investors should make proper arrangements for the employees, handle the debts of the banks 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, with unsound financial track records, or who have not fully satisfied any previous acquisition consideration shall not be allowed to undertake the aforementioned activities.

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

- foreign investment in the PRC real estate sector relating to high-end properties is to be strictly controlled;
- before obtaining approval for the setup of real estate entities with foreign investment, (i) both the land use rights certificates and housing ownership right certificates should have been obtained or, (ii) contracts for obtaining land use rights or housing ownership rights should have been entered into;
- entities which have been set up with foreign investment need to obtain approval before they expand their business operations into the real estate sector, and entities which have been set up for real estate development operations need to obtain new approval in case they expand their real estate business operations;
- acquisitions of real estate entities and foreign investment in the real estate sector by way of round-trip investment should be strictly regulated. Foreign investors should not avoid approval procedures by changing actual controlling persons;
- parties to real estate entities with foreign investment should not in any way guarantee a fixed investment return;
- registration shall be immediately effected according to applicable laws with MOFCOM regarding the setup of real estate entities with foreign investment approved by local PRC governmental authorities;
- foreign exchange administration authorities and banks authorized to conduct foreign exchange business should not effectuate foreign exchange settlements regarding capital account items to those who fail to file with MOFCOM; and
- for those real estate entities who are wrongfully approved by local authorities for their setups, (i) MOFCOM should carry out investigation and order punishment and corrections, and (ii) foreign exchange administrative authorities should not carry out foreign exchange registrations for them.

On September 27, 2007, the PBOC and the CBRC jointly issued a "Circular on Strengthening Commercial Real Estate Loan Administration" (關於加強商業性房地產信貸管理的通知) This circular reaffirmed some of the restrictions applicable to the sale of residential and commercial units imposed by prior regulations as well as introduced new rules that prohibit, among other things, the provision of working capital financing by commercial banks to property developers (other than property development loans, which may only be used on local property development projects and not on projects in other regions without prior approvals from governmental authorities). In the case of a borrower that purchases his first residential unit with GFA of more than 90 sq.m., he is required to make a down payment of not less than 30% of the purchase price, with such percentage increasing to 40% for his subsequent residential unit purchases. In addition, the loan interest rate applicable to such subsequent residential unit purchases cannot be lower than 1.1 times of the benchmark lending rate published by the PBOC during the same period. For commercial units, the down payment should be no less than 50% of the purchase price, with a maximum loan period of 10 years and a minimum loan interest rate of 1.1 times the PBOC lending rate for the same period.

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

In November 2010, MOFCOM promulgated the "Notice on Strengthening Administration of the Approval and Registration of Foreign Investment into Real Estate Industry" (關於加強外商投資房地產業審批備案管理的通知), which reiterated a number of these limitations on foreign-invested real estate enterprises.

On September 3, 2016, the National People's Congress Standing Committee (NPCSC) adopted a decision on amending the law of foreign invested companies which became effective from October 1, 2016. Upon the effectiveness of the decision, the establishment of the foreign invested enterprise and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the State Administration for Industry & Commerce issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to relevant requirements of equity or senior management under the Guidance Catalog, will be subject to the special administrative measures for foreign investment entry. On the same day, MOFCOM promulgated the "Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises" (外商投資企業設立及變更備案管理暫行辦法) which was amended on July 30, 2017. Effective from January 1, 2020, the "Measures for Reporting of Information on Foreign Investment" (外商投資信息報告辦法) promulgated by the Ministry of Commerce & State Administration in December 30, 2019, has superseded "Provisional Measures for Filing Administration of Establishment and Changes of Foreign-invested Enterprises.

On March 15, 2019, the National People's Congress of the PRC adopted the "Foreign Investment Law of the PRC" or the Foreign Investment Law (中華人民共和國外商投資法) with a view toward unifying and streamlining the foreign investment framework into China which came into effect on January 1, 2020. The Foreign Investment Law replaced 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 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 31, 2019, the National People's Congress promulgated the Implementing Regulations of the Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法實施條例), which became effective from January 1, 2020. Pursuant to it, foreign investors shall not invest in any field forbidden by the negative list, and foreign investors invest in fields restricted by the negative list, foreign investors shall conform to the requirements of the shareholding ratio and senior executives specified in the negative list.

Where foreign investors invest in an industry or field requiring relevant licensing, the pertinent competent department responsible for granting the licensing shall review the foreign investor's application for relevant licensing in line with the conditions and procedures consistent with those for domestic investment,without adding more or applying stricter licensing conditions, increasing review processes, review materials or putting forward other requirements against such foreign investor, unless otherwise stipulated by laws and administrative regulations.

Foreign investors or foreign-invested enterprises shall submit their investment information to competent departments for commerce through the enterprise registration system and the National Enterprise Credit Information Publicity System.

Qualifications of a Property Developer

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

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

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

After a newly established property developer reports its establishment to the property development authority, the latter shall issue a Provisional Qualification Certificate to the eligible developer within 30 days of its receipt of the above report. The Provisional Qualification Certificate shall be effective for one year from the date of its issuance, while the property development authority may extend the validity to a period of no longer than two years considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within one month before expiry of the Provisional Qualification Certificate.

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

Development of a Property Project

Under the "Interim Regulations of the People's Republic of China on Grant and Transfer of the Use Right of State-owned Urban Land" (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例) ("Interim Regulations on Grant and Transfer") promulgated by the State Council in May 1990 and amended on November 29, 2020, a system of grant and transfer of the right to use state-owned land is adopted. A land user shall pay an land premium to the government as consideration for the grant of the right to use a land site within a specified term, and the land user may transfer, lease, mortgage or otherwise commercially use the land use right within the term of use. Under the Interim Regulations on Grant and Transfer and the Urban Real Estate Law, the land administration authority under the local government of the relevant city or county shall enter into a land grant contract with the land user to provide for the grant of land use right. The land user shall pay the land premium as provided by the land grant contract. After payment in full of the land premium, the land user shall register with the land administration authority and obtain a land use right certificate evidencing the acquisition of land use rights. The Urban Real Estate Law and the Development Regulations provide that land use right for a site intended for property development shall be obtained through government grant except for land use right which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council.

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

- The land authority under the people's government of the city and county (the "assignor") shall make an announcement at least 20 days prior to the date of the proposed competitive bidding, public auction or listing-for-sale. The announcement should include basic particulars such as the size of the land parcel, the qualification requirement of the bidder and auction applicants, methods and criteria on confirming the winning tender or winning bidder, and other conditions such as the deposit for the bid.

- The assignor shall conduct a qualification verification of the bidding applicants and auction applicants, inform the applicants who satisfy the requirements set out in the announcement and invite them to attend the competitive bidding, public auction or listing-for-sale.

- After determining the winning tender or the winning bidder by either competitive bidding, public auction or listing-for-sale, the assignor and the winning tender or winning bidder shall then enter into a confirmation. The assignor should return the bidding or tender deposits to the unsuccessful bidding or auction applicants.

- The assignor and the winning tender or winning bidder shall enter into a contract for the grant of state-owned land use right according to the time and venue set out in the confirmation. The deposit of the bid paid by the winning tender or winning bidder will be used to set off part of the land premium for the grant of the state-owned land use right.

- The winning tender or winning bidder should apply for the land registration after paying off the land grant premium in accordance with the state-owned land use right grant contract. The people's government above the city and county level should issue the "Land Use Permit for State-Owned Land."

On May 21, 2021, the MOF, the Ministry of Natural Resources, the STA and the PBOC jointly issued the Notice on Relevant Issues to Transfer the duties to the Tax Administrations to Collect Four Non-tax Governmental Revenues including State-owned Land Use Rights Grant Premiums, Mineral Resources Special Revenues, Sea Area Use Premiums and Uninhabited Islands Use Premiums (關於將國有土地使用權出讓收入、礦產資源專項收入、海域使用金、無居民海島使用金四項政府非税收入劃轉税務部門徵收有關問題的通知) under which, the tax administrations, instead of natural resources authorities, will be responsible for the collection of state-owned land use rights grant premiums, mineral resources special revenues, sea area use premiums and uninhabited islands use premiums and the pilot scheme will start from July 1, 2021 in certain selected provinces and will be carried out nationwide from January 1, 2022.

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

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

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

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

- any State-owned land for construction use, of which the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of State-owned land for construction use, or the decision on allocation of State-owned land for construction use; and

- any State-owned land for construction uses of which the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the amount invested is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year.

If a parcel of land is deemed as idle land by competent department of land and resources, unless otherwise prescribed by the new Measures for the Disposal of Idle Land, the land shall be disposed of in the following ways:

- where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Collecting Charges for Idle Land to the holder of the right to use the land and collect the charges for idle land at the rate of 20% of the land assignment or allocation fee; and the said charges for idle land shall not be included in the production cost by the holder of the land use right; and

- where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Recovering the Right to Use the State-owned Land for Construction Use to the holder of the land use right and recover the right to use the State-owned construction land without compensation.

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

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

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

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

(i) buildings can be expropriated under certain circumstances for public interests, and governmental authorities are responsible for resettlement activities; real estate developers are prohibited from engaging in demolition and relocation operations;

(ii) compensation shall be paid before the resettlement;

(iii) compensation to owners of properties to be demolished cannot be less than the market value of similar properties at the time of expropriation. The market value of properties shall be determined by qualified real estate appraisal institutions in accordance with appraisal rules related to property expropriation. Any owner who does not agree with the appraised market value of the property may apply to the real estate appraisal institution for re-appraisal, and

(iv) neither violence nor coercion may be used to force home owners to leave sites, nor may certain measures, such as illegal suspension of water and power supplies, be used in relocation operations.

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

After obtaining the Permit for Construction Work Planning and prior to construction, a property developer is required to apply for a Construction Permit from the construction authority above the county level according to the "Measure for the Administration of Construction Permits for Construction Projects" (建築工程施工許可管理辦法) enacted by the Ministry of Housing and Urban Rural Development on June 25, 2014 and effective from October 25, 2014 and as amend on September 19, 2018 and on March 30, 2021.

A property project developed by a property developer shall comply with the relevant laws and statutes, requirements on construction quality, safety standards and technical guidelines on survey, design and construction work, as well as provisions of the relevant construction contract. After completion of works for a project, the property developer shall organize an acceptance examination according to the "Regulations on the Administration of Quality of Construction Works" (建設工程質量管理條例) promulgated and implemented by State Council on January 30, 2000 and as amended on October 7, 2017 and further amended on April 23, 2019, and the "Provisions on Acceptance Examination Upon

Completion of Buildings and Municipal Infrastructure'' (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by the Ministry of Housing and Urban-Rural Development in December 2013, and shall also report details of the acceptance examination according to the ''Administrative Measures for Reporting Details Regarding Acceptance Examination Upon Completion of Buildings and Municipal Infrastructure'' (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the Ministry of Construction in April 2000 and as amended in October 2009. Possession of a property development project may only be delivered after passing the necessary acceptance examination, and may not be delivered before the necessary acceptance examination is completed or without passing such an acceptance examination. For a housing estate or other building complex project, an acceptance examination shall be conducted upon completion of the whole project and, where such a project is developed in phases, an acceptance examination may be carried out for each completed phase.

Land for Property Development

The provisions of the ''Regulations on the Development, Operation and Management of Property'' provide that, except for land use rights which may be obtained through allocation pursuant to PRC laws or the stipulations of the State Council, land for property development shall initially be obtained by government grant. Under the ''Rules regarding the Grant of State-Owned Land Use Rights for construction by way of Tender, Auction and Listing-for-Sale'' (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Land and Resources on September 28, 2007 and effective on November 1, 2007, land for industrial use, commercial use, tourism, entertainment and commodity housing development shall be assigned by competitive bidding, public auction or listing-for-sale and, in the event that a land parcel for uses other than industry, commerce, tourism, entertainment and commodity housing development has two or more prospective purchasers after the promulgation of the relevant land supply schedule, the grant of the land parcel shall be performed by competitive bidding, public auction or listing-for-sale. Under the aforementioned regulations, the assignor shall prepare the public tender and competitive bidding documents and shall make an announcement 20 days prior to the day of public auction to announce the basic particulars of the land parcel and the time and venue of the public auction. The assignor shall conduct a vetting process of the bidding applicants and auction applicants, accept an open public tender to determine the winning tender; or hold an auction to ascertain a winning bidder. The assignor and the winning tender or winning bidder shall then enter into a confirmation and, then, into a land grant contract. The relevant land use rights certificates will not be issued prior to the full payment of the land premium.

On September 24, 2003, the Ministry of Land and Resources issued the ''Notice of the Ministry of Land and Resources on Strengthening the Administration of Land Supply and Promoting the Sustainable Sound Development of Real Estate Market'' (關於加強土地供應管理促進房地產市場持續健康發展的通知) designed to strictly control land supply for high-end luxury property development. On May 30, 2006, the Ministry of Land and Resources published an ''Urgent Notice on Tightening Land Administration'' (關於當前進一步從嚴土地管理的緊急通知). The notice requires that all land used for property development must be assigned by competitive tender, auction or listing-for-sale, and that the supply of land for new villa projects shall be suspended.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the ''Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant'' (關於進一步加強土地出讓收支管理的通知). The notice raises the minimum down payment level on land premiums to 50% of the total premium and requires the land premium to be paid in full within one year after the signing of a land grant contract, subject to limited exceptions.

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

In September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the ''Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development'' (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty town and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land auctions before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers' own reasons; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement; (iv) development and construction of projects of low-density and large- sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1:1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In December 2010, the Ministry of Land and Resources promulgated the "Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets" (關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), which provides, among other things, that; (i) cities and counties that have less than 70% of their land supply designated for affordable housing, housing for redevelopment of shanty towns or small/medium residential units must not provide land for large-sized and high-end housing before the end of 2010; (ii) land and resource authorities in local cities and counties shall report to Ministry of Land and Resources and provincial land and resource authorities, respectively regarding land with a premium rate of more than 50%; (iii) land designated for affordable housing which is used for property development against relevant policies or involved illegal dealing will be confiscated and the relevant land use rights will be withdrawn. Moreover, amending the plot ratio without approval is strictly prohibited.

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

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

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

To support the demand of buyers of residential properties and promote the sustainable development of China's real estate market, the PBOC and CBRC jointly issued a notice in September 2014, which provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its 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 and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by relevant policies.

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

On February 13, 2017, the Asset Management Association of China issued the "No. 4 Administrative Rules for the Filing of Private Equity and Asset Management Plans Issued by Securities and Futures Institutions" (證券期貨經營機構私募資產管理計劃備案管理規範第4號) which suspends filings by securities and futures institutions for private equity and asset management plans investing in the ordinary residential real estate projects located in 16 cities in China, including Beijing, Shanghai, Guangzhou, Hefei, Suzhou, Hangzhou, Tianjin, Wuhan and Chengdu. It also prevents private equity and asset management plans from funding real estate development enterprises to make payment for land premiums or providing real estate development enterprises with working capitals by means of, among others, entering into entrusted loans and trust plans and transferring beneficial rights of assets.

The MOHURD and the Ministry of Land and Resources jointly issued the "Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply" (關於加強近期住房及用地供應管理和調控有關工作的通知) dated April 1, 2017 which provides, among others, that cities and counties that have more than one million inhabitants should make three-year (2017–2019) and a five-year (2017–2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course based on the period of depleting commodity residential housing inventory. For example, if the above period is longer than 36 months, no more land is to be supplied; if the said period is over 18 months but shorter than 36 months, land supply shall be reduced in size; if the said period is longer than six months but shorter than 12 months, more land shall be provided; however, if the current inventory could be sold in less than six months, land supply shall increase significantly within a short amount of time. In addition, the circular stipulates that local authorities should adopt the examination system of land acquisition capital to insure that the property developers use internal funds to acquire lands and that, if the land bid capital originate from a questionable source, the property developers shall be disqualified and prohibited from bidding for land for a designated time.

Sale of Commodity Properties

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

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

- the land premium has been paid in full for the grant of the land use right involved and a land use right certificate has been obtained;

- a construction works planning permit and a construction works commencement permit have been obtained;

- the funds invested in the development of the commodity properties put up for pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been ascertained; and

- the pre-sale has been registered and a pre-sale permit has been obtained.

Local governments also may also have regulations on pre-sales of commodity properties. In Guangdong Province, according to the "Regulations on Administration of Pre-sale of Commodity Properties of Guangdong Province" (廣東省商品房預售管理條例) promulgated by the Standing Committee of Guangdong Provincial People's Congress in July 1998, as amended in August 2000, July 2010 and September 2014, respectively, and a notice issued by Guangdong Provincial Construction Bureau in January 2001, the following conditions must be satisfied prior to any pre-sale of commodity properties in Guangdong Province:

- a real property development qualification certificate and a business license have been obtained;

- the construction quality and safety monitoring procedures have been performed;

- the structural works and the topping-out must have been completed in respect of properties of not more than seven stories, and at least two-thirds of the structural works must have been completed in respect of properties of more than seven stories;

- a special property pre-sale account with a commercial bank in the place where the project is located has been opened; and

- the properties subject to pre-sale and the related land use rights are free from third-party rights.

In Sichuan Province, under the "Implementation Opinion for the Administration of Pre-sale of Commodity Housing" (關於加強城市商品房預售管理的實施意見) promulgated by the Sichuan Provincial Government in March 2000, any pre-sale of commodity properties in Sichuan Province must satisfy the following conditions:

- the land premium has been paid in full for the grant of the relevant land use right, and a land use right certificate has been obtained;

- a Permit for Construction Works Planning has been obtained;

- in the case of a commodity property with not more than six stories, the structural works and the topping-out must have been completed. In the case of a non-residential property with not more than six stories and a commodity property with seven stories or more, (i) the foundation and ground floor structural works must have been completed if the building has underground facilities and (ii) the foundation and structural construction for the first six floors must have been completed if the building does not have underground facilities; and

- the construction progress and timetable and the completion date have been fixed.

In Nanjing, Jiangsu Province, under the "City of Nanjing Provisional Measures for the Administration of Sale of Commodity Housing of the City of Nanjing" (南京市商品房銷售管理暫行規定) promulgated by the Nanjing Municipal Government on August 4, 1993, any sale of commodity properties in Nanjing must satisfy the following conditions:

- property development right and approval from the Nanjing Municipal Administration for Industry and Commerce have been obtained;

- the land use right has been obtained from the Nanjing Municipal Land Administration Bureau;

- fixed asset investment permit and project approval from the Nanjing Municipal City Planning Bureau have been obtained;

- application for registration of real property ownership has been made to the Nanjing Municipal Real Estate Administration Bureau;

- for those commodity housing with underground facilities, the fund invested on those facilities must have been more than 20% of the total investment budget of the project. For those commodity properties without underground facilities, the construction of the foundation structure must have been completed; and

- the agreements on the use, management and servicing of the commodity properties must have been formulated.

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

Pursuant to the "Rules Governing the Administration of Urban and Town Property Transactions in Chongqing Municipality" (重慶市城鎮房地產交易管理條例) promulgated on June 7, 2002 and implemented on August 1, 2002 and as amended on May 27, 2011 by the Standing Committee of the People's Congress of Chongqing

Municipality, a property development entity has to comply with the following conditions in order to obtain a "Commodity Property Pre-sale Permit":

- possesses a business license and the qualification class for property development;
- hold approval documents of land use rights; has paid all premiums in respect of the land use rights obtained by way of grant in accordance with the provisions of land administration laws and regulations and obtained the land use rights certificate;
- holds a construction works planning permit and a commencement of construction works permit;
- in terms of the commodity property available for pre-sale, funds incurred for development and construction have exceeded 25% or more of the total investment for construction works. Where the proposed property for pre-sale is multi-story, the topping of the superstructure has been completed, and for a high-rise, the area under construction has exceeded one-third of the proposed gross floor area approved by planning approvals;
- pre-sale of commodity property proposal. The pre-sale proposal shall specify such information relating to the commodity property, such as the location, fitment standards, works schedule and time of completion and delivery, total area for pre-sale and property management subsequent to delivery and possession, as well as a "Surveying Report of the Area of the Commodity Property for Pre-sale" issued by a professionally competent property surveying organization;
- has opened a designated account for proceeds from pre-sale of commodity property and signed a monitoring agreement with a commercial bank at the location of the project;
- have obtained the demolition permit issued by a property demolition and resettlement complete administration authority for property demolition and resettlement;
- no security right has been created in respect of the proposed commodity property for pre-sale and the land use rights of the land so occupied;
- other conditions as specified by laws and regulations.

According to the "Measures of Property Transactions in Shanghai Municipality" (上海市房地產轉讓辦法) promulgated on April 30, 1997, as amended on September 20, 2000 and April 21, 2004 and December 10, 2010, a property developer must comply with the following requirements in order to obtain a "Commodity Property Pre-Sale Permit":

- the land premium has been fully paid;
- the real estate ownership have been registered with the relevant authority and real estate ownership certificate have been obtained;
- the developer holds a construction works planning permit;
- the developer holds a permit for the commencement of construction work;
- the completed areas of the properties have reached the required standard;
- the completion time of the properties and the plan for constructing related infrastructure have been confirmed;

In accordance with the above regulation, a property developer must apply to the Housing, Land and Resources Administration Bureau or country housing and land administration authorities of Shanghai Municipality, together with the abovementioned documentations, the floor plans. The review of the application shall be completed within 10 working days and the result of the application will be notified in writing. If the abovementioned requirements are met, the Commodity Property Pre-Sale Permit will be granted.

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

On April 13, 2010, the MOHURD issued the "Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses" (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). Pursuant to the notice, without the pre-sale approval, the commodity houses are not allowed to be pre-sold and the real estate developer is not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on the sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

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

Real Estate Registration

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

- the competent department of land and resources under the State Council shall be responsible for guiding and supervising the real estate registration of the State. The local government at or above the county level shall designate a department as the real estate registration authority within its administrative region, and such department shall be subject to the guide and supervision by the competent real estate registration authority at the higher level;

- the real estate authority shall establish a uniform real estate registration book to record the items including, without limitation, the natural condition, ownership conditions of the real estate and restriction of rights;

- the competent department of land and resources under the State Council shall, in coordination with other related departments, establish a uniform basic management database for real estate registration information. The information registered by the real estate registration authorities at all levels shall be incorporated into the uniform basic database to ensure the real-time sharing of registration information at the national, provincial, municipal and county level; and

- any right holder or interested party may apply for inquiring about or copying the real estate registration materials, and the registration authority shall not refuse to provide such information. Units and individuals inquiring about the real estate registration information shall not use such registration information for any other purpose, and no such information may be disclosed to the public or others without the consent of the right holder.

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

Transfer of Real Estate

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

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

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

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

Leases of Properties

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

On 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 businesses. The said opinions support real estate developers to utilize built residential properties or newly built residential properties to carry out leasing businesses. The opinions also encourage real estate developers to put up the residential properties for rent and to cooperate with residential property leasing enterprises to 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.

Mortgages of Real Estate

Under the Civil Code of the People's Republic of China (中華人民共和國民法典) ("PRC Civil Code") promulgated by the Standing Committee of the National People's Congress on May 28, 2020 and implemented on January 1, 2021, when a mortgage is created on a legally obtained building, the mortgage is deemed to be simultaneously created on the land use rights of the land on which the building is situated. When the land use rights of a state-owned land which is acquired through means of grant are being mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights collectively owned by town and village enterprises cannot be mortgaged. When the buildings collectively owned by town and village enterprises are mortgaged, the land use rights of the land occupied by the buildings are deemed to be mortgaged at the same time. The mortgage contract shall be in writing.

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) on their third or more residential property or to non-local residents who cannot provide documentation payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of terms of the land contract, changing the land usage, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities have promulgated measures to restrict the number of residential properties a household is allowed to purchase, such as Guangzhou, Shenzhen, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian.

In November 2010, MOHURD, the Ministry of Finance, 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 home buyer (including the borrower, his or her spouse and minor children) applying for housing loans to buy an ordinary residence 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 home buyer applying for housing 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 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 residence for self-use to improve living conditions; and (iv) housing loans to families for their third or more residential property purchase will be suspended.

On January 26, 2011, the State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (關於進一步做好房地產市場調控工作有關問題的通知), 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 local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation evidencing payment of local tax or social security for longer than a specified time period, are not permitted to acquire any residential properties. In order to implement the "Notice on Further Strengthening Regulation and Control of Real Property Markets", certain cities, including Beijing, Shanghai, Chengdu, Qingdao and Jinan, have promulgated measures to restrict the number of residential properties a household is allowed to purchase.

On February 26, 2013, the General Office of the State Council announced the "Notice on Continuing to Improve the Regulation and Control of the Real Estate Market" (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides, among others things, that for those cities with excessive increase in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties. Since August 2014, most of the local governments have issued their respective measures to lift the housing purchase restrictions. For example, Foshan eased its home purchase restriction on August 7, 2014 by allowing non-residents to buy one housing unit and registered local residents to buy up to two units.

To support the demand of buyers of residential properties and promote the sustainable development of China's real estate market, the PBOC and CBRC jointly issued a notice in September 2014, which provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its 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 and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by relevant policies.

In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve their living conditions, and allow the bank to decide at its own discretion the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower.

On August 27, 2015, the MOHURD, the MOF and PBOC jointly issued the "Notice on the Adjustment of the Rate of the Minimum Down Payment for Personal Housing Loans from Housing Provident Fund" (關於調整住房公積金個人住房貸款購房最低比例的通知) to further improve the policies on the personal housing loans from a housing provident fund and support the needs of depositing workers, under which, from September 1, 2015, with regard to families which have already owned one house and settled the housing payment, when applying for loans from the housing provident fund for a second housing so as to improve living conditions, the lowest down payment rate will be reduced from 30% to 20%.

In February 2016, PBOC and CBRC jointly issued the Circular on Issues Concerning Adjusting the Individual Housing Loan Policies (關於調整個人住房貸款政策有關問題的通知), which provides that in cities where restrictions on the purchase of residential property have not been implemented, the minimum down payment ratio for a first-time home buyer is, in principle, 25% of the property price, which can be adjusted downward by 5% by the local authorities. For existing residential property household owners who 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 cities that have implemented restrictions on the purchase of residential property, the personal housing commercial loan policies shall remain unchanged.

Real Estate Financing

The PBOC issued the "Circular on Further Strengthening the Management of Loans for Property Business" (關於進一步加強房地產信貸業務管理的通知) in June 2003 to specify the requirements for banks to provide loans for the purposes of residential development, individual home mortgage and individual commodity houses as follows:

- Property development loans should be granted to property developers that are qualified for property development, with high credit ratings and have no overdue payment for construction. For property developers with a high vacancy rate of commodity properties and high debt ratio, banks shall apply more stringent approval procedures for new property development loans and closely monitor their activities.

- Commercial banks shall not grant loans to property developers to finance the payment of land premium.

- Commercial banks may not provide loans in any form for a property development project without a land use right certificate, construction land planning permit, construction works planning permit and construction works commencement permit.

- Commercial banks may only provide housing loans to individual purchasers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the first installment remains to be 20%. For any additional purchase of residential unit(s), the percentage of the first installment shall be increased.

- When a borrower applies for mortgage loan of individual commodity property, the mortgage shall not be more than 60% of the purchase price of the property. In addition, the tenure of the loan may not be more than 10 years and the commodity house shall be completed and delivery accepted after inspection.

The down-payment requirement was subsequently increased to 30% of the property price for residential units with a GFA of 90 sq.m. or more, effective on June 1, 2006. See "— Measures on Stabilizing Housing Prices" below.

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

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

Under the "Notice of the People's Bank of China on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve" (中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知) issued by the PBOC on March 16, 2006 and effective from March 17, 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

On May 24, 2006, the Ministry of Construction, NDRC, the Ministry of Supervision, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the State Bureau of Statistics, the State Administration of Taxation and the CBRC jointly issued "Opinions on Adjusting Housing Supply Structure and Stabilization of Housing Prices" (關於調整住房供應結構穩定住房價格的意見). These opinions stipulate that a commercial bank shall not lend funds to property developers with an internal capital ratio of less than 35%, or grant revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties, or take commodity properties which have been vacant for more than three years as security for mortgage loans. The opinions also require that, from June 1, 2006, the minimum amount of down payment shall not be less than 30% of the purchase price of the underlying individual commodity houses with a GFA of 90 sq.m. or more.

On July 10, 2007, SAFE issued a circular indicating that, for foreign-invested enterprises in the property sector, it would not process any foreign debt registration applications or conversion of foreign debt that was approved by the local MOFCOM and filed with MOFCOM after June 1, 2007.

On September 27, 2007, the PBOC and the CBRC issued the "Circular on Strengthening the Credit Management for Commercial Real Property" (關於加強商業性房地產信貸管理的通知), with a supplement issued in December 2007. The circular aims to tighten the control over property loans from commercial banks to prevent excessive credit granting. The measures adopted include:

- for a first time home buyer, increasing the minimum amount to 30% of the purchase price as down payment where the property has a unit floor area of 90 sq.m. or above and the purchaser is buying the property for use as one's own residence;

- for a second time home buyer, increasing (i) the minimum amount of down payment to 40% of the purchase price; and (ii) the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate. If a member of a household (including the buyer, his/her spouse and their children under 18) finances the purchase of a residential unit, any member of the household that buys another residential unit with loans from banks will be regarded as a second time home buyer;

- for commercial property purchases, (i) prohibiting banks from financing any purchase of pre-sold properties; (ii) increasing the minimum amount of down payment to 50% of the purchase price; (iii) increasing the minimum mortgage loan interest rate to 110% of the relevant PBOC benchmark bank lending interest rate; and (iv) limiting the tenure of such bank loans to no more than ten years, although commercial banks are allowed some discretion based on its risk assessment;

- for purchases of commercial/residential dual-purpose properties, increasing the minimum amount of down payment to 45% of the purchase price, with the other terms to be decided by reference to commercial properties; and

- prohibiting commercial banks from providing loans to property developers who have been found by relevant government authorities to be holding excessive amounts of land and properties.

In addition, commercial banks are also prohibited from providing loans to projects that have less than 35% of capital funds (proprietary interests), or where there is failure to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral. In principle, property development loans provided by commercial banks should only be used for projects in areas where the commercial bank is located. Commercial banks may not provide loans to property developers to finance the payment of land use rights grant fees.

According to the notice on ''Enlarging the Floating Range of the Downward Movement of Interest Rates for Individual Mortgage Loans'' (擴大商業性個人住房貸款利率下浮幅度支持居民首次購買普通住房), the PRC government lowered the minimum interest rate for individual mortgage loans to 70% of the corresponding PBOC benchmark bank lending rates. Further, the minimum down payment ratio of residential properties was lowered to 20% for units with an area of less than 90 sq.m.

In January 2010, the General Office of the State Council issued a ''Circular on Facilitating the Stable and Healthy Development of Property Market'' (關於促進房地產市場平穩健康發展的通知), adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectation and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide guidance on the purchase of property, curb speculation of properties, and strengthen risk prevention and market supervision. Additionally, it explicitly requires a household (including a borrower, his or her spouse and children under 18), which has already purchased a residence through mortgage financing and has applied to purchase a second or more residences through mortgage financing, to pay a minimum down payment of 40% of the purchase price.

On April 17, 2010, the State Council issued the ''Notice on Resolutely Curbing the Rapid Rising of the House Price in Certain Cities'' Guofa (2010) No. 10 (國務院關於堅決遏制部分城市房價過快上漲的通知) which stipulated that down payment for the first property with an area of more than 90 sq.m. shall not be less than 30% of the purchase price; down payment for the second property bought with mortgage loans shall be not less than 50% of the purchase price and the loan interest rate shall be not less than 1.1 times the benchmark lending rate published by the PBOC. In addition, the down payment and interest rate shall significantly increase for the third or further properties bought with mortgage loans.

On May 26, 2010, the MOHURD, PBOC and the CBRC jointly issued the ''Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Commercial Personal 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 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貸政策有關問題的通知), which provides, among other things, that (i) the minimum down payment is increased 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 cannot provide documentation evidencing payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of violating the terms of the land grant, changing the land usage, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities. In addition, certain cities, such as Guangzhou, Shenzhen, Foshan, Zhuhai, Suzhou, Nanjing, Tianjin, Wuhan, Ningbo, Fuzhou, Nanchang, Hangzhou and Dalian have promulgated measures restricting the number of residential properties a household is allowed to purchase.

In November 2010, MOHURD and SAFE jointly promulgated the "Notice on Further Regulating Administration of Purchase of Houses by Overseas Institutions and Individuals" (關於進一步規範境外機構和個人購房管理的通知), pursuant to which, a foreign individual can only purchase one unit of residential property for self-use in the PRC and an overseas institution which has established a branch or representative office in the PRC can only purchase non-residential properties for business use in the city where it is registered within the PRC.

On January 26, 2011, the State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (關於進一步做好房地產市場調控工作有關問題的通知), which: (i) imposes 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 excessively high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or more residential properties, or non-local residents that are unable to provide documentation evidencing payment of local tax or social security for longer than a specified time period, are not permitted to acquire any residential properties. In order to implement the "Notice on Further Strengthening Regulation and Control of Real Property Markets", certain cities, including Beijing, Shanghai, Chengdu, Qingdao, Hainan, Nanjing, Guangzhou, Tianjin, Shenyang and Jinan, have promulgated measures to restrict the number of residential properties a household is allowed to purchase.

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

On February 26, 2013, the General Office of the State Council announced the "Notice on Continuing to Improve the Regulation and Control of the Real Estate Market" (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which provides that for those cities with excessive increase in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties. On November 15, 2013, the General Office of the People's Government of Guangzhou issued the "Opinions concerning Further Strengthening of the Macroeconomic Control of the Real Property Market" (《廣州市人民政府辦公廳關於進一步做好房地產市場調控工作的意見》), which requires the Guangzhou Branch of PBOC to further increase minimum down payment for loans to purchase second properties in accordance with the price control targets of Guangzhou.

To support the demand of buyers of residential properties and promote the sustainable development of China's real estate market, the PBOC and CBRC jointly issued a notice in September 2014, which provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its 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 and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by relevant policies.

In March 2015, the PBOC, CBRC and MOHURD jointly issued a notice to lower the minimum down payment to 40% for households that own a residential property and have not paid off their existing mortgage loan applying for a new mortgage loan to purchase another ordinary residential property to improve their living conditions, and allow the bank to decide at its own discretion the down payment ratio and loan interest rate taking into consideration the solvency and credit standing of the borrower.

On February 13, 2017, the Asset Management Association of China ("AMAC") has released and implemented the Administrative Rules for the Filing of Private Equity and Asset Management Plans by Securities and Futures Institutions No. 4 — Investment in Real Estate Developers and Projects by Private Equity and Asset Management Plans (the "AMAC Rule No.4") (《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 — 私募資產管理計劃投資房地產開發企業、項目》). The AMAC Rule No. 4 specifies that AMAC will temporarily cease to accept registration of those private equity and asset management plans if such plans are to make investment into ordinary residential property projects located in hot cities (currently including Beijing, Shanghai, Guangzhou, Shenzhen, Xiamen, Hefei, Nanjing, Suzhou, Wuxi, Hangzhou, Tianjin, Fuzhou, Wuhan, Zhengzhou, Jinan and Chengdu); meanwhile, it is prohibited to use private equity products to finance real estate developers for the purpose of paying the land grant fees and providing working capital loans, and directly or indirectly provide down payment facilities to various institutions.
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.

On March 26, 2021, the General Office of CBIRC, the General Office of MOHURD and the General Office of PBOC jointly issued the Notice on Preventing the Illegal Flow of Loans for Business Purposes into the Real Estate Sector (關於防止經營用途貸款違規流入房地產領域的通知), pursuant to which, in order to prevent business-use loans from illegally flowing into the real estate sector, and to support the development of the real economy, some measures, such as strengthening borrower qualification verification, strengthening credit demand review, strengthening loan term management, strengthening loan collateral management, strengthening post-loan management and etc, will be adopted and implemented. All banking and insurance regulatory bureaus, local housing and urban-rural construction departments, and branches of the PBOC shall jointly carry out a special investigation on the illegal flow of business-use loans into real estate, complete the investigation before May 31, 2021, and increase supervision and rectification of illegal problems and penalties.

In August 2020, the Ministry of Housing and Urban-Rural Development of the PRC ("MOHURD") and PBOC have held a joint meeting to communicate with key real estate enterprises and other relevant governmental departments. In the meeting, it is announced that MOHURD and PBOC, jointly with other relevant governmental departments, have formulated rules for fund monitoring and financing administration of key real estate enterprises to establish a more market-oriented, rule-based and transparent administration over the financing by real estate enterprises.

Property Management

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Version), property management business does not falls within negative list. According to the Guidance Catalog and the relevant requirements set out under the laws and the administrative regulations on foreign-invested enterprises, a foreign-invested real estate management enterprise can be set up in the form of a Sino- foreign equity joint venture, a Sino-foreign cooperative joint venture or a wholly owned foreign enterprise. Before the SAIC registers a foreign-invested enterprise as a foreign-invested real estate management enterprise, the foreign-invested real estate management enterprise should obtain an approval from the relevant department of commerce and receive a "foreign-invested enterprise approval certificate."

According to the "Regulation on Real Estate Management" (物業管理條例) enacted by the State Council on June 8, 2003 and enforced on September 1, 2003, as amended on August 26, 2007 and effective on October 1, 2007, the state implements a qualification scheme system in monitoring the real estate management enterprises. According to the "Measures for Administration of Qualifications of Real Estate Management Enterprises" (物業管理企業資質管理辦法) enacted by the Ministry of Construction on March 17, 2004 and enforced on May 1, 2004, a newly established real estate management enterprise shall, within 30 days of receiving its business license, apply to the applicable local authority for the grant of qualification certificate. The applicable local authority will assess the qualification of the applicant and issue a "real estate management qualification certificate" based on assessment. The Ministry of Construction amended the "Measures for Administration of Qualifications of Real Estate Management Enterprises" on November 26, 2007 and changed its title to "Measures for Administration of Qualifications of Real Estate Service Enterprises" (物業服務企業資質管理辦法). The amendment removed the requirement of annual inspection of real estate management enterprises and replaced the references to "real estate management enterprises" with references to "real estate service enterprises."

According to the "Measures for the Administration on Qualifications of Real Estate Service Enterprises," real estate service enterprise shall be accredited as class one, class two or class three of qualification. The Department of Construction of the State Council is responsible for the issuance and administration of the qualification certificate for class one real estate service enterprises. The competent construction departments of the relevant provincial and regional government are responsible for issuing and administrating the qualification certificate for class two real estate service enterprises, and the competent realty departments of the relevant municipal government are responsible for issuing and administrating the qualification certificate for class two and three real estate service enterprises. The competent realty departments of the people's governments of the cities divided into districts shall be responsible for the issuance and administration of the qualification certificate of the class three real estate service enterprises.

The real estate service enterprises with class one qualification may undertake various property management projects. The real estate service enterprises with class two qualification may provide property management services to residential properties of less than 300,000 sq.m. of GFA and non-residential properties of less than 80,000 sq.m. of GFA. The real estate service enterprises with class three qualification may provide property management services to residential properties with less than 200,000 sq.m. of GFA and non-residential properties with less than 50,000 sq.m. of GFA.

According to the PRC Civil Code, the general meeting of owners in a property can appoint or dismiss the property management service provider with affirmative votes of more than 66.7% of the owners who in the aggregate hold more than 66.7% of the total uncommunal area of the property. Before the formal appointment of a property service enterprise by the general meeting of the owners, a written temporary service contract should be signed by the construction institutions (for example, a developer) and a property service enterprise.

However, on March 8, 2018, the Measures on Administration of Qualification Certificates of Property Service Enterprises was abolished. On March 19, 2018, the Regulation on Real Estate Management was revised accordingly so that no qualification certificate is required for property services.

Insurance

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

Hotel Development

According to the Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Version), Construction and operation of common and economic hotels does not fall within negative list.

A foreign-invested enterprise engaging the hotel business can set up an enterprise in the form of Sino-foreign equity joint venture, Sino-foreign co-operative joint venture or wholly foreign-owned enterprise according to the Guidance Catalog and the requirements of the relevant laws and the administrative regulations on foreign-invested enterprises.

Hotel developments in China are also subject to regulations governing property development generally, including those relating to land use, project planning and construction.

Currently, no dedicated regulator has been designated for the hotel industry in the PRC. The governmental regulation of operations of hotel business is undertaken by different authorities in accordance with the respective business scopes of different hotels.

Supervision on security and fire control

Pursuant to the "Measures for the Control of Security in the Hotel Industry" (旅館業治安管理辦法) issued by the Ministry of Public Security of the People's Republic of China and enforced on November 10, 1987 and amended on January 8, 2011 and November 29, 2020, a hotel can start operations only after obtaining an approval from the local public security bureau and being issued a business license. The hotel operators should make a filing with the local public security bureau and its branches in the county or city, if the hotel operators has any material change such as closing, transferring business or merging into other business, changing place of business and name. Pursuant to the "Provisions on the Administration of Fire Control Safety of State Organs, Organizations, Enterprises and Institutions" (機關、團體、企業、事業單位消防安全管理規定) enacted by the Ministry of Public Security on November 14, 2001 and enforced on May 1, 2002, hotels (or motels) are subject to special regulation in terms of fire control and safety. When a hotel is under construction, renovation or re-construction, a fire control examination procedure is required and when the construction, renovation or reconstruction project is completed, a hotel can only open for business after passing a fire control inspection.

Supervision on public health

According to relevant regulations and rules in relation to public health, hotels are subject to public health regulation. The operating enterprise should gain the sanitation license. The measures for granting and managing sanitation license are formulated by public health authority of the province, autonomous region, and municipality directly under the central government. The sanitation license is signed by the relevant public health administration and the public health and epidemic prevention institutions grant the license. The sanitation license should be reviewed once every two years.

Supervision on food hygiene

According to the relevant regulations and rules in relation to food hygiene supervision, hotels operating catering services should obtain food hygiene licenses. Food hygiene licenses are granted by food hygiene administrative bodies above county level. The purchase, reserve and processing of food, tableware, and service should meet relevant requirements and standards of food hygiene.

Supervision on entertainment

According to the "Regulation on the Administration of Entertainment Venues" (娛樂場所管理條例) enacted by the State Council on January 29, 2006 and effective on March 1, 2006 and as amended in February 2016, and further amended on November 29, 2020, hotels that operate singing, dancing and game facilities for profit should apply to the relevant local competent authorities of culture administration for entertainment commercial operations approvals. The relevant local competent authorities for entertainment administration shall issue a license for entertainment business operations, which verifies the number of consumers acceptable to the entertainment venue according to the prescriptions by the competent authorities of entertainment administration under the State Council in its approval. According to the regulations concerning broadcast, movies and television, hotels with three stars or above or with the second rank of the national standards may apply to local broadcast and television administration of the county or above for setting ground equipment receiving satellite signal to receive entertainment programs from abroad. After finishing setting ground equipment and gaining the approval from broadcast and television administration from the relevant provincial, regional and municipal government and the approval from state security administration, the permit of receiving foreign television program from satellite is issued.

Supervision on disposition of sewage and pollutants

According to "Regulations of the Ministry of Construction on the Conditions for the Fifteen Items of Administrative Licensing that are Included in the Decisions of the State Council" (建設部關於納入國務院決定的十五項行政許可的條件的規定) enacted by the Ministry of Construction on October 15, enforced on December 1, 2004, hotels that use or plan to use the city sewage system for water drainage should apply to the local city construction authority for city water-draining permit.

Supervision on special equipment security

Elevators (lifts or escalators), boilers and pressure containers are treated as special equipment under relevant PRC regulations. According to the "Regulations on Security Supervision of Special Equipment" (特種設備安全監察條例) enacted by the State Council on January 24, 2009 and enforced on May 1, 2009, hotels should register with the special equipment security supervision authority of municipal government or city which has set up districts, and should undergo periodic inspection by the special equipment examination institution.

Major Taxes Applicable to Property Developers

Income Tax

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

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

Business Tax and Value Added Tax

Pursuant to the "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 in 2008, the tax rate of the transfer of immovable properties, their superstructures and attachments is 5%. The business tax rate for our property management and hotel operation businesses is also 5%. Pursuant to the "Notice on the Full Implementation of Pilot Program for Transition from Business Tax to Value-Added Tax" (關於全面推開營業稅改徵增值稅試點的通知) and the "Implementing Measures for the Pilot Program for Transition from Business Tax to Value-added Tax" (營業稅改徵增值稅試點實施辦法) issued by the MOF and SAT on March 23, 2016. On May 1, 2016, the "transitioning from business tax to value-added tax" scheme became effective. The sale of self-developed old real estate projects (refers to real estate projects launched time before April 30, 2016 stating on the construction works commencement permit) by common taxpayer among real estate developers shall be subject to a simple tax rate of 5%. Real estate developers selling real estate project by advance payment will be subject to an appreciation tax of 3% when receiving the advance payment.

Pursuant to the "Interim Measures on the Management of Value Added Tax of Self-developed Real Estate Project by the Sale of Real Estate Developers" (房地產開發企業銷售自行開發的房地產專案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:

Prepaid VAT = Presale proceeds ÷ (1 + applicable rate or simplified rate) X 3%

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

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

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

LAT

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

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

According to the requirements of the ''Provisional Regulations, the Detailed Implementation Rules'' and the ''Notice Issued by the Ministry of Finance in Respect of 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) announced by the Ministry of Finance and the State Administration of Taxation on January 27, 1995, LAT shall be exempted under any one of the following circumstances:

- Taxpayers constructing ordinary standard residences for sale (i.e., the residences built in accordance with the local standard for general use residential properties; deluxe apartments, villas, resorts, for example, are not categorized as ordinary standard residences) in which the appreciation amount does not exceed 20% of the sum of deductible items;
- Property taken over and repossessed according to the law due to the construction requirements of the government;

- Due to redeployment of work or improvement of living standard, individuals transfer originally self-used residential property, of which they have been living there for 5 years or more, and after obtaining tax authorities' approval;

- For property assignments which were signed before January 1, 1994, whenever the properties are transferred, the LAT shall be exempted;

- Either when the property assignments were signed before January 1, 1994 or when the project proposal has been approved and that capital was injected for development in accordance with the conditions agreed, LAT shall be exempted if the properties are transferred within five years after January 1, 1994 for the first time. The date of signing the assignment shall be the date of signing the Sale and Purchase Agreement. Particular property projects which are approved by the government for the development of the whole piece of land and long-term development, of which the properties are transferred for the first time after the five-year tax-free period, after auditing being conducted by the local financial and tax authorities, and approved by Ministry of Finance and State Administration of Taxation, the tax-free period would then be appropriately prolonged.

After the enactment of the Provisional Regulations and the Detailed Implementation Rules, due to the longer period for the property development and transfer, many local tax authorities in the course of implementing the regulations and rules did not force the property developers to declare and pay the LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau had separately and jointly issued several notices to restate the requirement that after the assignment contracts are signed, the taxpayers should declare the tax to the local tax authorities with jurisdiction over the underlying property, and pay LAT in accordance with the amount calculated by the tax authority and the time as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority shall not process the relevant title change and shall not issue the property ownership certificate.

The State Administration of Taxation also issued the "Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax" (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up sound taxpaying declaration system for LAT, to modify the methods of pre-levying for the pre-sale of property. Such notice also pointed out that either for the property assignment contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred within 5 years after January 1, 1994 for the first time is expired, and such tax shall be levied again.

On August 2, 2004, the State Administration of Taxation issued the "Notice of the State Administration of Taxation in Respect of Enhancing the Administration of Land Appreciation Tax" (關於加強土地增值稅管理工作的通知) in order to further clarify the taxpayers' duties in relation to filing of periodic tax returns. On August 5, 2004, the State Administration of Taxation issued the "Notice of the State Administration of Taxation in Respect of Further Enhancing the Administration on Collection of Urban Land Use Tax and Land Appreciation Tax" (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) to further enhance the administrative efforts relating to the collection of LAT. It is stipulated in this notice that the waiver of LAT on any land grant contracts executed prior to January 1, 1994 has expired, and that appreciation in land value shall be subject to LAT irrespective of the time of assignment.

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

- Taxpayers constructing both ordinary residential properties and other commodity houses should calculate the LAT separately, and declare the tax to the local tax authorities where the properties are located.

- Local authorities shall determine, and adjust as appropriate, the provisional LAT rates considering the relevant real property market, the type of building constructed and any other applicable factors.

- A taxpayer who fails to prepay the LAT within the stipulated time frame may be liable to a penalty under the "Administrative Law of the People's Republic of China on the Levying and Collection of Taxes."

- In relation to completed property projects, if 85% or more of the saleable GFA has been assigned or transferred, then the local tax authority may require the taxpayer to pay tax on the income from the assigned or transferred property.

- For taxpayers whose shareholders or joint-cooperation partners contributed real properties as capital to such taxpayers, the temporary tax exemption in relation to ordinary residential properties does not apply.

On December 28, 2006, the State Administration of Taxation issued the "Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises" (關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on February 1, 2007.

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

The notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities shall levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

To further strengthen LAT enforcement, in May 2009, the State Administration of Taxation released the "Rules on the Administration of the Settlement of Land Appreciation Tax" (土地增值稅清算管理規程), which became effective on June 1, 2009.

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

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

Deed Tax

Pursuant to the ''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 in July 1997 and as amended on March 2, 2019, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be responsible for the payment of deed tax. The rate of deed tax is 3%-5% of the purchase price. The governments of provinces, autonomous regions and municipalities may, within the foresaid range, determine and report their effective tax rates to the Ministry of Finance and the State Administration of Taxation for the record. Pursuant to the ''Implementation Provisions on Deed Tax in Guangdong Province'' promulgated by the People's Government of Guangdong in May 1998, the rate of deed tax in Guangdong is 3%. Effective from September 1, 2021, the Deed Tax Law of the People's Republic of China (中華人民共和國契稅法) promulgated by the Standing Committee of the National People's Congress in August 2020, has superseded the Interim Regulations of the People's Republic of China on Deed Tax.

Urban Land Use Tax

Pursuant to the ''Interim Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land'' (中華人民共和國城鎮土地使用稅暫行條例) implemented by the State Council on November 1, 1988 and amended on December 31, 2006 and January 8, 2011, and further amended on December 7, 2013 and March 2, 2019, the land use tax in respect of urban land is levied according to the area of relevant land. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30. Any foreign investment enterprise using urban land is required to pay the tax on urban land use accordingly from January 1, 2007. According to the ''Notice on Land Use Tax Exemption of Foreign-Invested Enterprises and Institutions of Foreign Enterprises in China'' promulgated by the Ministry of Finance on November 2, 1988 and the ''Approval on Land Use Tax Exemption of Foreign-Invested Enterprises'' issued by State Administration of Taxation on March 27, 1997, land use fees should be collected instead of land use tax in a foreign-invested enterprise. However, the Interim Regulations of the People's Republic of China on Land Use Tax in respect of Urban Land were revised by the State Council on December 31, 2006. As of January 1, 2007, land use tax shall be collected from foreign-invested enterprises. The annual tax on every square meter of urban land shall be between RMB0.6 and RMB30.0.

Property Tax

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

On January 27, 2011, the government of Chongqing Municipality issued the ''Interim Measures Concerning Pilot Property Tax Scheme on Certain Personal Residential Properties'' (關於進行對部分個人住房徵收房產稅改革試點的暫行辦法) and the ''Implementation Rules for Collecting Administration Regarding Property Tax on Personal Residential Properties'' (重慶市個人住房房產稅徵收管理實施細則), each effective on January 28, 2011. The Chongqing government will execute the pilot scheme to impose property tax on personal residential properties within the nine major districts of Chongqing Municipality in stages from January 28, 2011. The first batch of personal properties subject to property tax include (i) stand-alone residential properties (such as villas) owned by individuals, (ii) high-end residential properties purchased by individuals on or after January 28, 2011, the purchase prices per square meter of which are two or more times of the average price of new residential properties developed within the nine major districts of Chongqing in the last two years, and (iii) the second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals in Chongqing who are not employed in and do not own an enterprise in Chongqing. Stand-alone residential properties (such as villas) and high-end residential properties that are priced less than three times, three to four times or more than four times of the average price per square meter of new residential properties developed within the nine major districts in the last two years will be subject to property tax rates at 0.5%, 1% or 1.2%, respectively, of the property's purchase price. The second or further ordinary residential properties purchased on or after January 28, 2011 by non-resident individuals who are not employed in and do not own an enterprise in Chongqing will be subject to property tax rate at 0.5% of the property's purchase price. The following area will be deductible from the tax base: (i) 180 sq.m. for stand-alone residential properties (such as villas) purchased before January 28, 2011, and (ii) 100 sq.m. for stand-alone residential properties (such as villas) and high-end residential properties purchased on or after January 28, 2011. The deductible area will apply to only one taxable residential property for a household, but not to any non-resident individual who is not employed in and does not own an enterprise in Chongqing.

On January 27, 2011, the government of Shanghai Municipality issued the "Interim Measures on Pilot Property Tax Scheme on Certain Personal Residential Properties in Shanghai" (上海市開展對部分個人住房徵收房產稅試點的暫行辦法), which provides that, within the territory of the administrative regions of the Shanghai Municipality, property tax will be imposed on any purchase of a second (or further) residential property by local residents or any purchase of a residential property by non-local residents on or after January 28, 2011, at rates ranging from 0.4% to 0.6% based on 70% of the purchase price of the property. These measures became effective on January 28, 2011.

On October 23, 2021, the Standing Committee of the NPC promulgated the Decision of Authorizing the State Council to Pilot Property Tax Reforms in Certain Regions (全國人大常委會關於授權國務院在部分地區開展房地產稅改革試點工作的決定). Property tax should be levied on all types of residential and non-residential property in pilot areas, while lawfully-owned rural homesteads and houses built on them are excluded. The State Council and related departments as well as local governments need to create scientific and feasible approaches and procedures for tax collection and management.

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 in August 1988 and amended on January 8, 2011, for building property transfer instruments, including those in respect of property ownership transfer, the duty rate shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item. Effective from July 1, 2022, the Stamp Duty Law of the People's Republic of China (中華人民共和國印花稅法) promulgated on June 10, 2021 will supersede the Interim Regulations of the People's Republic of China on Stamp Duty.

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) implemented on February 8, 1985 and amended on January 8, 2011, a taxpayer, whether an individual or otherwise, of product tax, value-added tax or business tax shall be required to pay municipal maintenance tax. The tax rate shall be 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

In October 2010, the State Council issued the "Notice on Unification of the Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals" (關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知), pursuant to which, from December 1, 2010, municipal maintenance tax is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals. Pursuant to the "Notice on Relevant Issues of Imposition of Municipal Maintenance and Education Surcharge on Foreign-Invested Enterprises" (關於對外資企業徵收城市維護建設稅和教育費附加有關問題的通知) promulgated by the Ministry of Finance and the State Administration of Taxation in November 2010, foreign-invested enterprises must pay municipal maintenance tax on any value added tax, consumption tax and business tax incurred on or after December 1, 2010. However, foreign-invested enterprises will be exempted from municipal maintenance tax on any value-added tax, consumption tax and business tax incurrent before December 1, 2010.

Effective from September 1, 2021, The Municipal Maintenance Tax Law of the People's Republic of China (中華人民共和國城市維護建設稅法) promulgated by Standing Committee of the National People's Congress in August 2020, has superseded the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax.

Education Surcharge

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

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

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

Measures on Stabilizing Housing Prices

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

- Where housing prices grow too fast at a time when the supply of medium- or low-priced ordinary commodity houses and affordable housing is insufficient, construction of new names should mainly focus on projects of medium- or low-priced ordinary commodity houses and affordable housing. The construction of low-density, high-quality houses shall be strictly controlled. With respect to construction projects of medium- or low-priced ordinary commodity houses, before land supplying, the municipal planning authority shall, according to controlling detailed planning, set forth such conditions for planning and design as height, plot ratio and green space, while the property authority, together with other relevant authorities, shall set forth such controlling requirements as sale price, type and area. Such conditions and requirements will be established as preconditions of land grant to ensure adequate supply of medium- or low-priced houses and houses with medium or small area. Local governments are asked to strengthen the supervision of planning permit for property development projects. Housing projects that have not been commenced within two years must be examined again, and those not in compliance with the planning permits shall have their permits revoked.

- Where the price of land for residential use and residential house grows too fast, the proportion of land for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses with medium or low price and economical houses should be especially increased. Land supply for villa construction shall continue to be suspended, and land supply for high-end housing property construction shall be strictly restricted.

- Idle land fee shall be imposed on land that has not been developed for one year from the contractual construction commencement date. Land use right of land that has not been developed for two years shall be forfeited without compensation.

- Starting from June 1, 2005, business tax on the transfer of a residential house by an individual within two years from date of purchase shall be levied on the basis of the full amount of the income therefrom. For an individual having transferred an ordinary residential house for two years or more from date of purchase, the business tax will be exempted. For an individual having transferred a residential property other than ordinary residential house for two years or more from date of purchase, the business tax will be levied on the basis of the difference between the income from selling the house and the purchase price.

- Low- to medium-cost ordinary residential houses with medium or small area may enjoy such preferential policies as planning permit, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio of the residential development is above 1.0, the floor area of a single unit is less than 120 sq.m., and the actual transfer price is lower than 1.2 time of the average transfer price of houses located on the land of the same level. The local government of a province, autonomous region or municipality may, based on actual circumstances, set up the specific standard for ordinary residential houses enjoying the preferential policies. Under the "Circular on Setting up the Standard for Ordinary Residential House in Guangdong Province" issued by Guangdong Provincial Construction Bureau in June 2005, ordinary houses in Guangdong Province enjoying preferential policies must also satisfy the following conditions: the plot ratio of the residential district is above 1.0, the gross floor area of one single unit is less than 120 sq.m. or the internal gross floor area of a single unit is less than 144 sq.m., and the actual transfer price is lower than 1.44 time of the average transfer price of houses located on the land of the same level.

- The transfer of uncompleted commodity properties by any pre-sale purchaser shall be prohibited. A system shall be adopted to require purchasers to buy properties in their real names. Any commodity property pre-sale contract shall be filed through the Internet immediately after its execution.

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

- requiring that at least 70% of the land supply approved by a local government for residential property development for any given year must be used for developing low- to medium-cost and small to medium-size units and low-cost rental properties;

- requiring that at least 70% of residential projects approved or constructed on or after June 1, 2006 must consist of units with a GFA less than 90 sq.m. per unit and that projects which have received project development approvals prior to that date but have not obtained construction permits must adjust their planning in order to be in conformity with this new requirement, with the exception that municipalities under direct administration of the PRC central government and provincial capitals may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;

- increasing the minimum amount of down payment from 20% to 30% of the purchase price of the underlying residential property if the underlying property has a GFA of 90 sq.m. or more, as effective from June 1, 2006;

- prohibiting commercial banks from lending funds to property developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the project, of less than 35%; restricting the grant or extension of revolving credit facilities to property developers holding a large amount of idle land and vacant commodity properties; and prohibiting commercial banks from taking commodity properties which have been vacant for more than three years as security for mortgage loans; and

- imposing a business tax levy on the entire sales proceeds from re-sale of properties if the holding period is shorter than five years, effective from June 1, 2006, as opposed to two years as such levy was initially implemented from June 2005; where an individual transfers a residential property other than an ordinary residential property after five years from his/her purchase, the business tax will be levied on the difference between the price for such re-sale and the original purchase price.

On May 30, 2006, the Ministry of Land and Resources published the "Urgent Notice on Tightening Land Administration" (進一步從嚴土地管理的緊急通知). In this notice, the Ministry of Land and Resources stressed that local governments must adhere to their annual overall land use planning and land supply plans and tighten the control on land supply for non-agricultural use. The notice requires local governments to suspend the supply of land for new villa projects to ensure adequate supply of land for more affordable housing and to strictly enforce the regulations regarding penalty on and forfeiture of idle land. In this notice, the Ministry of Land and Resources also requires local governments to investigate on illegal use of land and submit a report on such investigations to the Ministry of Land and Resources by the end of October 2006.

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

- from June 1, 2006, in any city (including county), the floor area of the housing which is less than 90 sq.m. should total at least 70% of the total floor area of commercial commodities newly approved or constructed in a given year;

- according to the above requirements, the governments should guarantee the conditions of planning and design of newly built commodity buildings and that such buildings conform to the structure proportion requirements. Any digression from the above-mentioned requirements without authorization is forbidden. Construction works planning permits should not be issued by the municipal planning authority if there is any noncompliance with the planning permits; certifications should not be issued by the authority charged with censoring construction documents; construction works permits should not issued by the construction authority; permits for pre-sale of commodity buildings should not be issued by the property development authority; and

- for projects which were approved before June 1, 2006 but that have not obtained construction permits, the city governments should adjust specific projects to conform to the structure proportion requirements in that year.

Also on July 6, 2006, the Ministry of Construction, the NDRC and the SAIC promulgated the "Notice for the Further Rationalization and Standardization of the Real Estate Market" (關於進一步整頓規範房地產交易秩序的通知) with serial code of JZF 2006 No. 166, or the "166 Notice." According to the 166 Notice:

- a real estate developer must commence selling the property within 10 days of the receipt of the pre-sale permit for the project;

- the resale of any unit of a pre-sold uncompleted commodity building is prohibited;

- the advertisement of pre-sale prior to obtaining the relevant pre-sale permit is prohibited; and

- standard forms for the sale and purchase of a unit of a commodity building before or after its completion must be made available to a purchaser.

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

- an overseas entity or individual investing in real estate in China other than for self-use shall apply for the establishment of a foreign-invested real estate enterprise in accordance with applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities;

- the registered capital of a foreign-invested real estate enterprise with a total investment of US$10 million or more shall not be less than 50% of its total investment amount, whereas for a foreign-invested real estate enterprise with a total investment of less than US$10 million, the current rules on registered capital shall apply;

- a newly established foreign-invested real estate enterprise can only obtain an interim approval certificate and business license which are valid for one year. The formal approval certificate and business license can be obtained by submitting the land use rights certificate to the relevant government departments after the land grant premium for the land has been paid;

- an equity transfer of a foreign-invested real estate enterprise or the transfer of its projects, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the relevant commerce administration authorities. The investor shall submit a letter to the relevant commerce authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall also submit the land use rights certificate, the registration of change of investor and evidence from the tax authorities confirming that tax relating to the transfer has been fully paid;

- foreign investors acquiring a domestic real estate enterprise through an equity transfer, acquiring the Chinese investors' equity interest in an equity joint venture or through any other methods shall pay the purchase price from its own capital and shall ensure that the enterprise's employees and bank loans are properly handled with in accordance with applicable PRC laws;

- if the registered capital of a foreign-invested real estate enterprise is not yet fully paid, its land use rights certificate has not been obtained or the paid-in capital is less than 35% of the total investment amount of the project, the foreign-invested real estate enterprise is prohibited from borrowing from any domestic or foreign lenders and SAFE shall not approve the settlement of any foreign loans;

- the investors in a foreign-invested real estate enterprise shall not in any manner stipulate a fixed return clause or equivalent clause in their joint venture contract or in any other documents; and

- a branch or representative office established by a foreign investor in China (other than a foreign-invested real estate enterprise), or a foreign individual working or studying in the PRC for more than one year, is permitted to purchase commodity residential properties located in the PRC only for the purpose of self-residence. Residents of Hong Kong, Macau and Taiwan and overseas Chinese may purchase commodity residential properties of a stipulated floor area based on their living requirements in the PRC for self-residence purposes.

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

On May 23, 2007, MOFCOM and SAFE promulgated the "Circular on Further Reinforce and Standardize the Examination and Supervision on Foreign Direct Investment in Real Estate Industry" (關於進一步加強、規範外國直接投資房地產審批和監管的通知) (Shang Zi Han No. 50, 2007) which was amended in October 2015. The circular provides stricter controlling measures including, among others:

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

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

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

- Agreement as to any fixed return or of the same effect for either party of a foreign- invested real property enterprises is prohibited.

- The local SAFE administrative authority and designated foreign exchange banks shall not conduct foreign exchange purchase and settlement process for any foreign-invested real property enterprises who fail to satisfy the Ministry of Construction's filing requirement.

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

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

On December 20, 2008, the General Office of the State Council issued the "Several Opinions on Facilitating the Healthy Development of the Real Estate Market" (關於促進房地產市場健康發展的若干意見), which aims to, among other things, encourage the consumption of ordinary residential units and support property developers in changing market conditions. Pursuant to the opinion, in order to encourage the consumption of ordinary residential units, from January 1, 2009 to December 31, 2009, (i) business tax will be imposed on the full amount of the sale price, upon the transfer of a non-ordinary residential unit by an individual within two years from the purchase date; (ii) for the transfer of a non-ordinary residential unit which has been held by the purchaser for more than two years from the purchase date and an ordinary residential unit which has been held by the purchaser for two years or less from the purchase date, the business tax is to be levied on the difference between the sale price and the purchase price;

(iii) and in the case of an ordinary residential unit, business tax is fully exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residential unit that is smaller than the average size for their locality may buy a second ordinary residential unit under favorable loan terms similar to first time buyers. In addition, support for property developers to deal with the changing market is to be provided by increasing credit financing services to "low-to medium-level price" or "small-to medium-sized" ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to property developers with good credit standing for merger and acquisition activities.

On January 26, 2011, the State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (關於進一步做好房地產市場調控工作有關問題的通知), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer.

On January 27, 2011, the Ministry of Finance and the State Administration of Taxation jointly issued a "Notice on Adjusting the Policy of Business Tax on Re-sale of Personal Residential Properties" (關於調整個人住房轉讓營業稅收政策的通知), under which business tax is imposed on (i) the full amount of the transfer price upon the transfer of any residential property by an individual owner within five years from such individual owner's purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than five years from such individual owner's purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after five years from the individual owner's purchase. This notice became effective on January 28, 2011 and was replaced by a notice of the same name on March 13, 2015, which stipulated that business tax is imposed on (i) the full amount of transfer price upon the transfer of any residential property by an individual owner within two years from such individual owner's purchase and (ii) the difference between the transfer price and the original purchase price upon the transfer of any non-ordinary residential property by an individual owner more than two years from such individual owner's purchase. Business tax is exempted for ordinary residential properties if the transfer occurs after two years from the date of the individual owner's purchase.

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

On February 26, 2013, the General Office of the State Council announced the "Notice on Continuing to Improve the Regulation and Control of the Real Estate Market" (國務院辦公廳關於繼續做好房地產市場調控工作的通知), which among others, provides the following requirements: (i) limitations on the purchase of commodity properties must be strictly implemented, and the scope of such limitations must cover all newly constructed commodity properties and second-hand properties located within the entire administrative area of the city; (ii) for those cities with excessive increase in housing prices, the local counterparts of the PBOC may further increase down payment ratios and interest rates for loans to purchase second properties; and (iii) the gains generated from the sale of a self-owned property shall be subject to individual income tax at a rate of 20%, if the original value of such property can be verified through historical information such as tax filings and property registration. On November 15, 2013, the general office of the People's Government of Guangzhou issued the "Opinions concerning Further Strengthening of the Macroeconomic Control of the Real Property Market" 《廣州市人民政府辦公廳關於進一步做好房地產市場調控工作的意見》), which requires: (1) the speeding up of low-cost commodity housing supply and controlling of high-end commodity housing supply. The low-density commodity housing projects under construction will be approved for sale only after the completion of the initial registration of the real estate; (2) non-local resident families who can provide local tax clearance certificates or local social insurance payment certificates for three consecutive years are permitted to purchase only one house (including newly built houses and second-hand houses); and (3) the Guangzhou Branch of PBOC should further increase minimum down payment for loans to purchase second properties in accordance with the price control targets of Guangzhou.

On September 30, 2014, the PBOC and CBRC jointly issued the "Notice on Further Improving Financial Services for Real Estate Sector" (關於進一步做好住房金融服務工作的通知), which provides that where a household that owns a residential property and has paid off its existing mortgage loan applies for a new mortgage loan to buy another residential property to improve its living conditions, the bank may apply the first-time housing purchase mortgage loan policy. In cities that have lifted housing purchase restrictions on residents or those that have not imposed such restrictions, when a household that owns two or more residential properties and has paid off all of its existing mortgage loans applies for a new mortgage loan to buy another residential property, the bank is required to assess the credit profile of the borrower, taking into consideration the solvency and credit standing of the borrower and other factors, and decide the down payment ratio and loan interest rate. In view of the local urbanization plan, banks may provide mortgage loans to non-local residents that meet the conditions as required by relevant policies.

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

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

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

Regulations on transactions of commodity buildings

According to the Development Regulations and the Pre-sale Measures, for 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 to the relevant property administrative 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" on May 9, 2005, there are several regulations when conducting commodity building transactions:

- A buyer of a commodity building is prohibited from conducting any transfer of a pre-sold commodity before completion of construction and obtaining the Property Ownership Certificate. If there is discrepancy in the name of the applicant for property ownership and the name of the advance buyer in the pre-sale contract, the registration organ of the property administration shall not record the application of property ownership.

- 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 Ministry of Construction, the NDRC, and the SAIC jointly promulgated "Notice on Reorganizing and Regulating the Transaction Procedures of Property" (關於落實新建住房結構比例要求的若干意見) the details of which are as follows:

- A developer should start to sell the commodity buildings within 10 days after receiving the permit for pre-sale of commodity buildings. Without this permit, the pre-sale of commodity buildings is prohibited, as well as subscription (including reservation, registration and number-selecting) and acceptance of any kind of pre-sale payments.

- The property administration authority should establish an immediate network system for pre-sale contracts of commodity buildings and the system should, issue the transaction information of a piece of property. The basic location and information of the commodity building, the schedule of the sale and the rights status should be duly, truly and fully published on the network system and at the locale of sale. The advance buyer of a commodity building is prohibited from conducting any transfer of the advance sale of the commodity building that he has bought but which is still under construction.

- Without the permit for pre-sale of commodity buildings, no advertisement of the pre-sale of commodity buildings may be issued.

- The property developers with a record of serious irregularity or developers which do not satisfy the requirements of the pre-sale of commodity buildings are not allowed to take part in such sale activities.

- The property administration authority should strictly carry out the regulations of the pre-sale contractor registration and record and apply the real name system for house purchases.

Foreign Exchange

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

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

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

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

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

On September 14, 2015, the NDRC issued the Circular of the National Development and Reform Commission on Promoting the Administrative Reform of the Record-filing and Registration System for the Issuance of Foreign Debts by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知) to remove the quota review and approval system for the issuance of foreign debts by enterprises, reform and innovate the ways that foreign debts are managed, and implement the administration of record-filing and the registration system.

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

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

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

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

On October 23, 2019, SAFE issued 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》) 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.

MANAGEMENT

The following table sets forth certain information with respect to our directors and senior management as of the date of this Offering Circular.

Name	Age	Position
Mr. CHEN Zhuo Lin	59	Chairman, President and Executive Director
Mr. CHAN Cheuk Yin	54	Vice Chairperson and Non-executive Director
Madam LUK Sin Fong, Fion(1)(3)	60	Vice Chairperson and Non-executive Director
Mr. CHAN Cheuk Hung(4)	64	Executive Director and Vice President
Mr. HUANG Fengchao(4)	58	Executive Director and Vice President
Mr. CHEN Zhongqi(4)	53	Executive Director and Vice President
Mr. CHAN Cheuk Hei	62	Non-executive Director
Mr. CHAN Cheuk Nam	58	Non-executive Director
Dr. CHENG Hon Kwan(1)(2)(3)	94	Independent Non-executive Director
Mr. KWONG Che Keung, Gordon(1)(2)(3)	72	Independent Non-executive Director
Mr. HUI Chiu Chung, Stephen(1)(2)(3)	74	Independent Non-executive Director
Mr. WONG Shiu Hoi, Peter(1)(2)(3)(4)	80	Independent Non-executive Director
Mr. PAN Zhiyong	51	Vice President
Mr. WANG Haiyang	51	Vice President
Madam YUE Yuan	46	Vice President
Mr. LIU Tongpeng	50	Vice President
Madam DING Xiaoying	45	Vice President
Mr. CHEUNG Lap Kei	49	Company Secretary

Notes:

(1) Member of the Remuneration Committee.

(2) Member of the Audit Committee.

(3) Member of the Nomination Committee.

(4) Member of the Risk Management Committee.

DIRECTORS

Our Board of Directors consists of 12 directors, four executive directors, four non-executive directors and four independent non-executive directors. Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei and Mr. Chan Cheuk Nam are brothers and Madam Luk Sin Fong, Fion is the spouse of Mr. Chen Zhuo Lin. Our Directors are elected at the Company's shareholder meetings for a term of three years, renewable upon re-election and re-appointment.

A description of business experience and present positions of each Directors is provided below.

Mr. CHEN Zhuo Lin (陳卓林), aged 59, is the Chairman of the Board and the President of the Company. Mr. Chen is the founder of the Group. He has been the Chairman of the Board and an executive Director since August 2005 and a President of the Company since March 2014. Mr. Chen is also a director of certain subsidiaries of the Company. Mr. Chen has over 28 years of extensive experience in real estate development and management. He is mainly responsible for the formulation of development strategies, directions on the operations and management of overall business, decision-making on investment projects, setting the goal of the financial year for the Group and maintaining the relationship between the Group and the Shareholders. Mr. Chen received several honourary awards, including "World Outstanding Chinese Award (世界傑出華人獎)", "Top 30 Chinese Philanthropist in 30 Years of Reform(改革開放30年，華人慈善30人)", "China Philanthropy Outstanding Contribution Individual Award (中華慈善突出貢獻人物獎)", "Top 10 Persons of the Year for China Enterprise Management Excellence Award (中國企業十大卓越管理年度人物)", "Year of the People in Education of Zhongshan (中山教育年度人物)" and "Honourary Resident in Zhongshan (中山市榮譽市民)". For the public services, Mr. Chen serves as an executive vice chairperson of the 5th China Federation of Overseas Chinese Entrepreneurs (中國僑商聯合會), an executive director of the 5th China Overseas Friendship Association (中華海外聯誼會), an honourary vice president of Chinese Language and Culture Education Foundation of China (中國華文教育基金會), an honourary chairperson of the 4th Council of Sun Yat-sen Foundation (孫中山基金會), the executive vice chairperson of the 5th Council of Guangdong Overseas Chinese Enterprises Association (廣東省僑商投資企業協會), an executive chairperson of the 4th Council of Guangdong Real Estate Chamber of Commerce (廣東省地產商會), the chairperson of the Bureau of Friends of Hong Kong Association Development Foundation, the vice president of New Home Association, the vice chairperson of the 5th Zhongshan Overseas Chinese Commercial Association (中山市僑資企業商會) and a special counsellor of Our Hong Kong Foundation. Mr. Chen is the brother of Chan Cheuk Yin, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam and also the spouse of Luk Sin Fong, Fion. Mr. Chen is a director of each of Top Coast Investment Limited ("Top Coast") and Full Choice Investments Limited ("Full Choice").

Mr. CHAN Cheuk Yin (陳卓賢), aged 54, has been the Vice Chairperson of the Board and a non-executive Director since 25 March 2015. He was an executive Director and Vice Chairperson of the Board and Co-president of the Company from August 2005 to 28 March 2014; a non-executive Director from 28 March 2014 to 10 October 2014; an executive Director and an Acting Co-chairperson of the Board and Acting Co-president of the Company from 10 October 2014 to 25 March 2015. Mr. Chan is also a director of certain subsidiaries of the Company. He has over 28 years of extensive experience in real estate development and management. Mr. Chan is mainly responsible for providing advice to the Board on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and the review of the Group's performance. Mr. Chan received several honourary awards, including "Guangdong Province Outstanding Entrepreneurs of Privately-owned Enterprises (廣東省優秀民營企業家)", "2006–2007 The Most Respected Entrepreneurs in Guangzhou, PRC (2006–2007年中國廣州最受尊敬企業家)" and "Top 10 Philanthropist in Guangdong (廣東十大慈善人物)". For the public services, he is an honourary chairperson of the 3rd Council of Guangdong Provincial Qiaoxin Charity Foundation (廣東省僑心慈善基金會). He was also an honourary vice chairperson of China Charity Federation (中華慈善總會) in 2007 and the executive chairperson of Guangdong Real Estate Chamber of Commerce (廣東省地產商會). Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam and the brother-in-law of Luk Sin Fong, Fion. Mr. Chan is a director of Full Choice.

Madam LUK Sin Fong, Fion (陸倩芳), aged 60, has been the Vice Chairperson of the Board and a non-executive Director since 25 March 2015. She was an executive Director, Vice Chairperson of the Board and Co-president of the Company from August 2005 to 28 March 2014; a non-executive Director from 28 March 2014 to 10 October 2014; an executive Director, an Acting Co-chairperson of the Board and an Acting Co-president of the Company from 10 October 2014 to 25 March 2015. She is also a member of the remuneration committee and the nomination committee of the Board and a director of certain subsidiaries of the Company. Madam Luk has over 28 years of extensive experience in real estate development and management; in particular she has outstanding achievement in strategic marketing and marketing management. She is mainly responsible for providing advice to the Board on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and the review of the Group's performance. Madam Luk holds a Master's degree in Business Administration from Western Sydney University (formerly known as University of Western Sydney) in Australia. She received several honourary awards, including "Honourary Resident in Foshan (佛山市榮譽市民)", "Honourary Resident in Nanhai District (南海區榮譽市民)", "Zhongshan Outstanding Entrepreneurs (中山優秀企業家)", "China Top 10 Excellent CBO (中國十大卓越CBO)" and "Honourary Resident in Zhongshan (中山市榮譽市民)". For the public services, Madam Luk is currently the vice chairperson of Guangzhou Real Estate Association (廣州市房地產協會). She was also an honourary chairperson of Guangdong Provincial Qiaoxin Charity Foundation (廣東省僑心慈善基金會). Madam Luk is the spouse of Chen Zhuo Lin, and also the sister-in-law of Chan Cheuk Yin, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam. Madam Luk is a director of Top Coast.

Mr. CHAN Cheuk Hung (陳卓雄), aged 64, has been an executive Director since August 2005. He is also a member of the risk management committee of the Board, the Vice President of the Company and a director of certain subsidiaries of the Company. Mr. Chan has over 28 years of extensive experience in real estate development and related business. He is mainly responsible for providing guidance for the overall operation of the Group, and the strategic planning of A-Living Group and A-City Group of the Group. Mr. Chan received several honourary awards, including "Honourary Resident in Foshan (佛山市榮譽市民)" and "Community Construction Outstanding Contribution Award (小區建設突出貢獻獎)" in National Xiaokang Housing Demonstration Community Competition (國家小康住宅示範小區評比) hosted by Ministry of Construction (國家建設部) in 2000. For the public services, he was a standing committee member of Guangdong Province Real Estate Association (廣東省房地產業協會) in 2004. Mr. Chan is an executive director and the co-chairman of the board, and a member of the risk management committee of A-Living (stock code: 3319). He was a non-executive director of A-Living from 21 July 2017 to 31 May 2018. Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Yin, Chan Cheuk Hei and Chan Cheuk Nam and the brother-in-law of Luk Sin Fong, Fion.

Mr. HUANG Fengchao (黃奉潮), aged 58, has been an executive Director since 28 March 2014. He is also the chairperson of the risk management committee of the Board, the Vice President of the Company, the chairman of Environmental Protection Group of the Group and a director of certain subsidiaries of the Company. He is mainly responsible for providing foresighted and constructive opinion on the operation management and development strategy of the Group, formulating the overall strategic development of the A-Living Group and Environmental Protection Group of the Group and supervising its implementation and assisting the Chairman of the Board to handle daily operation and management of the Company. Mr. Huang graduated from Guangdong Petroleum School (廣東石油學校) (now known as Guangdong University of Petrochemical Technology) (廣東石油化工學院) majoring in turbine management. Since joining the Group in 1999, Mr. Huang had been the head of real estate management centre of the Group, general manager of Huadu and Nanhu projects and regional head of Hainan and Yunnan region. Prior to joining the Group, he worked for ExxonMobil (China) Co. Ltd. (美國埃索(中國)有限公司) and France TOTAL (China) Ltd. (法國道達爾(中國)有限公司). He is also an executive director, the co-chairman of the board, the chairperson of the risk management committee and the nomination committee, and a member of the remuneration and appraisal committee of A-Living (stock code: 3319).

Mr. CHEN Zhongqi (陳忠其), aged 53, has been an executive Director since 28 March 2014. He is also a member of the risk management committee of the Board, the Vice President of the Company, the co-chairman of A-City Group of the Group and a director of certain subsidiaries of the Company. Since joining the Group in 1993, Mr. Chen had been a project controller and chief engineer, supervisor of the Project Engineering Department, deputy manager of Project Management Department and the deputy head of Real Estate Management Centre of the Group. He is mainly responsible for providing professional advice on the Group's operation management and development strategy, the cost control of the Group and assisting the Chairman of the Board to handle daily operation and management of the Company. Mr. Chen received his professional qualification in Industrial and Civil Construction from Neijiang Normal University (內江師範學院) in 1991. He is qualified as a budgeting engineer and a registered quantity surveyor.

Mr. CHAN Cheuk Hei (陳卓喜), aged 62, has been a non-executive Director since 28 March 2014. He was an executive Director and a Vice President of the Company from August 2005 to 28 March 2014. Mr. Chan is also a director of certain subsidiaries of the Company. Mr. Chan has over 28 years of extensive experience in real estate development and related business. He is mainly responsible for providing advice to the Board on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and the review of the Group's performance. Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Yin, Chan Cheuk Hung and Chan Cheuk Nam and the brother-in-law of Luk Sin Fong, Fion.

Mr. CHAN Cheuk Nam (陳卓南), aged 58, has been a non-executive Director since 28 March 2014. He was an executive Director and a Vice President of the Company from August 2005 to 28 March 2014. Mr. Chan is also a director of certain subsidiaries of the Company. Mr. Chan has over 28 years of extensive experience in real estate development and management. He is mainly responsible for providing advice to the Board on the development strategy and policy of the Group in achieving agreed corporate goals and objectives and the review of the Group's performance. Mr. Chan is the brother of Chen Zhuo Lin, Chan Cheuk Yin, Chan Cheuk Hung and Chan Cheuk Hei and the brother-in-law of Luk Sin Fong, Fion.

Dr. CHENG Hon Kwan (鄭漢鈞), *GBS, OBE, JP*, aged 94, has been an independent non-executive Director since 27 October 2005. He is also the chairperson of the remuneration committee and a member of the audit committee and the nomination committee of the Board. Dr. Cheng is mainly responsible for providing independent advice to the Board. He holds a Bachelor of Science in Engineering degree from Tianjin University and a postgraduate diploma from Imperial College London. Dr. Cheng was also awarded several honorary doctorate degrees by The Hong Kong University of Science and Technology, City University of Hong Kong, The Open University of Hong Kong and The Open University, United Kingdom, and is an honorary fellow of Imperial College London and City and Guilds of London Institute. Dr. Cheng is a past president, honorary fellow and gold medallist of The Hong Kong Institution of Engineers; past vice president, fellow and gold medallist of The Institution of Structural Engineers; fellow of The Institution of Civil Engineers, United Kingdom and American Society of Civil Engineers; an honorary fellow of The Institution of Engineers, Australia and Hong Kong Institute of Architects and an honorary member of The Hong Kong Institute of Planners. He obtained PRC Class 1 Registered Structural Engineer qualification and is an Authorised Person and a Registered Structural Engineer under the Buildings Ordinance (Chapter 123 of the laws of Hong Kong). Dr. Cheng is a past chairman of Hong Kong Housing Authority and Transport Advisory Committee, a past member of both Executive Council and Legislative Council and a past member of Standing Committee of the Tianjin Committee of the Chinese People's Political Consultative Conference. Dr. Cheng is currently a permanent honorary chairman of Hong Kong Tianjin Friendship Association and an independent non-executive director of Tianjin Development Holdings Limited (stock code: 882).

Mr. KWONG Che Keung, Gordon (鄺志強), aged 72, has been an independent non-executive Director since 27 October 2005. He is also the chairperson of the audit committee and a member of the remuneration committee and the nomination committee of the Board. Mr. Kwong is mainly responsible for providing independent advice to the Board. He holds a Bachelor of Social Science degree from The University of Hong Kong and is a fellow member of both The Institute of Chartered Accountants in England and Wales and The Hong Kong Institute of Certified Public Accountants. Mr. Kwong is currently an independent non-executive director of NWS Holdings Limited (stock code: 659), Henderson Land Development Company Limited (stock code: 12), Henderson Investment Limited (stock code: 97), Chow Tai Fook Jewellery Group Limited (stock code: 1929), FSE Lifestyle Services Limited (stock code: 331) (formerly known as FSE Services Group Limited), COSCO SHIPPING International (Hong Kong) Co., Ltd. (stock code: 517), Shanghai Commercial Bank Limited and Piraeus Port Authority S.A. (a company listed in Athens, Greece). He retired as an independent non-executive director of OP Financial Limited (currently known as Wealthking Investments Limited) (stock code: 1140) in August 2019, Global Digital Creations Holdings Limited (stock code: 8271) in May 2020 and China Power International Development Limited (stock code: 2380) in June 2021. Mr. Kwong was a partner of Pricewaterhouse from 1984 to 1998 and a council member of Hong Kong Stock Exchange from 1992 to 1997.

Mr. HUI Chiu Chung, Stephen (許照中), *JP*, aged 74, has been an independent non-executive Director since 27 June 2014. He is also the chairperson of the nomination committee, a member of the audit committee and the remuneration committee of the Board. Mr. Hui is mainly responsible for providing independent advice to the Board. He has over 40 years of experience in the securities and investment industry. He is a senior fellow member of Hong Kong Securities and Investment Institute and a fellow member of The Hong Kong Institute of Directors. He served as a council member and vice chairman of Hong Kong Stock Exchange, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission ("SFC"), a director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee of Hong Kong Stock Exchange, an appointed member of the Securities and Futures Appeal Tribunal, a member of the Standing Committee on Company Law Reform, an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A, a member of the Committee on Real Estate Investment Trusts of the SFC and an appointed member of Zhuhai Municipal Committee of the Chinese People's Political Consultative Conference. Mr. Hui is a member of Hengqin New Area Development Advisory Committee and a consultant of Hong Kong and Macao Legal Issues Expert Group of The Administrative Committee of Hengqin New Area, Zhuhai. Mr. Hui is appointed by the Government of Hong Kong as a Justice of the Peace. He is currently a non-executive director of Luk Fook Holdings (International) Limited (stock code: 590) and the chairman and chief executive officer of Luk Fook Financial Services Limited. He also serves as an independent non-executive director of China South City Holdings Limited (stock code: 1668), Gemdale Properties and Investment Corporation Limited (stock code: 535), Lifestyle International Holdings Limited (stock code: 1212), SINOPEC Engineering (Group) Co., Ltd. (stock code: 2386), FSE Lifestyle Services Limited (stock code: 331) (formerly known as FSE Services Group Limited) and Zhuhai Holdings Investment Group Limited (formerly under stock code: 908), the shares of which were delisted from Hong Kong Stock Exchange on 18 June 2021.

Mr. WONG Shiu Hoi, Peter (黃紹開), aged 80, has been an independent non-executive Director since 27 June 2014. He is also a member of the audit committee, the nomination committee, the remuneration committee and the risk management committee of the Board. Mr. Wong is mainly responsible for providing independent advice to the Board. He holds a Master of Business Administration degree from the University of Macau (formerly known as the University of East Asia, Macau). Mr. Wong possesses over 40 years of experience in the financial services industry. For the public services, he was a former chairman of The Hong Kong Institute of Directors, a former member of Standing Committee on Company Law Reform, Listing Committee of Hong Kong Stock Exchange, Financial Services Advisory Committee and Professional Services Advisory Committee of the Hong Kong Trade Development Council and a former director of the Hong Kong Securities and Investment Institute. He is currently an independent non-executive director of Tianjin Development Holdings Limited (stock code: 882) and Tai Hing Group Holdings Limited (stock code: 6811). He retired as an independent non-executive director of High Fashion International Limited (stock code: 608) in June 2021 and resigned as an independent non-executive director of Target Insurance (Holdings) Limited (stock code: 6161) in August 2021.

SENIOR MANAGEMENT

The business address for all members of our senior management is 33rd Floor, Agile Center, 26 Huaxia Road, Zhujiang New Town, Tianhe District, Guangzhou City, Guangdong Province, the PRC, Postal Code: 510623, and 18th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong.

A description of business experience and present positions of our senior management is provided below.

Mr. PAN Zhiyong (潘智勇), aged 51, is the Vice President of the Company, the chairman of the Capital Group and performs the duties of the chief financial officer in the Group. Mr. Pan joined the Group in 2017. He is mainly responsible for the management of Financial Operation Centre and Information Centre of the Company, the affairs of Hong Kong Headquarters (Company Secretarial Department and Hong Kong office) and the Capital Group of the Group. Before joining the Group, Mr. Pan had held different positions in Agricultural Bank of China Limited (''ABC''), Guangdong branch including the general manager of Marketing Department, Institutional Banking Division and Corporate Banking Department, assistant president and vice president. He had been the president of ABC, Zhaoqing branch. Mr. Pan holds a Bachelor of Economics degree in Finance from Jinan University, a Master of Business Administration degree in Business Administration and a Doctoral of Management Science degree in Management Science and Engineering from South China University of Technology. Mr. Pan also has a senior economist qualification. He was awarded the ''Ten Outstanding Young Persons of ABC Guangdong Branch (中國農業銀行廣東省分行十大傑出青年)'' in 2009, ''Model Worker of Zhaoqing (肇慶市勞動模範)'' in 2010, ''Senior Financial Management Talent of Guangzhou (廣州市金融高級管理人才)'' in 2015, ''China's Top 10 Financial Management Innovation Leaders in 2019 (2019年度中國十大財務管理創新領軍人才)'' and ''Industrial Development and Innovative Talents of Guangzhou in 2019 (2019年度廣州市產業發展和創新人才)''. He is the executive vice president of China Interchange Association of Top Credit-rating Property Enterprises Association (中國地產資信強企交流會), deputy secretary of Guangdong Venture Capital and Private Equity Association (廣東省創業投資協會), executive director of China Mergers & Acquisitions Association (中國併購公會) and co-president of Zhongguancun Private Equity & Venture Capital Association (中關村股權投資協會).

Mr. WANG Haiyang (王海洋), aged 51, is the Vice President of the Company and the co-chairman and President of A-City Group of the Group. Mr. Wang joined the Group in July 2011. He is mainly responsible for the management of A-City Group of the Group. He was the general manager of China Machinery TDI International Engineering Co., Ltd., Zhongshan branch (中機十院國際工程有限公司中山分行). Mr. Wang holds a Bachelor's degree in Construction Engineering from Xi'an University of Technology. He obtained PRC Class 1 Registered Structural Engineer qualification. He was awarded the ''The 6th Model of Honesty and Faithfulness of Hainan Province (第六屆海南省誠實守信道德模範)''. He is the vice chairperson of Guangdong Province Real Estate Association (廣東省房地產協會), executive vice chairperson of Guangdong Commercial Real Estate Investment Association (廣東省商業地產投資協會) and member of the 8th council of China Real Estate Association (中國房地產業協會).

Madam YUE Yuan (岳元), aged 46, is the Vice President of the Company and Property Group of the Group and an assistant to Chairman. Madam Yue joined the Group in 2006. She is mainly responsible for the management of Chairman Office, President Office and Procurement Centre of the Company. Madam Yue holds a Bachelor of Engineering degree from Lanzhou Jiaotong University (formerly known as Lanzhou Railway University) and a Master of Science degree in Construction Project Management from the University of Hong Kong. She is a PRC registered budgeting engineer and a member of the Royal Institution of Chartered Surveyors. Madam Yue is also a non-executive director of A-Living (stock code: 3319).

Mr. LIU Tongpeng (劉同朋), aged 50, is the Vice President of the Company, the Chairman and President of the Property Group of the Group. Mr. Liu joined the Group in November 2018. He is mainly responsible for the management of Investment Centre and Human Resources and Administration Centre of the Company and the Property Group and the Business Group of the Group. Prior to joining the Group, Mr. Liu held different positions in Industrial and Commercial Bank of China, including vice president and president of Zhongshan Branch and vice president of Guangdong Branch. Mr. Liu holds a Bachelor of Economics degree from Hunan Finance and Economics University. He is a senior economist.

Madam DING Xiaoying (定曉穎), aged 45, is the Vice President of the Company and the general manager of the Legal Centre of the Company. Madam Ding joined the Group in July 2015. She is mainly responsible for the management of Legal Centre and Risk Management and Audit Centre of the Company. Madam Ding holds a Bachelor degree in Architectural Engineering and Master of Engineering degree from Wuhan University. She is also qualified as a PRC certified builder, a certified cost engineer and a senior engineer. Madam Ding is an executive director of Guangzhou Institute of Internal Audit (廣州市內部審計協會) and a director of Guangdong Enterprise Institute for Internal Controls (廣東省企業內部控制協會).

Mr. CHEUNG Lap Kei (張立基), aged 49, is the Deputy General Manager (Hong Kong Headquarters) and Company Secretary of the Company. Mr. Cheung joined the Group in September 2019. He is mainly responsible for corporate governance, company secretarial, legal and compliance matters of the Group, and management of the business in Hong Kong region. He has over 27 years of experience in auditing, accounting and financing. Before joining the Group, he has worked for big four accounting firms (Ernst

& Young and KPMG, Certified Public Accountants). He has also served as different roles such as executive director, independent non-executive director, chief financial controller and company secretary, etc. in several companies which are listed on the Mainboard of Hong Kong Stock Exchange. Mr. Cheung graduated from The Australian National University with a Bachelor's degree in Commerce and Deakin University, Australia, with a Master's degree in Business Administration. He is a fellow member of Hong Kong Institute of Certified Public Accountants and CPA Australia respectively.

COMPENSATION OF DIRECTORS

The aggregate amount of fees, salaries, housing allowances, contributions to pension schemes, other allowances and benefits in kind paid by the Company to our directors during 2018, 2019 and 2020 were approximately RMB29.3 million, RMB26.9 million and RMB27.7 million (US$4.3 million), respectively.

AUDIT COMMITTEE

We have an audit committee in compliance with the Listing Rules. The major functions of the audit committee are to monitor the performance of the Company's external auditor and risk management and audit center, to review financial information and to review the method and effectiveness of the financial reporting of the Company so as to ensure the compliance with the applicable accounting and reporting regulations and the requirements of laws and provisions, to supervise the financial reporting system and risk management and internal control policies, to consider and review the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and to report the results to the Board. The audit committee consists of four members, all of whom are independent non-executive directors. Mr. Kwong Che Keung, Gordon is the chairperson of the audit committee.

REMUNERATION COMMITTEE

We also have a remuneration committee. The remuneration committee is mainly responsible for making recommendations to the Board on the remuneration packages of individual Directors (including executive Directors and non-executive Directors) and senior management of the Group, formulating the policies and structure for remuneration of Directors and senior management of the Group and establishing a formal and transparent procedure for developing remuneration policy. Remuneration packages include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of office or appointment. In determining remuneration of Directors and senior management, the Board will consider the remuneration level of comparable companies, the time commitment and responsibilities and employment conditions elsewhere in the Group, individual performance of respective Directors and the Company's performance. The remuneration committee consists of five members, four of whom are independent non-executive directors. Dr. Cheng Hon Kwan is the chairperson of the remuneration committee.

NOMINATION COMMITTEE

We also have a nomination committee. The nomination committee is mainly responsible for determining policy for the nomination of Directors, giving advice to the Board on the appointment or re-appointment and succession plan of Directors (particularly the Chairman and executive Directors), reviewing the board diversity policy, reviewing the structure, number of members and composition (including but not limited to gender, age, cultural, educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board, assessing the independence of INEDs, reviewing the disclosures on director independence, the policy for the nomination of directors performed by the nomination committee during the year and a summary of the board diversity policy in Corporate Governance Report and the development of selection procedures for candidates. The nomination committee consists of five members, four of whom are independent non-executive directors. Mr. Hui Chiu Chung, Stephen is the chairperson of the nomination committee.

RISK MANAGEMENT COMMITTEE

We also have a risk management committee. The risk management committee is mainly responsible for considering and formulating risk management framework, reviewing and assessing the effectiveness of the Group's risk management framework, monitoring the implementation of risk control and ensuring it is effectively implemented. The risk management committee consists of four members, one of whom is independent non-executive director. Mr. Huang Fengchao is the chairperson of the risk management committee.

SHARE AWARD SCHEME

The Company has adopted a share award scheme (the "Share Award Scheme") on December 10, 2013 to recognize the contributions by certain employees. Subject to any early termination as may be determined by the Board, the Share Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date. The maximum number of shares of the Company which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the issued share capital of the Company from time to time; the Board shall not make any further award of awarded shares which will result in the nominal value of the shares awarded under the Share Award Scheme exceeding 10% of the issued share capital of the Company from time to time.

The Company issued and allotted a total of 34,470,000 awarded shares to Bank of Communications Trustee Limited as trustee on February 10, 2014 to hold on trust for such employee(s) selected by the Board ("Selected Employees") in accordance with the trust deed and rules of the scheme. These awarded shares will be transferred to such Selected Employees upon their satisfaction of relevant vesting conditions specified by the Board at the time of the grant. 32,750,000 out of 34,470,000 awarded shares ("Awarded Shares") were granted to certain Selected Employees. Following the confirmation that relevant vesting conditions have not been satisfied, all such 32,750,000 Awarded Shares have lapsed.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at June 30, 2021, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO")) which (i) were notified to the Company and Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests or short positions which they were taken or deemed to have under such provisions of SFO); or (ii) were recorded in the register required to be kept by the Company under Section 352 of SFO; or (iii) were required by the Model Code to be notified to the Company and Hong Kong Stock Exchange, were as follows:

(1) Long positions in Shares of the Company

	Shares held in the Company				
Name of Director	Capacity of interests held	Number of Shares	Note	Total number of Shares	Approximate percentage to issued share capital
Chen Zhuo Lin	Beneficiary of a trust	2,453,096,250	1	2,597,944,500	66.32
	Beneficial owner	88,274,000			
	Controlled corporation	14,276,250	2		
	Controlled corporation	42,298,000	3		
Chan Cheuk Yin	Beneficiary of a trust	2,453,096,250	1	2,468,783,750	63.03
	Controlled corporation	15,687,500	4		
Luk Sin Fong, Fion	Beneficiary of a trust	2,453,096,250	1	2,597,944,500	66.32
	Controlled corporation	14,276,250	2		
	Spouse	130,572,000	5		
Chan Cheuk Hung	Beneficiary of a trust	2,453,096,250	1	2,453,096,250	62.63
Chan Cheuk Hei	Beneficiary of a trust	2,453,096,250	1	2,460,971,250	62.83
	Beneficial owner	7,875,000	6		
Chan Cheuk Nam	Beneficiary of a trust	2,453,096,250	1	2,459,877,750	62.80
	Beneficial owner	6,781,500	7		
Huang Fengchao	Beneficial owner	1,400,000		1,400,000	0.04

Notes:

1. Held by Full Choice as trustee through Top Coast.

2. Held by Brilliant Hero Capital Limited (暉雄資本有限公司) and Famous Tone Investments Limited (名通投資有限公司), which are jointly controlled by Chen Zhuo Lin and Luk Sin Fong, Fion.

3. Held by Dragon Treasure Global Limited (龍寶環球有限公司), Star Noble Global Limited (星御環球有限公司) and Supreme Elite Holdings Limited (優傑控股有限公司), which are wholly-owned by Chen Zhuo Lin.

4. Held by Renowned Idea Investments Limited (明思投資有限公司), which is wholly-owned by Chan Cheuk Yin.

5. By virtue of the SFO, Luk Sin Fong, Fion is deemed to be interested in the Shares held by her spouse, Chen Zhuo Lin (1) as beneficial owner, and (2) through Dragon Treasure Global Limited (龍寶環球有限公司), Star Noble Global Limited (星御環球有限公司) and Supreme Elite Holdings Limited (優傑控股有限公司), which are wholly-owned by him.

6. Jointly held by Chan Cheuk Hei and his spouse Lu Yanping.

7. Jointly held by Chan Cheuk Nam and his spouse Chan Siu Na.

(2) Long positions in the shares of associated corporations of the Company

A. *Top Coast*

Name of Director	Capacity of interests held	Number of shares	Description of shares	Percentage to issued share capital
Chen Zhuo Lin	Controlled corporation	2 (Note)	Ordinary	100.00
Chan Cheuk Yin	Controlled corporation	2 (Note)	Ordinary	100.00

Note:

By virtue of the SFO, Chen Zhuo Lin and Chan Cheuk Yin are deemed to be interested in 2 ordinary shares, representing 100% of the then issued voting shares, in Top Coast, a company wholly-owned by Full Choice which in turn owned as to 50% by Chen Zhuo Lin and Chan Cheuk Yin respectively.

B. *A-Living*

Name of Director	Capacity of interests held	Number of shares	Description of shares	Approximate percentage to issued share capital of H shares	Approximate percentage to total issued share capital
Chen Zhuo Lin	Beneficiary of a trust	721,256,750 (Note 1)	H shares	50.79	50.79
Chan Cheuk Yin.	Beneficiary of a trust	721,256,750 (Note 1)	H shares	50.79	50.79
Luk Sin Fong, Fion. . . .	Beneficiary of a trust	721,256,750 (Note 1)	H shares	50.79	50.79
Chan Cheuk Hung.	Beneficiary of a trust	721,256,750 (Note 1)	H shares	50.79	50.79
Chan Cheuk Hei.	Beneficiary of a trust	721,256,750 (Note 1)	H shares	50.79	50.79
Chan Cheuk Nam	Beneficiary of a trust	721,256,750 (Note 1)	H shares	50.79	50.79
Huang Fengchao.	Controlled corporation	80,000,000 (Note 2)	H shares	5.63	5.63

Notes:

(1) The Company holds, through its indirect wholly-owned subsidiaries, Zhongshan A-Living Enterprise Management Services Co., Ltd.^ (中山雅生活企業管理服務有限公司) and Deluxe Star International Limited (旺紀國際有限公司), and another indirect wholly-owned subsidiary, 721,256,750 H shares in A-Living, and Full Choice holds, through Top Coast, 62.63% equity interests of the Company, as trustee of the Chen's Family Trust, beneficiaries of which are Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam. By virtue of the SFO, Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam are deemed to be interested in these 721,256,750 H shares in A-Living.

(2) Huang Fengchao is a general partner of and owns 99.8% interest in Shanghai Bingya Business Consultancy Limited Partnership^ (上海秉雅商務諮詢合夥企業(有限合夥)) ("Shanghai Bingya") which is a limited partner of and owns 50% interest in Shanghai Yongya Business Consultancy Limited Partnership^ (上海詠雅商務諮詢合夥企業(有限合夥)) ("Shanghai Yongya"). Mr. Huang is also a general partner of and owns 99.8% interest in Shanghai Baoya Business Consultancy Limited Partnership^ (上海葆雅商務諮詢合夥企業(有限合夥)) ("Shanghai Baoya") which is a general partner of and owns 50% interest in Shanghai Yongya. Shanghai Yongya is a limited partner of and owns 45% interest in Gongqingcheng A-Living Investment Management Limited Partnership^ (共青城雅生活 投資管理合夥企業(有限合夥)) ("Gongqingcheng Investment") which owns 80,000,000 H Shares of A-Living. Mr. Huang is a limited partner of and owns 4.99% interest in Gongqingcheng Investment. By virtue of the SFO, Mr. Huang is deemed to be interested in these 80,000,000 H Shares of A-Living.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS

To the best knowledge of the Directors or chief executive of the Company, as at June 30, 2021, the interests or short positions of substantial Shareholders (other than Directors or the chief executive of the Company) in the Shares or underlying Shares which (i) have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of SFO or (ii) were recorded in the register required to be kept by the Company under Section 336 of SFO were as follows:

Long positions in Shares of the Company

	Shares held in the Company				
Name of Shareholder	Capacity of interests held	Number of Shares	Note	Total number of Shares	Approximate percentage to issued share capital
Full Choice	Trustee	2,453,096,250	1	2,453,096,250	62.63
Top Coast	Beneficial owner	2,453,096,250	1	2,453,096,250	62.63
Zheng Huiqiong	Spouse	2,468,783,750	2	2,468,783,750	63.03
Lu Liqing	Spouse	2,453,096,250	3	2,453,096,250	62.63
Lu Yanping	Beneficial owner	7,875,000	4	2,460,971,250	62.83
	Spouse	2,453,096,250	5		
Chan Siu Na	Beneficial owner	6,781,500	6	2,459,877,750	62.80
	Spouse	2,453,096,250	7		
Chen Sze Long	Beneficial owner	170,046,993		307,432,500	7.85
	Controlled corporation	137,385,507	8		
Wang Huizhao	Spouse	307,432,500	9	307,432,500	7.85

Notes:

1. Full Choice holds the Shares as the trustee of the Chen's Family Trust through Top Coast. Beneficiaries of which are Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam.

2. By virtue of the SFO, Zheng Huiqiong is deemed to be interested in the Shares held by her spouse, Chan Cheuk Yin.

3. By virtue of the SFO, Lu Liqing is deemed to be interested in the Shares held by her spouse, Chan Cheuk Hung.

4. Jointly held by Lu Yanping and her spouse, Chan Cheuk Hei.

5. By virtue of the SFO, Lu Yanping is deemed to be interested in the Shares held by her spouse, Chan Cheuk Hei.

6. Jointly held by Chan Siu Na and her spouse, Chan Cheuk Nam.

7. By virtue of the SFO, Chan Siu Na is deemed to be interested in the Shares held by her spouse, Chan Cheuk Nam.

8. Held by Cosmic Advance Holdings Limited (宇進控股有限公司) and Union High Investment Group Limited (聯高投資集團有限公司), which are wholly-owned by Chen Sze Long.

9. By virtue of the SFO, Wang Huizhao is deemed to be interested in the Shares held by her spouse, Chen Sze Long (1) as beneficial owner, and (2) through Cosmic Advance Holdings Limited (宇進控股有限公司) and Union High Investment Group Limited (聯高投資集團有限公司), which are wholly-owned by him.

RELATED PARTY TRANSACTIONS

The following describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of our related party transactions was entered into in the ordinary course of business, on fair and reasonable commercial terms, in our interests and the interests of our shareholders.

As a listed company on the Hong Kong Stock Exchange, we are subject to the requirements of Chapter 14A of the Listing Rules which require certain "connected transactions" with "connected persons" be approved by the Company's independent shareholders. Each of our related party transactions disclosed hereunder that constitutes a connected transaction within the meaning of the Listing Rules requiring shareholder approval has been so approved, or otherwise exempted from compliance under Chapter 14A of the Listing Rules.

The following table sets forth certain material transactions between us and our related parties for the periods indicated:

	Year ended December 31,				Six Months ended June 30,		
	2018	2019	2020		2020	2021	
	RMB	RMB	RMB	US$ (unaudited)	RMB (Unaudited)	RMB (Unaudited)	US$
				(in thousands)			
Service fee charged by:							
Zhongshan Agile Changjiang Hotel Co., Ltd.[1]	3,240	3,594	3,925	608	1,154	965	149
Golf facilities service fee charged by:							
Zhongshan Changjiang Golf Course[1]	12,919	14,635	14,033	2,173	6,040	6,557	1,016
Providing guarantee for borrowings of related parties	6,668,935	6,927,619	6,220,012	963,357	6,341,820	9,332,730	1,445,590
Interest income from related parties							
— Associates	93,163	106,734	184,322	28,548	31,928	206,133	31,926
— Joint ventures	282,973	247,885	257,939	39,950	152,988	54,932	8,508
	376,136	354,619	442,261	68,498	184,916	261,065	40,434
Directors' emoluments	24,548	26,888	27,650	4,282	14,328	14,318	2,218
Key management compensation							
— Salaries and other short-term employee benefits	43,127	42,738	41,592	6,442	14,293	14,231	2,204
— Retirement scheme contributions.	124	167	147	23	35	87	13
	43,251	42,905	41,739	6,465	14,328	14,318	2,218

Note:

(1) Restaurant and hotel service fees, golf facilities service fee and rental fees were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

The following is a brief description of our major ongoing related party transactions:

Contracting Agreements

Zhongshan Changjiang Golf Course

Zhongshan Changjiang Golf Course from time to time rents to us properties in Zhongshan City, which we have used as staff quarters, office space, and a staff canteen. An independent property valuer has confirmed that the rental fees payable under these leasing arrangements are comparable to the prevailing market rates.

Zhongshan Changjiang Golf Course allows us to use its golf facilities, which we share with our staff and our business associates, including our suppliers, contractors and customers. Zhongshan Changjiang Golf Course is beneficially owned by Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam, each of whom serves as a director.

Restaurant and Hotel Service Fees

Restaurant and hotel service fees and golf facilities service fee were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year. Agile Changjiang Hotel is beneficially owned by Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam, each of whom serves a director.

We had the following significant non-trade balances with related parties as of the dates indicated:

	As of December 31,				As of June 30,	
	2018	2019	2020		2021	
	RMB	RMB	RMB	US$ (unaudited)	RMB	US$
			(in thousands)		(Unaudited)	
Receivables due from related parties						
— Associates	2,578,743	1,326,119	656,384	101,661	1,268,085	196,401
— Joint ventures	9,676,037	10,341,884	16,185,176	2,506,765	17,872,573	2,768,109
— Other related parties	195,484	193,728	493,892	76,494	506,913	78,511
	12,450,264	11,861,731	17,335,452	2,684,920	19,647,571	3,043,021
Loan to related parties						
— Associates	2,643,730	178,222	1,359,267	210,524	632,963	98,034
— Joint ventures	2,584,511	668,868	1,445,632	223,900	44,442	6,883
	5,228,241	847,090	2,804,899	434,424	677,405	104,917
Payables due to related parties						
— Associates	696,674	314,038	1,828,029	283,126	2,179,025	337,488
— Joint ventures	4,789,650	7,778,832	10,984,608	1,701,299	11,115,963	1,721,643
— Other related parties	104,194	100,584	102,179	15,826	103,752	16,069
	5,590,518	8,193,454	12,914,816	2,000,250	13,398,740	2,075,201

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions and obtained financings through debt offerings. As of June 30, 2021, our total external borrowings amounted to RMB97,899.5 million (US$15,162.7 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC PROJECT LOANS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including but not limited to Bank of China, The Agricultural Bank of China, China Construction Bank, China Everbright Bank, Industrial and Commercial Bank of China (''ICBC''). These loans typically are project loans to finance the construction of our projects (the ''project loans'') and have terms ranging from 12 months to 60 months, which generally correspond to the construction periods of the particular projects. As of June 30, 2021, the aggregate outstanding amount under these project loans totaled approximately RMB24,314 million (US$3,766 million), RMB4,027 million (US$624 million) of which was due within one year and RMB20,287 million (US$3,142 million) of which was due between one and five years. As of June 30, 2021, we do not have project loans due over than five years. Our project loans are typically secured by land use rights and properties as well as guaranteed by certain of our other PRC subsidiaries.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated by reference to the relevant bank's benchmark interest rate per annum. Floating interest rates generally are subject to review by the banks annually. 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 June 30, 2021, the weighted average interest rate on the aggregate outstanding amount of our project loans was 5.44% per annum.

Covenants

Under these project loans, some of our subsidiary borrowers and guarantors have agreed, among other things, give notice before substantial financing and not to take the following actions without first obtaining the lenders' prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay their loans;
- make debt financing or grant guarantees to any third parties that may adversely affect their ability to repay their loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- alter the nature or scope of their business operations in any material respect; and
- distribute dividends before repaying their loans.

Some of our subsidiaries have also obtained project loans from PRC banks such as Bank of China. Under the terms of these project loans, any shareholders' loans obtained by our subsidiaries are required to be subordinated.

Events of Default

The project loans contain certain customary events of default, including insolvency and breaches of the terms of the loan agreements. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements, mortgage or pledge contracts, or a combination of them, with the PRC banks in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers or have provided security over land use rights, equity or accounts receivables or all of these under these project loans. Further, as of June 30, 2021, RMB21,999 million (US$3,407 million) of the project loans were secured by land use rights and/or properties of the subsidiary borrowers and/or guaranteed by our other PRC subsidiaries or by the Company.

2018 PERPETUAL SECURITIES

On March 7, 2018 and April 4, 2018, we issued an aggregate principal amount of US$500.0 million of our 2018 Perpetual Securities. As of the date of this Offering Circular, the entire aggregate principal amount of the 2018 Perpetual Securities remain outstanding.

Distributions

The 2018 Perpetual Securities confer a right to receive distributions semi-annually in arrear at the following distribution rates:

- an initial distribution rate of 6.875% per annum from and including the issue date to and excluding the first reset date,
- thereafter a distribution rate referencing U.S. treasury rates plus the initial spread of 4.216% as well as a step-up margin of 5.0% from and including the first reset date and each reset date falling thereafter, until and excluding the next reset date.

Subject to certain conditions, we may elect to defer, in whole or in part, distributions which is otherwise scheduled to be paid on a distribution payment date to the next distribution payment date. However, if a distribution is deferred or has not been made in full, we may not declare or pay dividends in our common stock or redeem or buyback any junior obligations or parity obligations, including our common stock.

Maturity and Redemption

There is no fixed maturity date for the 2018 Perpetual Securities. We may redeem the 2018 Perpetual Securities, in whole, but not in part, on the first reset date or any business day after the first reset date.

We have the option to redeem the securities upon the occurrence of a change of control triggering event.

The 2018 Perpetual Securities may be redeemed at our option in whole, but not in part, at their redemption amount (a) if we have or will become obliged to pay material additional amounts as a result of any change in laws or regulations of a relevant jurisdiction effective on or after February 28, 2018, (b) upon the occurrence of any change or amendment to the relevant accounting standard such that the 2018 Perpetual Securities must not or must no longer be recorded as our "equity" pursuant to the relevant accounting standard, or (c) if the aggregate principal amount of the securities outstanding is less than 20% of the aggregate principal amount originally issued.

JUNE 2019 PERPETUAL SECURITIES

On June 4, 2019 and June 21, 2019, we issued an aggregate principal amount of US$700.0 million of our June 2019 Perpetual Securities. As of the date of this Offering Circular, the entire aggregate principal amount of the June 2019 Perpetual Securities remain outstanding.

Distributions

The June 2019 Perpetual Securities confer a right to receive distributions semi-annually in arrear at the following distribution rates:

- an initial distribution rate of 8.375% per annum from and including the issue date to and excluding the first reset date,

- thereafter a distribution rate referencing U.S. treasury rates plus the initial spread of 6.254% as well as a step-up margin of 5.0% from and including the first reset date and each reset date falling thereafter, until and excluding the next reset date.

Subject to certain conditions, we may elect to defer, in whole or in part, distributions which is otherwise scheduled to be paid on a distribution payment date to the next distribution payment date. However, if a distribution is deferred or has not been made in full, we may not declare or pay dividends in our common stock or redeem or buyback any junior obligations or parity obligations, including our common stock.

Maturity and Redemption

There is no fixed maturity date for the June 2019 Perpetual Securities. We may redeem the June 2019 Perpetual Securities, in whole or in part, on the first reset date or any business day after the first reset date.

We have the option to redeem the securities upon the occurrence of a change of control triggering event. The June 2019 Perpetual Securities may be redeemed at our option in whole, but not in part, at their redemption amount (a) if we have or will become obliged to pay material additional amounts as a result of any change in laws or regulations of a relevant jurisdiction effective on or after May 27, 2019, (b) upon the occurrence of any change or amendment to the relevant accounting standard such that the 2019 Perpetual Securities must not or must no longer be recorded as our ''equity'' pursuant to the relevant accounting standard, or (c) if the aggregate principal amount of the securities outstanding is less than 20% of the aggregate principal amount originally issued.

OCTOBER 2019 PERPETUAL SECURITIES

On October 31, 2019, we issued an aggregate principal amount of US$500.0 million of our October 2019 Perpetual Securities. As of the date of this Offering Circular, the entire aggregate principal amount of the October 2019 Perpetual Securities remain outstanding.

Distributions

The October 2019 Perpetual Securities confer a right to receive distributions semi-annually in arrear at the following distribution rates:

- an initial distribution rate of 7.875% per annum from and including the issue date to and excluding the first reset date,

- thereafter a distribution rate referencing U.S. treasury rates plus the initial spread of 6.294% as well as a step-up margin of 5.0% from and including the first reset date and each reset date falling thereafter, until and excluding the next reset date.

Subject to certain conditions, we may elect to defer, in whole or in part, distributions which is otherwise scheduled to be paid on a distribution payment date to the next distribution payment date. However, if a distribution is deferred or has not been made in full, we may not declare or pay dividends in our common stock or redeem or buyback any junior obligations or parity obligations, including our common stock.

Maturity and Redemption

There is no fixed maturity date for the October 2019 Perpetual Securities. We may redeem the October 2019 Perpetual Securities, in whole or in part, on the first reset date or any business day after the first reset date.

We have the option to redeem the securities upon the occurrence of a change of control triggering event.

The October 2019 Perpetual Securities may be redeemed at our option in whole, but not in part, at their redemption amount (a) if we have or will become obliged to pay material additional amounts as a result of any change in laws or regulations of a relevant jurisdiction effective on or after October 24, 2019, (b) upon the occurrence of any change or amendment to the relevant accounting standard such that the 2019 Perpetual Securities must not or must no longer be recorded as our "equity" pursuant to the relevant accounting standard, or (c) if the aggregate principal amount of the securities outstanding is less than 20% of the aggregate principal amount originally issued.

NOVEMBER 2019 PERPETUAL SECURITIES

On November 25, 2019, we issued an aggregate principal amount of US$200.0 million of our November 2019 Perpetual Securities. As of the date of this Offering Circular, the entire aggregate principal amount of the November 2019 Perpetual Securities remain outstanding.

Distributions

The November 2019 Perpetual Securities confer a right to receive distributions semi-annually in arrear at the following distribution rates:

- an initial distribution rate of 7.75% per annum from and including the issue date to and excluding the first reset date,
- thereafter a distribution rate referencing U.S. treasury rates plus the initial spread of 6.083% as well as a step-up margin of 5.0% from and including the first reset date and each reset date falling thereafter, until and excluding the next reset date.

Subject to certain conditions, we may elect to defer, in whole or in part, distributions which is otherwise scheduled to be paid on a distribution payment date to the next distribution payment date. However, if a distribution is deferred or has not been made in full, we may not declare or pay dividends in our common stock or redeem or buyback any junior obligations or parity obligations, including our common stock.

Maturity and Redemption

There is no fixed maturity date for the November 2019 Perpetual Securities. We may redeem the November 2019 Perpetual Securities, in whole or in part, on the first reset date or any business day after the first reset date.

We have the option to redeem the securities upon the occurrence of a change of control triggering event.

The November 2019 Perpetual Securities may be redeemed at our option in whole, but not in part, at their redemption amount (a) if we have or will become obliged to pay material additional amounts as a result of any change in laws or regulations of a relevant jurisdiction effective on or after May 25, 2025, (b) upon the occurrence of any change or amendment to the relevant accounting standard such that the November 2019 Perpetual Securities must not or must no longer be recorded as our "equity" pursuant to the relevant accounting standard, or (c) if the aggregate principal amount of the securities outstanding is less than 20% of the aggregate principal amount originally issued.

ASSET-BACKED SECURITIES

Certain of our PRC subsidiaries have entered into asset-backed securities arrangement by pledging the receivables for certain properties under their management or creating mortgage over the commercial properties owned by them. For example, on April 10, 2018, one of our PRC subsidiaries established a commercial property asset-backed securities arrangement with an aggregate nominal value of RMB4,600.0 million (US$651.1 million) by creating mortgage over Shanghai Marriott Hotel City Centre.

2017 NOTES

On August 14, 2017, we entered into an indenture (as amended and supplemented from time to time, the "2017 Notes Indenture") pursuant to which we issued US$200,000,000 principal amount of the 5.125% Senior Notes due 2022. As of the date of this Offering Circular, the entire principal amount of the 2017 Notes is outstanding.

Guarantee

The obligations pursuant to the 2017 Notes are guaranteed by our existing subsidiaries (the "2017 Notes Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the 2017 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a 2017 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2017 Notes Indenture. Each of the 2017 Notes Subsidiary Issuers, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2017 Notes.

Collateral

In order to secure the obligations under the 2017 Notes, the Company and the 2017 Notes Subsidiary Guarantors under the 2017 Notes Indenture pledged the capital stock of all such 2017 Notes Subsidiary Guarantors for the benefit of the holders of the 2017 Notes (the "2017 Notes Collateral"). The 2017 Notes 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 2017 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2017 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the 2017 Notes Indenture.

Interest

The 2017 Notes bear an interest rate of 5.125% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2017 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The 2017 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the 2017 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 2017 Notes Indenture. If an event of default occurs and is continuing, the trustee under the 2017 Notes Indenture or the holders of at least 25% of the outstanding 2017 Notes may declare the principal of the 2017 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

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 2017 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the 2017 Notes is August 14, 2022.

At any time and from time to time on or after August 14, 2020, we may redeem the 2017 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below if redeemed during the twelve month period beginning on August 14 of each of the years indicate below:

Period	Redemption Price
2020	102.56250%
2021 and thereafter	101.28125%

At any time prior to August 14, 2020, we may redeem the 2017 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2017 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to August 14, 2020, we may redeem up to 35% of the aggregate principal amount of the 2017 Notes at a redemption price equal to 105.125% of the principal amount of the 2017 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2017 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2017 Notes at a redemption price equal to 100% of the principal amount of the 2017 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On August 14, 2017, the trustee for the 2017 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a *pari passu* basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

MARCH 2019 NOTES

On March 7, 2019, we entered into an indenture (as amended and supplemented from time to time, the "March 2019 Notes Indenture") pursuant to which we issued an aggregate principal amount of US$500,000,000 of the 6.7% Senior Notes due 2022. As of the date of this Offering Circular, the entire principal amount of the March 2019 Notes is outstanding.

Guarantee

The obligations pursuant to the March 2019 Notes are guaranteed by our existing subsidiaries (the "March 2019 Notes Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the March 2019 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a March 2019 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the March 2019 Notes Indenture. Each of the March 2019 Notes 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 2019 Notes.

Collateral

In order to secure the obligations under the March 2019 Notes, the Company and the March 2019 Notes Subsidiary Guarantors under the March 2019 Notes Indenture pledged the capital stock of all such March 2019 Notes Subsidiary Guarantors for the benefit of the holders of the March 2019 Notes (the "March 2019 Notes Collateral"). The March 2019 Notes 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 2019 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the March 2019 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the March 2019 Notes Indenture.

Interest

The March 2019 Notes bear an interest rate of 6.7% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the March 2019 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The March 2019 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the March 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 March 2019 Notes Indenture. If an event of default occurs and is continuing, the trustee under the March 2019 Notes Indenture or the holders of at least 25% of the outstanding March 2019 Notes may declare the principal of the March 2019 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

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 March 2019 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the March 2019 Notes is March 7, 2022.

At any time and from time to time on or after March 7. 2021, we may redeem the March 2019 Notes, in whole or in part, at a redemption price equal to 103.35% of principal amount plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to March 7, 2021, we may redeem the March 2019 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the March 2019 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to March 7, 2021, we may redeem up to 35% of the aggregate principal amount of the March 2019 Notes at a redemption price equal to 106.7% of the principal amount of the March 2019 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the March 2019 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem March 2019 Notes at a redemption price equal to 100% of the principal amount of the March 2019 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On March 7, 2018, the trustee for the March 2019 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a *pari passu* basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

JULY 2020 NOTES

On July 2, 2020, we entered into an indenture (as amended and supplemented from time to time, the "July 2020 Notes Indenture") pursuant to which we issued an aggregate principal amount of US$500,000,000 of the 5.75% Senior Notes due 2025. As of the date of this Offering Circular, the entire principal amount of the July 2020 Notes is outstanding.

Guarantee

The obligations pursuant to the July 2020 Notes are guaranteed by our existing subsidiaries (the "July 2020 Notes Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the July 2020 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a July 2020 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the July 2020 Notes Indenture. Each of the July 2020 Notes 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 July 2020 Notes.

Collateral

In order to secure the obligations under the July 2020 Notes, the Company and the July 2020 Notes Subsidiary Guarantors under the July 2020 Notes Indenture pledged the capital stock of all such July 2020 Notes Subsidiary Guarantors for the benefit of the holders of the July 2020 Notes (the "July 2020 Notes Collateral"). The July 2020 Notes 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 July 2020 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the July 2020 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the July 2020 Notes Indenture.

Interest

The July 2020 Notes bear an interest rate of 5.75% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the July 2020 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The July 2020 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the July 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 July 2020 Notes Indenture. If an event of default occurs and is continuing, the trustee under the July 2020 Notes Indenture or the holders of at least 25% of the outstanding July 2020 Notes may declare the principal of the July 2020 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

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 July 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the July 2020 Notes is January 2, 2025.

At any time and from time to time on or after January 2, 2023, we may redeem the July 2020 Notes, in whole or in part, at a redemption price set forth in the terms and conditions of July 2020 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to January 2, 2023, we may redeem the July 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2020 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to January 2, 2023, we may redeem up to 35% of the aggregate principal amount of the July 2020 Notes at a redemption price equal to 105.75% of the principal amount of the July 2020 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the July 2020 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem July 2020 Notes at a redemption price equal to 100% of the principal amount of the July 2020 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On July 2, 2020, the trustee for the July 2020 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

OCTOBER 2020 NOTES

On October 13, 2020, we entered into an indenture (as amended and supplemented from time to time, the ''October 2020 Notes Indenture'') pursuant to which we issued an aggregate principal amount of US$300,000,000 of the 5.75% Senior Notes due 2025 on October 13, 2020 and issued an aggregate principal amount of US$183,000,000 of the 5.75% Senior Notes due 2025 on November 13, 2020. As of the date of this Offering Circular, the entire principal amount of the October 2020 Notes remains outstanding.

Guarantee

The obligations pursuant to the October 2020 Notes are guaranteed by our existing subsidiaries (the ''October 2020 Notes Subsidiary Guarantors'') other than those organized under the laws of the PRC and certain other subsidiaries specified in the October 2020 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a October 2020 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the October 2020 Notes Indenture. Each of the October 2020 Notes 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 October 2020 Notes.

Collateral

In order to secure the obligations under the October 2020 Notes, the Company and the October 2020 Notes Subsidiary Guarantors under the October 2020 Notes Indenture pledged the capital stock of all such October 2020 Notes Subsidiary Guarantors for the benefit of the holders of the October 2020 Notes (the ''October 2020 Notes Collateral''). The October 2020 Notes 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 October 2020 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the October 2020 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the October 2020 Notes Indenture.

Interest

The October 2020 Notes bear an interest rate of 6.05% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the October 2020 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The October 2020 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the October 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 October 2020 Notes Indenture. If an event of default occurs and is continuing, the trustee under the October 2020 Notes Indenture or the holders of at least 25% of the outstanding October 2020 Notes may declare the principal of the October 2020 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

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 October 2020 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the October 2020 Notes is October 13, 2025.

At any time and from time to time on or after October 13, 2023, we may redeem the October 2020 Notes, in whole or in part, at a redemption price set forth in the terms and conditions of October 2020 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to October 13, 2023, we may redeem the October 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the October 2020 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to October 13, 2023, we may redeem up to 35% of the aggregate principal amount of the October 2020 Notes at a redemption price equal to 106.05% of the principal amount of the October 2020 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the October 2020 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem October 2020 Notes at a redemption price equal to 100% of the principal amount of the October 2020 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On October 13, 2020, the trustee for the October 2020 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

MAY 2021 NOTES

On May 17, 2021, we entered into an indenture (as amended and supplemented from time to time, the "May 2021 Notes Indenture") pursuant to which we issued an aggregate principal amount of US$300,000,000 of the 5.5% Senior Notes due 2026 on May 17, 2021 and issued an aggregate principal amount of US$150,000,000 of the 5.5% Senior Notes due 2026 on June 7, 2021. As of the date of this Offering Circular, the entire principal amount of the May 2021 Notes remains outstanding.

Guarantee

The obligations pursuant to the May 2021 Notes are guaranteed by our existing subsidiaries (the "May 2021 Notes Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the May 2021 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a May 2021 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the May 2021 Notes Indenture. Each of the May 2021 Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the May 2021 Notes.

Collateral

In order to secure the obligations under the May 2021 Notes, the Company and the May 2021 Notes Subsidiary Guarantors under the May 2021 Notes Indenture pledged the capital stock of all such May 2021 Notes Subsidiary Guarantors for the benefit of the holders of the May 2021 Notes (the "May 2021 Notes Collateral"). The May 2021 Notes 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 May 2021 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the May 2021 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the May 2021 Notes Indenture.

Interest

The May 2021 Notes bear an interest rate of 5.5% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the May 2021 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;

- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The May 2021 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the May 2021 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 May 2021 Notes Indenture. If an event of default occurs and is continuing, the trustee under the May 2021 Notes Indenture or the holders of at least 25% of the outstanding May 2021 Notes may declare the principal of the May 2021 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

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 May 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the May 2021 Notes is May 17, 2026.

At any time and from time to time on or after May 17, 2024, we may redeem the May 2021 Notes, in whole or in part, at a redemption price set forth in the terms and conditions of May 2021 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to May 17, 2024, we may redeem the May 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the May 2021 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to May 17, 2024, we may redeem up to 35% of the aggregate principal amount of the May 2021 Notes at a redemption price equal to 105.5% of the principal amount of the May 2021 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the May 2021 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem May 2021 Notes at a redemption price equal to 100% of the principal amount of the May 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On May 17, 2021, the trustee for the May 2021 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

JULY 2021 NOTES

On July 21, 2021, we entered into an indenture (as amended and supplemented from time to time, the "July 2021 Notes Indenture") pursuant to which we issued an aggregate principal amount of US$314,000,000 of the 5.5% Senior Notes due 2025. As of the date of this Offering Circular, the entire principal amount of the July 2021 Notes remains outstanding.

Guarantee

The obligations pursuant to the July 2021 Notes are guaranteed by our existing subsidiaries (the "July 2021 Notes Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the July 2021 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a July 2021 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the July 2021 Notes Indenture. Each of the July 2021 Notes 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 July 2021 Notes.

Collateral

In order to secure the obligations under the July 2021 Notes, the Company and the July 2021 Notes Subsidiary Guarantors under the July 2021 Notes Indenture pledged the capital stock of all such July 2021 Notes Subsidiary Guarantors for the benefit of the holders of the July 2021 Notes (the "July 2021 Notes Collateral"). The July 2021 Notes 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 July 2021 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the July 2021 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the July 2021 Notes Indenture.

Interest

The July 2021 Notes bear an interest rate of 5.5% per annum. Interest is payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the July 2021 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The July 2021 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the July 2021 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 July 2021 Notes Indenture. If an event of default occurs and is continuing, the trustee under the July 2021 Notes Indenture or the holders of at least 25% of the outstanding July 2021 Notes may declare the principal of the July 2021 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

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 July 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the July 2021 Notes is April 21, 2025.

At any time and from time to time on or after April 21, 2024, we may redeem the July 2021 Notes, in whole or in part, at a redemption price set forth in the terms and conditions of July 2021 Notes plus accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time prior to April 21, 2024, we may redeem the July 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the July 2021 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to April 21, 2024, we may redeem up to 35% of the aggregate principal amount of the July 2021 Notes at a redemption price equal to 105.5% of the principal amount of the July 2021 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the July 2021 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem July 2021 Notes at a redemption price equal to 100% of the principal amount of the July 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On July 21, 2021, the trustee for the July 2021 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

SEPTEMBER 2021 NOTES

On September 1, 2021, we entered into an indenture (as amended and supplemented from time to time, the "September 2021 Notes Indenture") pursuant to which we issued an aggregate principal amount of US$400,000,000 of the 4.85% Senior Notes due 2022. As of the date of this Offering Circular, the entire principal amount of the September 2021 Notes remains outstanding.

Guarantee

The obligations pursuant to the September 2021 Notes are guaranteed by our existing subsidiaries (the "September 2021 Notes Subsidiary Guarantors") other than those organized under the laws of the PRC and certain other subsidiaries specified in the September 2021 Notes Indenture. Under certain circumstances and subject to certain conditions, a guarantee by a September 2021 Notes Subsidiary Guarantor may be replaced by a limited recourse guarantee, referred to as a JV Subsidiary Guarantee in the September 2021 Notes Indenture. Each of the September 2021 Notes 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 September 2021 Notes.

Collateral

In order to secure the obligations under the September 2021 Notes, the Company and the September 2021 Notes Subsidiary Guarantors under the September 2021 Notes Indenture pledged the capital stock of all such September 2021 Notes Subsidiary Guarantors for the benefit of the holders of the September 2021 Notes (the "September 2021 Notes Collateral"). The September 2021 Notes 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 September 2021 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a pari passu basis with the September 2021 Notes and the related subsidiary guarantees, and other pari passu secured indebtedness permitted under the September 2021 Notes Indenture.

Interest

The September 2021 Notes bear an interest rate of 4.85% per annum. Interest is payable in arrears on March 1, 2022 and August 31, 2022.

Covenants

Subject to certain conditions and exceptions, the September 2021 Notes Indenture contains certain covenants, restricting us and each of the related restricted subsidiaries from, among other things:

- incurring or guaranteeing additional indebtedness and issuing disqualified or preferred stock;
- declaring dividends on its capital stock or purchasing or redeeming capital stock;
- making investments or other specified restricted payments;
- issuing or selling capital stock of the related restricted subsidiaries;
- guaranteeing indebtedness of the related restricted subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- entering into agreements that restrict the related restricted subsidiaries' ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The September 2021 Notes Indenture contains certain customary events of default, including default in the payment of principal, or of any premium, on the September 2021 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 September 2021 Notes Indenture. If an event of default occurs and is continuing, the trustee under the September 2021 Notes Indenture or the holders of at least 25% of the outstanding September 2021 Notes may declare the principal of the September 2021 Notes plus any accrued and unpaid interest and premium (if any) to be immediately due and payable.

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 September 2021 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the September 2021 Notes is August 31, 2022.

At any time prior to August 31, 2022, we may redeem the September 2021 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the September 2021 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time and from time to time prior to August 31, 2022, we may redeem up to 35% of the aggregate principal amount of the September 2021 Notes at a redemption price equal to 104.85% of the principal amount of the September 2021 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the September 2021 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem September 2021 Notes at a redemption price equal to 100% of the principal amount of the September 2021 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

On September 1, 2021, the trustee for the September 2021 Notes, The Hongkong and Shanghai Banking Corporation Limited, executed a supplement to the Intercreditor Agreement to become a secured party under the Intercreditor Agreement and to share the Collateral on a pari passu basis with other holders of permitted pari passu secured indebtedness or their agent or trustee who are parties to the Intercreditor Agreement.

DOMESTIC CORPORATE BONDS

On October 11, 2016, we issued 5.7% corporate bonds with an aggregate amount of RMB1,200 million (US$169.8 million). The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,192.5 million (US$168.8 million) The bonds will mature on October 11, 2023. We shall be entitled to adjust the coupon rate at the end of the fifth year whereas the investors shall be entitled to sell back in whole or in part the bonds. We completed the repurchase of 12,000,000 domestic corporate bonds in an aggregate principal amount of RMB1,200 million on October 11, 2021 and the annual coupon rate has been adjusted to 6.5% from October 11, 2021. Following completion of the repurchase, we have resold all such 12,000,000 domestic corporate bonds during the period from October 11, 2021 to November 5, 2021.

On July 10, 2020, Guangzhou Panyu Agile Realty Development Co., Ltd. (廣州番禺雅居樂房地產開發有限公司), an indirect wholly-owned subsidiary of the Company, issued 6.2% corporate bonds for a term of 2 years with an aggregate amount of RMB1,500 million (US$212.3 million). The bonds will mature on July 13, 2022. The net proceeds, after deducting issuance costs, amounted to RMB1,495.5 million (US$211.7 million).

On October 19, 2020, Guangzhou Panyu Agile Realty Development Co., Ltd. (廣州番禺雅居樂房地產開發有限公司), an indirect wholly-owned subsidiary of the Company established in the People's Republic of China, issued non-public domestic corporate bonds in the amount of RMB1.5 billion at a coupon rate of 6.2% per annum for a term of 2 years to qualified institutional investors in the People's Republic of China. The bonds are listed on the Shanghai Stock Exchange.

OFFSHORE FACILITY AGREEMENTS

We have entered into facility agreements with offshore banks and financial institutions, including, without limitation, The Hongkong and Shanghai Banking Corporation Limited, Chong Hing Bank Limited, The Bank of East Asia, Limited, Dah Sing Bank, Limited, Industrial and Commercial Bank of China (Asia) Limited, Industrial and Commercial Bank of China (Macau) Limited, China Construction Bank Corporation, Hong Kong Branch and Wing Lung Bank Tai Fung Bank Limited. As of June 30, 2021, the aggregate outstanding principal amount under these offshore facilities is approximately RMB41,032 million (US$6,355 million). We have, since June 30, 2021, in the ordinary course of business, entered into additional offshore facilities.

Our offshore facilities typically have terms ranging from one year to four years.

Guarantee and Security

The obligations pursuant to the 2017 HSBC Loan, the 2017 ICBC Loan, the 2017 CCB Loan, the 2018 Syndicated Loan, the 2018 HSBC Loan, the 2019 Syndicated Loan, the 2020 Syndicated Loan and the 2021 Syndicated Loan and other additional offshore facilities are guaranteed by certain subsidiary guarantors (the "Loan Subsidiary Guarantors"). Each of the Loan Subsidiary Guarantors, jointly and severally, guarantee the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under the 2017 HSBC Loan, the 2017 ICBC Loan, the 2017 CCB Loan, the

2018 Syndicated Loan, the 2018 HSBC Loan, the 2019 Syndicated Loan, the 2020 Syndicated Loan and the 2021 Syndicated Loan and other additional offshore facilities. The Additional 2017 Facilities, the 2018 Syndicated Loan, the 2018 HSBC Loan, the 2019 Syndicated Loan and the 2020 Syndicated Loan and the 2021 Syndicated Loan and the subsidiary guarantees provided by the Loan Subsidiary Guarantors are secured by the Collateral.

Interest

The principal amounts outstanding under these loans generally bear interest at floating rates calculated with reference to the London Interbank Offered Rate or Hong Kong Interbank Offered Rate.

Covenants

Our offshore loans contains customary covenants and restrictions, including, amongst others, negative pledge on assets (with certain exemptions), financial covenants including consolidated tangible net worth, consolidated net borrowings and interest coverage ratios.

Events of Default

These offshore facilities contain certain customary events of default, including non-payment of principal or interest, cross default, insolvency and breaches of its terms. If an event of default occurs, all amounts outstanding including all interest accrued thereon may become immediately due and payable.

CUSTOMER GUARANTEES

In line with industry practice, we provide guarantees to financial institutions in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations are released upon the earlier of (i) the issuance of the property ownership certificate which will generally be available within one to two years after we deliver the relevant property to our customers; and (ii) the settlement of mortgage loans between the mortgage banks and the purchasers of our properties. See "Business — Payment Arrangements." As of June 30, 2021, the aggregate outstanding amount guaranteed was RMB47,653.5 million (US$7,380.6 million).

The following, subject to modification and other than the paragraphs in italics, are the terms and conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the HK$2,418,000,000 7.0 per cent. Secured Guaranteed Exchangeable Bonds due 2026 (the "Bonds", which expression, unless the context requires otherwise, includes any further bonds issued pursuant to Condition 20 of these terms and conditions (these "Conditions") and to be consolidated and forming a single series therewith) of Farsail Goldman International Limited 遠航金門國際有限公司 (the "Issuer"), jointly and severally guaranteed by Agile Group Holdings Limited (the "Guarantor"), the Subsidiary Guarantors (as defined in Condition 6) and the JV Subsidiary Guarantors (as defined in Condition 6), was authorised by resolutions of the board of directors of the Issuer passed on 25 October 2021. The giving of the Parent Guarantee (as defined below) was authorised by resolutions of the board of directors of the Guarantor passed on 25 October 2021 and the giving of the Subsidiary Guarantees (as defined in Condition 2(b)(ii)) was authorised by resolutions of the board of directors of each Subsidiary Guarantor passed on 25 October 2021. The Bonds are constituted by a trust deed (as modified, amended, supplemented, novated and/or restated from time to time in accordance with its terms, the "Trust Deed") dated 24 November 2021 (the "Issue Date") and made between the Issuer, the Guarantor, the Subsidiary Guarantors and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the "Trustee", which term shall, where the context so permits, include all other persons or companies acting as trustee or trustees thereof) as trustee for the Bondholders (as defined in Condition 6). The Issuer, the Guarantor and the Subsidiary Guarantors have entered into a paying, transfer and exchange agency agreement (as modified, amended, supplemented, novated and/or restated from time to time in accordance with its terms, the "Agency Agreement") dated on or about the Issue Date with the Trustee, China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) as principal paying agent and principal exchange agent (collectively in such capacities, the "Principal Paying and Exchange Agent" , which expression shall include any successor principal paying agent and principal exchange agent appointed from time to time in connection with the Bonds), as registrar (the "Registrar", which expression shall include any successor registrar appointed from time to time in connection with the Bonds) and as transfer agent (the "Transfer Agent", which expression shall include its successors and all persons for the time being the transfer agent appointed from time to time in connection with the Bonds). The Registrar, the Principal Paying and Exchange Agent, the Transfer Agent and all other paying agents, exchange agents and transfer agents for the time being appointed under the Agency Agreement are referred to collectively as the "Agents", and the terms "Paying Agents" and "Exchange Agents" shall each include the Principal Paying and Exchange Agent.

The Bonds have the benefit of certain security over the Collateral (as defined in Condition 6) as set out in Condition 3 and are subject to the terms of the Intercreditor Agreement (as defined in Condition 3(a)(i)) and the Sub-Collateral Agent Appointment Agreement (as defined in Condition 3(a)(i)) which are governed by the laws of the State of New York. The granting of such security was authorised by resolutions of the board of directors of the Guarantor passed on 25 October 2021 and by each Subsidiary Guarantor Pledgor (as defined in Condition 6) passed on 25 October 2021. In addition, the Bonds have the benefit of the security granted by the Issuer and Makel International (BVI) Limited 邁高國際(BVI)有限公司 (the "Chargor") pursuant to the Bonds Security Documents (as defined in Condition 6). The Issuer has also entered into a Custody Agreement (as defined in Condition 6) with the Custodian (as defined in Condition 6) and the Trustee in respect of the Charged Shares (as defined in Condition 6).

The Issuer has also entered into a calculation agency agreement (the "Calculation Agency Agreement") dated 24 November 2021 with Conv-Ex Advisors Limited (the "Calculation Agent", which expression shall include any successor as calculation agent appointed from time to time in connection with the Bonds) whereby the Calculation Agent has been appointed to make certain calculations in relation to the Bonds.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Bonds, and of the Intercreditor Agreement and the Bonds Security Documents. Copies of the Trust Deed, the Agency Agreement, the Calculation Agency Agreement, the Bonds Security Documents, the Custody Agreement, the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement are available for inspection by Bondholders at the principal place of business of the Trustee (being at the Issue Date at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) and the specified office of the Principal Paying and Exchange

Agent, in each case following prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Principal Paying and Exchange Agent. The Bondholders are entitled to the benefit of and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Bonds Security Documents, the Custody Agreement, the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement and are deemed to have notice of those provisions applicable to them and those provisions of the Agency Agreement and the Calculation Agency Agreement applicable to them.

Capitalised terms used but not defined in these Conditions shall have the meanings attributable to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

1 FORM, DENOMINATION AND TITLE

(a) Form and Denomination

The Bonds are in registered form in the denomination of HK$1,000,000 each (the ''authorised denomination''). A certificate (each a ''Certificate'') will be issued to each Bondholder in respect of its registered holding of Bonds. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Bondholders (the ''Register'') which the Issuer will procure to be kept by the Registrar.

Upon issue, the Bonds will be evidenced by a global certificate (the ''Global Certificate'') evidencing Bonds 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''). The Conditions are modified by certain provisions contained in the Global Certificate.

(b) Title

Title to the Bonds passes by transfer and registration as described in Condition 5. The Holder (as defined in Condition 6) of any Bond will (except as ordered by a court of competent jurisdiction or as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, or theft or loss of it or that of the related certificate, as applicable, or anything written on it or the certificate representing it (other than a duly executed transfer thereof)) and no person will be liable for so treating the Holder, and none of the Trustee, the Agents and the Custodian shall be affected by any notice to the contrary.

2 STATUS

(a) Status

The Bonds constitute the direct, unsubordinated and unconditional obligations of the Issuer, secured in the manner provided in Condition 3 and (i) in the case of the Bonds Security Assets, pursuant to the terms of the English law governed deed of charge dated on or about the Issue Date between the Issuer and the Trustee (as modified, amended, supplemented, novated and/or restated from time to time in accordance with its terms, the ''Deed of Charge'') and the Hong Kong law governed share mortgage dated on or about the Issue Date between the Chargor, Deluxe Star International Limited, Zhongshan A-Living Enterprise Management Services Co., Ltd. 中山雅生活企業管理服務有限公司 (''Zhongshan A-Living'') and the Trustee (as modified, amended, supplemented, novated and/or restated from time to time in accordance with its terms, the ''Hong Kong Share Mortgage''), and (ii) in the case of the Collateral, pursuant to the terms of the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement. The Bonds at all times rank *pari passu* without preference or priority among themselves.

The Collateral is held (pursuant to the terms of the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement) by The Hongkong and Shanghai Banking Corporation Limited as collateral agent (the ''Collateral Agent'') and The Hongkong and Shanghai Banking Corporation Limited as sub-collateral agent (the ''Sub-Collateral Agent''), for the benefit of the Trustee and the Bondholders and the holders of the Senior Notes (as defined below), on a *pari passu* basis.

(b) Status of Guarantees

(i) The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. The obligations of the Guarantor in that respect (the "Parent Guarantee") are contained in the Trust Deed. The Parent Guarantee constitutes the direct, unsubordinated and unconditional obligations of the Guarantor, secured in the manner provided in Condition 3 and in the Bonds Security Documents.

(ii) Each of the Subsidiary Guarantors shall unconditionally and irrevocably guarantee the due payment of sums expressed to be payable by the Issuer and the Guarantor under the Trust Deed and the Bonds (such guarantees, the "Subsidiary Guarantees" and each, a "Subsidiary Guarantee"). The Subsidiary Guarantee of each Subsidiary Guarantor constitutes the direct, unconditional and unsubordinated obligations of such Subsidiary Guarantor. The payment obligations of each Subsidiary Guarantor under its Subsidiary Guarantee shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 3 (to the extent applicable) and Condition 4, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations. The obligations of the Issuer under the Bonds and the Trust Deed shall be guaranteed by each Subsidiary Guarantor on a *pari passu* basis with the subsidiary guarantees provided by such Subsidiary Guarantor in respect of the obligations of the Guarantor under the Existing Notes (as defined in Condition 6) (together with any other debt obligations similar to the Existing Notes that the Guarantor may issue from time to time and which constitute Permitted Pari Passu Secured Indebtedness (as defined in Condition 3(a)(ii)), the "Senior Notes").

(iii) Each of the JV Subsidiary Guarantors shall unconditionally and irrevocably Guarantee the due payment of sums expressed to be payable by the Issuer and the Guarantor under the Trust Deed and the Bonds (the "JV Subsidiary Guarantees" and each a "JV Subsidiary Guarantee"). The JV Subsidiary Guarantee of each JV Subsidiary Guarantor constitutes direct, unconditional and unsubordinated obligations of such JV Subsidiary Guarantor. The payment obligations of such JV Subsidiary Guarantor under its JV Subsidiary Guarantee shall be limited to the JV Entitlement Amount (as defined in Condition 6) and shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to Condition 4, at all times rank at least equally with all of its other present and future unsecured and unsubordinated obligations. The obligations of the Issuer under the Bonds and the Trust Deed shall be guaranteed by each JV Subsidiary Guarantor on a *pari passu* basis with the JV subsidiary guarantees provided by such JV Subsidiary Guarantor in respect of the obligations of the Guarantor under the Senior Notes.

(iv) The Guarantor shall cause each of its other Subsidiaries that Guarantees the obligations of the Guarantor under the Senior Notes after the Issue Date to execute and deliver to the Trustee a deed supplemental to the Trust Deed pursuant to which such Subsidiary will provide a Subsidiary Guarantee on a *pari passu* basis with the guarantee given by such Subsidiary in respect of the Senior Notes; provided that, in the case of a Subsidiary being a Restricted Subsidiary, such Subsidiary will only provide a JV Subsidiary Guarantee if it also only provided a "JV subsidiary guarantee" (as such term is defined in the indentures constituting such Senior Notes) under the Senior Notes. Upon execution of the applicable deed supplemental to the Trust Deed, each such Subsidiary will become a "**Subsidiary Guarantor**" or a "**JV Subsidiary Guarantor**", as the case may be.

(v) A Subsidiary Guarantee given by a Subsidiary Guarantor or a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor will be released in relation to the Bonds (A) upon the repayment in full of the Bonds, at maturity or through redemption, repurchase or otherwise, of the Bonds, (B) when no Bonds remain outstanding (as defined in the Trust Deed) or (C) upon the release of the Subsidiary Guarantee or the JV Subsidiary Guarantee (as the case may be) given by such Subsidiary Guarantor or JV Subsidiary Guarantor under the terms of the Senior Notes. For the avoidance of doubt, in the event the Guarantor has repaid or defeased in full, at maturity or through redemption, repurchase, defeasance in accordance with the terms of the Senior Notes or otherwise, all outstanding Senior Notes, all Subsidiary Guarantees or JV Subsidiary Guarantees under the Bonds will also be released.

(vi) No release and discharge of any Subsidiary Guarantor from its Subsidiary Guarantee or any JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Bondholders if a Default or Event of Default shall have occurred and be continuing (as defined in the Trust Deed) under these Conditions or the Trust Deed as of the time of such proposed release and discharge until such time as such Default or Event of Default is cured or waived and until the Guarantor shall have delivered to the Trustee an Officers' Certificate stating that all conditions precedent provided for in these Conditions and the Trust Deed relating to such release and discharge have been complied with and that such release and discharge is authorised and permitted under these Conditions and the Trust Deed.

3 SECURITY

(a) Collateral

(i) The obligations of the Guarantor under the Trust Deed and the Bonds and the obligations of the Subsidiary Guarantor Pledgors under the Subsidiary Guarantees will be secured by pledges by the Guarantor and the Subsidiary Guarantor Pledgors of the Capital Stock of the Subsidiary Guarantors and the JV Subsidiary Guarantors held directly by the Guarantor or the Subsidiary Guarantor Pledgors (pursuant and subject to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement) on the Issue Date. On the Issue Date, the Trustee on behalf of itself and the Bondholders will (A) accede to, and/or authorise the Sub-Collateral Agent to accede to, the intercreditor agreement dated 12 November 2009 between, among others, the Guarantor, the Subsidiary Guarantor Pledgors and the Collateral Agent (as supplemented by a supplement dated 20 May 2015 and as supplemented by such accession deeds and as further supplemented or amended from time to time, the ''Intercreditor Agreement'') and (B) accede to a sub-collateral agent appointment agreement dated 2 July 2020 between, among others, the Guarantor, the Subsidiary Guarantor Pledgors, the Collateral Agent and the Sub-Collateral Agent (as supplemented by such accession deeds and as further supplemented or amended from time to time, the ''Sub-Collateral Agent Appointment Agreement''), pursuant to which the Bondholders will be entitled to share in the benefit of the pledge of Collateral on a *pari passu* basis with the holders of the Senior Notes and the holders of any Permitted Pari Passu Secured Indebtedness (as defined in Condition 3(a)(ii)).

(ii) On or after the Issue Date, the Guarantor and each Subsidiary Guarantor Pledgor may create Further Security Interest on the Collateral *pari passu* with the Lien for the benefit of the Trustee and the Bondholders to secure indebtedness of the Guarantor and any Pari Passu Subsidiary Guarantee of a Subsidiary Guarantor Pledgor with respect to such indebtedness (such indebtedness of the Guarantor and any such Pari Passu Subsidiary Guarantee, ''Permitted Pari Passu Secured Indebtedness''); *provided that* (A) the holders (or their representative agent or trustee) of such indebtedness become party to the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement; and (B) the Guarantor and such Subsidiary Guarantor Pledgor each deliver to the Trustee an Officers' Certificate with respect to compliance with the conditions stated in the Trust Deed and other corporate and collateral matters in connection with the Security Documents, the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement. The Trustee will be permitted and authorised, without the consent of any Bondholder and without being liable to any Bondholder or any other person, to, upon request by the Guarantor or such Subsidiary Guarantor Pledgor: (x) enter into and/or direct the Collateral Agent and the Sub-Collateral Agent (as applicable) to enter into any amendments to the Security Documents, the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement (in such form as the Trustee may in its absolute discretion approve) and/or (y) consent to any other action as necessary, in each case of (x) and (y), to permit the creation and registration of Liens on the Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this Condition 3(a)(ii) (including, without limitation, the appointment of any collateral agent under the Intercreditor Agreement and the Sub-Collateral Agent

Appointment Agreement to hold the Collateral on behalf of the Bondholders, the holders of the Senior Notes and any holders of other Permitted Pari Passu Secured Indebtedness). Any such amendment or consent shall be binding on the Bondholders.

(b) Further Security

In addition, the obligations of the Obligors under the Bonds Documents are secured in favour of the Trustee for the benefit of the Secured Parties pursuant to, and as more particularly described in:

(i) the Deed of Charge:

(A) by way of an assignment by the Issuer to the Trustee by way of security of:

(1) the Accounts; and

(2) all the Issuer's rights, title and interest from time to time in and to the Custody Agreement and all Related Rights (DOC);

(B) by way of a charge by the Issuer in favour of the Trustee:

(1) by way of first mortgage, the Charged Shares; and

(2) by way of first fixed charge, the Accounts and all the Issuer's rights, title and interest from time to time in and to the Custody Agreement and all Related Rights (DOC) to the extent not validly and effectively assigned as contemplated by Condition 3(b)(i)(A) above;

(C) by way of a charge by the Issuer in favour of the Trustee, by way of first floating charge, the Accounts to the extent not validly and effectively assigned or charged as contemplated by Conditions 3(b)(i)(A) and 3(b)(i)(B); and

(D) by way of an assignment by the Issuer to the Trustee by way of security of the Issuer's rights, title and interest from time to time in and to the Securities Lending Agreement.

(ii) the Hong Kong Share Mortgage, by way of a charge by way of first mortgage by the Chargor over 19 shares of Deluxe Star International Limited and all Related Rights (HK Share Mortgage) in favour of the Trustee.

The Issuer may, at its sole discretion and from time to time, transfer additional Shares into the Accounts whereupon such Shares will be subject to the Deed of Charge. In addition, the Chargor may, at its sole discretion and from time to time, create security over additional shares of Deluxe Star International Limited held by it pursuant to a Hong Kong Supplemental Share Mortgage.

For the avoidance of doubt, any such additional security granted pursuant to the paragraph above shall not require the consent of any Bondholder, and the Trustee may enter into such deed or agreement in such form as it approves without the consent of any Bondholder and without liability to any Obligor, any Bondholder, any other Secured Party or any other person for the same.

The Issuer has 35,631,750 Shares as at the date of this Offering Circular. Pursuant to the Deed of Charge, 35,000,000 Shares held by the Issuer will be deposited by the Issuer into the Custodian Securities Account on or prior to the Issue Date, less any Shares lent out pursuant to the Securities Lending Agreement. If the full amount of Shares is lent out under the Securities Lending Agreement, there will be no Shares in the Custodian Securities Account on the Issue Date or during the term of the Bonds, until such Shares are returned pursuant to the terms of the Securities Lending Agreement. However, the Issuer's rights, title and interest in and to the Securities Lending Agreement are also secured in favour of the Trustee.

The Hong Kong Share Mortgage is being granted by the Chargor over 19 per cent. of the shares of Deluxe Star International Limited, which is an Unrestricted Subsidiary, as of the Issue Date. Deluxe Star International Limited owns 100 per cent. of the share capital of Zhongshan A-Living which is an Unrestricted Subsidiary incorporated in the PRC. Zhongshan A-Living is the holder of the substantial majority of our holdings in A-Living and as at the date of this Offering Circular, Zhongshan A-Living holds 712,800,000 Shares.

(c) Covenants

In respect of the Deed of Charge, so long as any Bond remains outstanding, save as approved by an Extraordinary Resolution of the Bondholders or as expressly contemplated or permitted in these Conditions, the Trust Deed, the Custody Agreement or the Deed of Charge, the Issuer will not, and the Guarantor will procure that the Issuer will not:

(i) create or permit to subsist any Security or Quasi-Security upon all or any of the Bonds Security Assets that are subject to the Deed of Charge (other than pursuant to the Bonds Security Documents or the Custody Agreement); or

(ii) enter into a single transaction or a series of transactions (whether related or not and whether voluntary or involuntary) to sell, lease, loan, grant any option over, transfer, assign, redeem or otherwise dispose of any Bonds Security Asset that is subject to the Deed of Charge (including any of its rights in respect thereof).

In respect of the Hong Kong Share Mortgage and any Hong Kong Supplemental Share Mortgage, so long as any Bond remains outstanding, save as approved by an Extraordinary Resolution of the Bondholders or as expressly contemplated or permitted in these Conditions, the Trust Deed or the Hong Kong Share Mortgage, each of the Chargor, Deluxe Star International Limited and Zhongshan A-Living will not:

(A) sell, transfer, or otherwise dispose of, or create or permit to subsist any Security or Quasi Security over, any of the Shares held by Zhongshan A-Living (any such action, a "Disposal"), *provided, however, that* this shall not apply to (i) any Disposal where, following such Disposal, the Required Shares held by Zhongshan A-Living is greater than or equal to the Required Minimum, (ii) a Disposal in accordance with sub-paragraphs (x) and (y) below of this Condition 3(c), or (iii) a Designated Disposal;

(B) permit the Required Shares held by Zhongshan A-Living to fall below 95 per cent. of the Required Minimum at any time for so long as any Bonds remain outstanding (the "Maintenance Covenant");

(C) in the case of Deluxe Star International Limited and Zhongshan A-Living only, incur, enter into or permit to be outstanding any indebtedness, guarantee, indemnity or contingent liability, except for (i) those created under the Bonds Documents or (ii) any indemnity arising solely in connection with (x) any Disposal permitted under paragraph (A) above or (y) any transaction or activity expressly permitted under any Bonds Documents;

(D) in the case of Deluxe Star International Limited and Zhongshan A-Living only, carry on any business or enter into any transactions other than (i) the incurrence of and permitting to subsist any liabilities under the Bonds Documents, (ii) in relation to its ordinary and usual course of business as a holding company, (iii) any sale of shares of Zhongshan A-Living provided that the Maintenance Covenant continues to be complied with and (iv) a Disposal permitted under paragraph (A) above or (iv) as expressly permitted under any Bonds Document;

(E) enter into any amalgamation, demerger, merger or corporate reconstruction (other than where the surviving entity assumes all of the obligations of the relevant Obligor under the relevant Bonds Documents); or

(F) in the case of Deluxe Star International Limited and Zhongshan A-Living only, issue any further shares, grant to any person any conditional or unconditional option, warrant or other right to call for the issue or allotment of, subscribe for, purchase or otherwise acquire any of its shares or enter into any arrangements the effect of which would be to transfer to or entitle any other person to voting rights or economic interests in any of Deluxe Star International Limited or Zhongshan A-Living, other than through the issuance of shares by, or the sale or transfer of shares of, Deluxe Star International Limited and Zhongshan A-Living (of the same class as the shares in existence as at the date hereof) which carry rights and entitlements substantially identical to the rights of the shareholders of Deluxe Star International Limited and Zhongshan A-Living (as the case may be), whether such rights and entitlements are granted through the constitutional documents of the relevant company, by contract or otherwise, and provided that the Maintenance Covenant continues to be complied with.

In addition, upon the occurrence of an Event of Default which is continuing (as defined in the Trust Deed), each of the Chargor, Deluxe Star International Limited and Zhongshan A-Living jointly and severally undertake to:

(x) upon being so instructed by the Trustee, to use its best endeavours to procure the sale of such number of the Shares held by Zhongshan A-Living such that the proceeds of such sale (net of any costs, expenses and other amounts required to be deducted prior to distribution of the proceeds to the Chargor pursuant to paragraph (y) below)) shall be equal to or greater than the result of: (1) all amounts outstanding under the Bonds Documents minus (2) the aggregate Current Market Price (translated if necessary into Hong Kong dollars as at the Screen Rate on the Calculation Date) of the Shares subject to the Security created by the Deed of Charge, (which for the avoidance of doubt includes any Shares lent out pursuant to the Securities Lending Agreement), as soon as practicable at the best price reasonably obtainable in the market; and

(y) take any and all action required to promptly distribute the proceeds of such sale to the Chargor, whether through the payment of dividends or distributions or otherwise.

"**Designated Disposal**" means any disposal of all or substantially all of the Shares held by Zhongshan A-Living on an arms' length basis, provided that an amount equivalent to the Minimum Cash Amount is deposited in a bank account secured in favour of the Trustee for the benefit of the Secured Parties on or prior to the date on which such disposal takes place.

"**Minimum Cash Amount**" means, in respect of any Designated Disposal, such amount in cash which is equal to (a) the aggregate Current Market Price (translated if necessary into Hong Kong dollars as at the Screen Rate on the Calculation Date) of the Shares constituting the Exchange Property (taking into account for such purpose any Relevant Event which may arise as a result of a Designated Disposal) minus (b) the aggregate Current Market Price (translated if necessary into Hong Kong dollars as at the Screen Rate on the Calculation Date) of the Shares subject to the Security created by the Deed of Charge, (which for the avoidance of doubt includes any Shares lent out pursuant to the Securities Lending Agreement) calculated on the date (the "Calculation Date" in respect of such Designated Disposal) on which the agreement with respect to the Designated Disposal is entered into.

"**Required Shares**" means, as at any date of determination, a number equal to:

Required Shares = A x B x C x D

Where:

A = the number of Shares held by Zhongshan A-Living at such time, free of any Security or any Quasi Security (but excluding for such purpose any Shares in relation to which an agreement has been entered into for the Disposal thereof, but such Disposal has not yet been effected);

B = a fraction where the numerator is the number of shares of Deluxe Star International Limited subject to valid Bonds Security Interests pursuant to the Bonds Security Documents at the relevant time and the denominator is the total number of shares of Deluxe Star International Limited in issuance at such time;

C = 40.0 per cent.; and

D = a fraction where the numerator is the number of shares of Zhongshan A-Living held by Deluxe Star International Limited, free of any Security or any Quasi Security at the relevant time and the denominator is the total number of shares of Zhongshan A-Living in issuance at such time;

"**Quasi-Security**" means a transaction under which the Issuer or the Chargor (as the case may be) will:

(a) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by it;

(b) sell, transfer or otherwise dispose of any of its receivables on recourse terms;

(c) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts;

(d) enter into or permit to subsist any title retention arrangement; or

(e) enter into any other arrangement having a similar effect.

"**Required Minimum**" means (a) the number of Shares constituting the Exchange Property at the relevant time minus (b) the number of Shares subject to the Security created by the Deed of Charge at such time (which for the avoidance of doubt includes any Shares lent out pursuant to the Securities Lending Agreement).

(d) Release

(i) The Lien over the Collateral will be released in relation to the Bonds (A) upon the repayment in full of the Bonds, at maturity or through redemption, repurchase or otherwise, of the Bonds, (B) when no Bonds remain outstanding or (C) upon the release of the Lien over the Collateral under the terms of the Senior Notes. For the avoidance of doubt, in the event the Guarantor has repaid or defeased in full, at maturity or through redemption, repurchase, defeasance in accordance with the terms of the Senior Notes or otherwise, all outstanding Senior Notes, the Lien over the Collateral will also be released in relation to the Bonds.

The Trustee shall comply, without the consent of any Bondholder, with a request to release the security interest over any of the Collateral under this Condition 3(d)(i) if the conditions precedent to such release set forth in these Conditions and the Trust Deed have been complied with, as evidenced and certified by an Officers' Certificate from the Guarantor, and the Trustee shall give such instructions as are necessary to effect and evidence such release in accordance with the Security Documents, the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement. The Trustee shall accept and rely conclusively, without further inquiry or investigation, upon such Officers' Certificate as sufficient evidence that all conditions precedent to such release are satisfied and such release is being made in accordance with the Transaction Documents without liability to any Obligor, any Bondholder, any other Secured Party or any other person.

(ii) Prior to the Bonds becoming immediately due and payable as contemplated in Condition 13, the Issuer is permitted to withdraw from the Accounts:

(A) such portion of the Exchange Property as is required for delivery of the pro rata share of the Exchange Property to a Bondholder on an exercise of Exchange Rights in respect of the Bonds;

(B) where dividends distributed in cash to holders of the relevant Shares constituting the Exchange Property have been credited to the Accounts, all such cash dividends;

(C) such portion of the Exchange Property as is required for delivery under the securities lending agreement dated on or around 17 November 2021 under which the Issuer agrees to lend up to an aggregate of 35,000,000 Shares (the "Securities Lending Agreement"), to the extent relevant; and

(D) such portion of the Exchange Property where withdrawal thereof is approved in advance by a special quorum resolution (as defined in the Trust Deed) or is for payment of the Custodian's fees and expenses under the Custody Agreement.

Where the Issuer is permitted to withdraw any amount or asset, right or property from any of the Accounts pursuant to this Condition 3(d)(ii), such amount or asset, right or property shall be released from the Security created over the relevant Account and reassigned by the Trustee in favour of the Issuer, in each case without recourse, representation or warranty of title by the Trustee, upon such withdrawal in accordance with the terms of the Deed of Charge, *provided that* (X) by 10:00 a.m. (Hong Kong time) on the third Business Day prior to the making of any such withdrawal, the Issuer shall and the Guarantor shall procure the Issuer to, deliver to each of the Custodian and the Trustee a certificate in English signed by an Authorised Signatory (as defined in Condition 6) (who shall also be an Authorised Representative (as defined in the Custody Agreement)) of the Issuer, stating that the Issuer is entitled to effect such withdrawal, setting forth details of such withdrawal and (where applicable) setting forth instructions to the Custodian with respect to such withdrawal, and (Y) the costs and expenses of the Trustee and the Custodian incurred or to be incurred in connection with the withdrawal have been provided for to the satisfaction of the Trustee and the Custodian. The Trustee and the Custodian shall accept and rely conclusively, without further inquiry or investigation, upon any such certificate as sufficient evidence that such withdrawal is permitted pursuant to, and such withdrawal is being made in accordance with, this Condition 3(d)(ii) without liability to any Obligor, any Bondholder, any other Secured Party or any other person, and the same shall be conclusive and binding on the Obligors, the Bondholders and each other Secured Party. The form of such certificate shall be substantially in the form set out in the Trust Deed.

(e) Enforcement of Collateral and Bonds Security Assets

(i) The Intercreditor Agreement and (as applicable) the Sub-Collateral Agent Appointment Agreement provide for the conditions under which the Sub-Collateral Agent will take enforcement actions with respect to such Collateral.

(ii) The Bonds Security Interests shall become immediately enforceable in accordance with the Trust Deed.

If any Bonds Security Interest becomes enforceable under any Bonds Security Document and provided that the Bonds have become immediately due and payable as contemplated in Condition 13, the Trustee may at its discretion and, if so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (in each case without further notice or formality and subject to first being indemnified and/or secured and/or pre-funded to its satisfaction) enforce all or any of such Bonds Security Interests subject as provided below. The Trustee shall act on the first such request or direction received pursuant to this Condition 3(e)(ii) (subject to it being indemnified and/or secured and/or pre-funded to its satisfaction) and shall have no personal liability to any Obligor, any Bondholder, any other Secured Party or any other person for doing so. To do this, the Trustee may at its discretion appoint a receiver, a delegate and/or a sub-delegate and/or take possession of and/or realise all or any part of the Bonds Security Assets and/or take action or proceedings against any person liable in respect of all or any part of the Bonds Security Assets and/or any rights in relation to the Bonds Security Documents, the Bonds Security Interests, the Custody Agreement and/or the Accounts and/or take any step, action or proceedings provided for in or pursuant, and/or in each case subject, to the Bonds Documents, but without any liability to any Obligor, any Bondholder, any other Secured Party or any other person as to the consequences of any such step, action or proceedings and without having regard to the effect of such action or proceedings on any Obligor or individual Bondholders or any Secured Party, and provided that the Trustee shall not be required to take any action, step or proceedings that would involve any personal liability or exposure, whether financial or otherwise, without first being indemnified and/or secured and/or pre-funded to its satisfaction.

Following any realisation of the Bonds Security Assets in accordance with the foregoing provisions of this Condition 3(e)(ii), the Trustee shall apply the proceeds in accordance with Condition 3(f) and the Trust Deed.

(f) Application

Pursuant to the Trust Deed, the Trustee shall apply all moneys received by it in its capacity as the trustee of the outstanding Bonds hereunder or under the Trust Deed and the Bonds Security Documents, (in each case including amounts realised upon enforcement of any Security in respect thereof) in the following order:

(i) first, in payment of all fees, costs, charges, expenses, indemnities and liabilities incurred by or payable to the Trustee and the Custodian (including remuneration payable to the Trustee and the Custodian) and any receiver, delegate or sub-delegate and/or any Appointee (as defined in the Trust Deed) of the Trustee in preparing and executing the trusts under the Trust Deed and/or in carrying out its functions and/or exercising its rights, powers and/or discretions under and in connection with the Trust Deed and/or the other Transaction Documents (including holding and enforcing the Bonds Security Assets and including any taxes, duties and other amounts required to be paid in connection therewith, the costs of realising any Security and the remuneration, expenses and other amounts payable to the Trustee or the Custodian and any receiver, delegate or sub-delegate and any Appointee appointed by it, including the Agents for so long they are acting as agents of the Trustee);

(ii) secondly, in payment of any other amounts due and payable to the Agents and the Calculation Agent in carrying out their respective functions and/or exercising any rights, powers and/or discretions under the Bonds Documents and these Conditions on a *pro rata* basis;

(iii) thirdly, in payment of any amounts of principal, premium and interest (if any) owing in respect of the outstanding Bonds *pari passu* and rateably;

(iv) fourthly, in payment of any unpaid Default Cure Amount (in the amount as advised by the Calculation Agent to the Trustee) which is payable to any exchanging holder as provided in and subject to Condition 13 *pari passu* and rateably; and

(v) lastly, in payment of any balance (if any) to the Issuer for itself and any other Obligor.

(g) Trustee, etc. not liable for Bonds Security Assets and Collateral

None of the Trustee, the Agents and the Custodian will assume any responsibility or liability for the title, ownership, value, sufficiency or existence of any asset being the subject, or the validity, adequacy, sufficiency, priority or enforceability, (which none of them has investigated) of any Security or Lien contemplated by these Conditions or purported to be created by the Transaction Documents, or any other Security or Lien, and none of them shall be or be deemed to be under any obligation to monitor the performance of any person in relation to any Security or Lien (including whether the discharge, withdrawal or release of any Security or Lien, or any Bonds Security Asset or Collateral, is in accordance with these Conditions and/or the Transaction Documents), even if such defect or failure would have been discoverable on enquiry or investigation by any of them. For the avoidance of doubt, none of them shall be under any duty to investigate any such Bonds Security Assets or Collateral, or any Security or Lien, or to take any steps to register or perfect, or ensure the registration or perfection of, any such Bonds Security Assets or Collateral, or any Security or Lien. None of them shall be responsible or liable for any unsuitability, inadequacy or unfitness of the Bonds Security Assets or Collateral as security for the secured amounts or obligations and each of them is entitled to assume such suitability, adequacy and fitness without investigation and without liability to any Obligor, any Bondholder, any other Secured Party or any other person.

4 NEGATIVE PLEDGE

Each of the Issuer and the Guarantor undertakes that, so long as any of the Bonds remains outstanding or any amount is due under or in respect of any Bonds or otherwise under the Trust Deed, it will not, and will procure that none of their respective Subsidiaries (other than any Unrestricted Subsidiary, Listed Subsidiary or Exempted Subsidiary) will, create or permit to subsist or arise any mortgage, charge, pledge, lien or other security interest upon the whole or any part of their respective present or future assets or revenues to secure any Relevant Indebtedness of the Issuer, the Guarantor or any such Subsidiary or any other person or entity or to secure any guarantee of or indemnity in respect of any such Relevant Indebtedness (except for any Further Security Interest that is permitted by these Conditions or as permitted under the Senior Notes) unless, at the same time or prior thereto, the Issuer's obligations under the Bonds are secured equally and rateably by the same mortgage, charge, pledge, lien or other security interest or, at the option of the Issuer, by such other security, guarantee, indemnity or other arrangement which in the opinion of the Trustee shall not be materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution of the Bondholders.

In these Conditions:

(a) any reference to "**Further Security Interest**" is to a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other arrangement having a similar economic effect;

(b) any reference to "**Relevant Indebtedness**" is to any future or present indebtedness incurred outside the PRC which is in the form of or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depository receipts, certificates of deposit or other similar securities which are, or are issued with the intention on the part of issuer thereof that they should be, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or any other securities market (whether or not initially distributed by way of private placement), which for the avoidance of doubt does not include indebtedness under any bilateral, syndicated or club loan or loan facility.

5 REGISTRATION AND TRANSFER OF BONDS

(a) Registration

The Issuer will cause the Register to be kept at the specified office of the Registrar and outside of the United Kingdom on which will be entered the names and addresses of the Bondholders and the particulars of the Bonds held by them and of all transfers, redemptions and exchanges of Bonds.

(b) Transfer

The Bonds may, subject to the terms of the Agency Agreement and to Conditions 5(c) and 5(d), be transferred in an authorised denomination (or integral multiple thereof) by lodging the relevant Certificate (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Transfer Agent, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer, the Registrar or such Transfer Agent), duly completed and executed by the Bondholder or his attorney duly authorised in writing and any other evidence as the Registrar or such Transfer Agent may require to prove the title and identity of the transferor and the authority of the individuals who have executed such form of transfer.

No transfer of a Bond will be valid unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will, within 10 Business Days in the place of the specified office of the Registrar of any duly made application for the transfer of a Bond, register the relevant transfer and make available a new Certificate to the transferee (and, in the case of a transfer of part only of a transferor's holding, make available a Certificate for the untransferred balance to the transferor) at the specified office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Certificate by uninsured mail to such address as the transferee or, as the case may be, the transferor may request. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers of Bonds (the "Regulations"), the initial form of which is scheduled to the Agency Agreement. The Regulations may be amended and/or supplemented by the Issuer or the Guarantor, with the prior written approval of the Registrar and the Trustee, or by the Registrar with the prior written approval of the Trustee. A copy of the current Regulations will be made available by the Registrar at its specified office for inspection by any Bondholder at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m. (Hong Kong time) on any business day in the location of the specified office of the Registrar) following prior written request and proof of holding and identity to the satisfaction of the Registrar.

(c) Formalities Free of Charge

Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require), (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title and identity of the person making the application and (iii) the relevant Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

(d) Closed Periods

No Bondholder may require the transfer of a Bond (or part thereof) to be registered (i) during the period of seven days ending on and including the day immediately prior to the Maturity Date or any earlier date fixed for redemption of the Bonds pursuant to Condition 10; (ii) in respect of which an Exchange Notice has been delivered in accordance with Condition 8(b); or (iii) during the period of seven days ending on (and including) any Interest Record Date (as defined in Condition 11(a)).

6 DEFINITIONS

For the purpose of these Conditions, the following words and phrases shall have the following meanings:

"**Accounts**" means the Custodian Cash Account and/or the Custodian Securities Account;

"**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, at any time during the period for which the determination of affiliation is 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;

"**A-Living**" means, subject as provided in the definition of Shares set out herein, A-Living Smart City Services Co., Ltd. 雅生活智慧城市服務股份有限公司, a company incorporated under the laws of the PRC and whose H shares are listed on the Main Board of the HKSE with stock code 3319;

"**Authorised Signatory**" has the meaning given in the Trust Deed;

"**Board of Directors**" means the board of directors elected or appointed by the stockholders of the Guarantor to manage the business of the Guarantor or any committee of such board duly authorized to take the action purported to be taken by such committee;

"**Board Resolution**" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors;

"**Bondholder**" and "**Holder**" mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first named thereof);

"**Bonds Security Assets**" means the assets which from time to time are, or are expressed to be, the subject of the Bonds Security Documents or the Bonds Security Interests, or any part of those assets;

"**Bonds Documents**" means the Bonds, these Conditions, the Trust Deed, the Agency Agreement, the Bonds Security Documents, the Calculation Agency Agreement and the Custody Agreement;

"**Bonds Security Documents**" means the Deed of Charge, the Hong Kong Share Mortgage and any Hong Kong Supplemental Share Mortgage (for the avoidance of doubt, Bonds Security Documents shall not include the Security Documents);

"**Bonds Security Interests**" means all or any of the Security created or expressed to be created in favour of the Trustee by or pursuant to the Bonds Security Documents;

"**Business Day**" means a day (other than a Saturday or a Sunday) (i) on which commercial banks and foreign exchange markets settle payments generally in Hong Kong (and, if such "Business Day" is specified to be in relation to any place, Hong Kong and such place) and (ii) which is not a public holiday in Hong Kong (or, if such "Business Day" is specified to be in relation to any place, Hong Kong and such place), provided that "Exchange Business Day" and "PRC Business Day" shall have the meanings given to these terms in these Conditions;

"**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 Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock;

"**Change of Control**" means the occurrence of one or more of the following events:

(a) the merger, amalgamation or consolidation of the Guarantor or A-Living with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Guarantor or A-Living, or the sale of all or substantially all the assets of the Guarantor or A-Living to another Person (other than (in the case of the sale of all or substantially all the assets of the Guarantor) one or more Permitted Holders);

(b) 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 Guarantor or A-Living greater than such total voting power held beneficially by the Permitted Holders;

(c) individuals who on the Issue Date constituted the board of directors of the Guarantor or A-Living, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors present at the meeting voting on such election who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Guarantor or A-Living then in office;

(d) the adoption of a plan relating to the liquidation or dissolution of the Guarantor or A-Living;

(e) the Guarantor ceases to hold (either directly or indirectly) at least 30 per cent. of the issued share capital of A-Living; or

(f) the Guarantor ceases to hold (either directly or indirectly) 100 per cent. of the issued share capital of the Issuer;

"**Charged Shares**" means all the Issuer's right, title and interest from time to time in and to all Investments (including any Shares) which at that time are held in the Custodian Securities Account and all Related Rights (DOC);

"**Closing Price**" means, in respect of a Share or any other security, option, warrant or other right or asset, on any Trading Day in respect thereof, the closing price on the Relevant Exchange in respect thereof on such Trading Day of a Share or, as the case may be, such security, option, warrant or other right or asset published by or derived from Bloomberg page HP (or any successor ticker or page) (setting Last Price, or any other successor setting and using values not adjusted for any event occurring after such Trading Day; and for the avoidance of doubt, all values will be determined with all adjustment settings on the DPDF Page, or any successor or similar setting, switched off) in respect of such Share, security, option, warrant or other right or asset (all as determined by the Calculation Agent) (and for the avoidance of doubt such Bloomberg page for the Shares as at the Issue Date is 3319 HK Equity HP), if available or, in any other case, such other source (if any) as shall be determined in good faith to be appropriate by an Independent Adviser on such Trading Day, provided that:

(i) if on any such Trading Day (for the purpose of this definition, the "Original Date") such price is not available or cannot otherwise be determined as provided above, the Closing Price of a Share, security, option, warrant, or other right or asset, as the case may be, in respect of such Trading Day shall be the Closing Price, determined by the Calculation Agent as provided above, on the immediately preceding Trading Day in respect thereof on which the same can be so determined, *provided, however, that* if such immediately preceding Trading Day falls prior to the fifth day before the Original Date, the Closing Price in respect of such Trading Day shall be considered to be not capable of being determined pursuant to this proviso (i); and

(ii) if the Closing Price cannot be determined as aforesaid, the Closing Price of a Share, security, option, warrant, or other right or asset, as the case may be, shall be determined as at the Original Date by an Independent Adviser in such manner as it shall determine in good faith to be appropriate,

and the Closing Price determined as aforesaid on or as at any Trading Day shall, if not in the Relevant Currency, be translated into the Relevant Currency at the Screen Rate on such Trading Day;

"**Collateral**" means all collateral securing, or purported to be securing, directly or indirectly, the Bonds or any Subsidiary Guarantee pursuant to the Security Documents, and shall initially consist of the Capital Stock of the initial Subsidiary Guarantors held by the Guarantor or the initial Subsidiary Guarantor Pledgors;

"**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 Issue Date, and include, without limitation, all series and classes of such common stock or ordinary shares;

"**Consideration Date**" means, in relation to any Offer (or compulsory acquisition) or Scheme of Arrangement, the date upon which the consideration is received by the Issuer under the terms of the Offer (or compulsory acquisition) or Scheme of Arrangement;

"**Current Market Price**" means, in respect of a Share at a particular date, the arithmetic average of the Closing Prices of one Share on each of the 20 consecutive Trading Days ending on (and including) the Trading Day immediately preceding such date; *provided that*:

(a) for the purposes of determining the Current Market Price pursuant to Conditions 8(c)(4) or (6) in circumstances where the relevant event relates to an issue of Shares credited as fully paid, if at any time during the said 20 Trading Day-period (which may be on each of such 20 Trading Days) the Shares shall have been quoted ex-dividend (or ex- any other entitlement) and/or during some other part of that period (which may be on each of such 20 Trading Days) the Shares shall have been quoted cum-dividend (or cum- any other entitlement) then:

(i) if the Shares to be issued in such circumstances do not rank for the dividend (or other entitlement) in question, the quotations on the dates on which the Shares shall have been quoted cum-dividend shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of that dividend (or other entitlement) per Share as at the relevant Determination Date; or

(ii) if the Shares to be issued in such circumstances rank for the dividend (or other entitlement) in question, the quotations on the dates on which the Shares shall have been quoted ex-dividend (or other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of that dividend (or other entitlement) per Share as at the relevant Determination Date;

(b) for the purpose of determining the Current Market Price of any Shares which are to be issued or may be issued pursuant to a Scrip Dividend pursuant to Condition 8(c)(2)(ii), if on any day during the said 20 Trading Day-period the Volume Weighted Average Price of the Shares shall have been based (A) on a price cum the Relevant Cash Dividend (and/or any other dividend or other entitlement which the Shares that may be issued pursuant to terms of such Scrip Dividend do not rank for), the Volume Weighted Average Price of a Share on any such day shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of the Relevant Cash Dividend (and/or such other dividend or other entitlement) (as at the date of first public announcement of the terms of such Relevant Cash Dividend) per Share entitled to the Relevant Cash Dividend (and/or such other dividend or other entitlement) or (B) on a price ex- the Relevant Cash Dividend, the Volume Weighted Average Price of a Share on any such day shall for the purposes of this definition be deemed to be the amount thereof (x) multiplied by the sum of one and the number of Shares which are to be issued or may be issued pursuant to such Scrip Dividend per Share entitled to the Relevant Cash Dividend and (y) reduced by the Fair Market Value of the Relevant Cash Dividend (as at the date of first public announcement of the terms of such Relevant Cash Dividend) per Share entitled to the Relevant Cash Dividend; and

(c) for any other purpose, if any day during the said 20 Trading Day-period was the ex-date in relation to any dividend (or any other entitlement) the Volume Weighted Average Prices that shall have been based on a price cum- such dividend (or cum- such entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such dividend (or other entitlement) per Share as at the date of first public announcement of the terms of such dividend (or other entitlement),

all as determined by the Calculation Agent, provided that in making any calculation or determination of Current Market Price, such adjustments (if any) shall be made as the Calculation Agent or an Independent Adviser considers appropriate to reflect any consolidation or sub-division of the Shares or any issue of Shares by way of capitalisation of profits or reserves, or any like or similar event;

"**Custodian**" means China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) or any successor or replacement therefor in accordance with the Custody Agreement;

"**Custodian Cash Account**" means all of the Issuer's rights, title and interest from time to time in and to the cash account so designated under the Deed of Charge held in the name of the Issuer with the Custodian pursuant to the Custody Agreement (as that account may be renumbered or re-designated from time to time with prior written notice to the Trustee), all balances from time to time standing to the credit of or accrued or accruing on or to that cash account and all Related Rights (DOC);

"**Custodian Securities Account**" means all the Issuer's rights, title and interest from time to time in and to the securities account so designated under the Deed of Charge held in the name of the Issuer with the Custodian pursuant to the Custody Agreement (as that account may be renumbered or re-designated from time to time with prior written notice to the Trustee), all securities (including all Charged Shares) or other assets or balances from time to time held in or standing to the credit of or accrued or accruing on or to that securities account and all Related Rights (DOC);

"**Custody Agreement**" means the custody agreement dated on or about the Issue Date between the Issuer, the Custodian and the Trustee in connection with the Accounts, as the same may be modified, amended, supplemented, novated and/or restated from time to time in accordance with its terms;

"**Default**" means any event that is, or after notice or passage of time or both would be, an Event of Default;

"**Default Cure Amount**" has the meaning provided in Condition 13;

"**De-listing Event**" means, for so long as Shares are comprised in the Exchange Property, (1) A-Living at any time ceasing to be admitted to listing and trading on the HKSE or (2) any such listing being suspended for a period of 30 consecutive Business Days;

"**De-listing Event Notice**" has the meaning provided in Condition 9(e);

"**De-listing Event Period**" means the period commencing on and including the date of the occurrence of a De-listing Event and ending on and including the day falling 60 calendar days following the De-listing Event or, if later, 60 calendar days following the date on which a De-listing Event Notice is given to Bondholders as required by Condition 9(e);

"**De-listing Event Put Date**" has the meaning provided in Condition 10(c)(ii);

"**De-listing Event Put Exercise Notice**" has the meaning provided in Condition 10(c)(ii);

"**Distribution**" means (a) any distribution of assets in specie by A-Living made to all or substantially all Shareholders for any financial period whenever paid or made and however described (and for these purposes a distribution of assets in specie includes without limitation an issue of Shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves, but excludes a Scrip Dividend adjusted for under Condition 8(c)(2)(ii)); and (b) any cash dividend or distribution (including for this purpose any Relevant Cash Dividend) of any kind by A-Living to all or substantially all Shareholders for any financial period (whenever paid and however described) translated (if necessary) into Hong Kong dollars at (i) the exchange rate between Renminbi and Hong Kong dollars expressed to be used by A-Living in respect of such cash dividend or distribution (where applicable) or (ii) in all other cases, the Screen Rate as at the first public announcement of the terms of such distribution as is referred to under (a) and/or (b) of this definition. In making any such calculation, such adjustments (if any) shall be made as the Calculation Agent or an Independent Adviser may consider appropriate to reflect (A) any consolidation or subdivision of the Shares, (B) issues of Shares by way of capitalisation of profits or reserves, or any like or similar event or (C) the modification of any rights to dividends of Shares;

"**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;

"**Exchange Business Day**" means a day on which both CCASS and the share registrar and transfer office of A-Living are open for business for trade, settlement of the Shares and for registration of share transfers.

"**Exchange Date**" has the meaning provided in Condition 8(b)(ii);

"**Exchange Expenses**" has the meaning provided in Condition 8(b)(iii);

"**Exchange Notice**" has the meaning provided in Condition 8(b)(i);

"**Exchange Period**" has the meaning provided in Condition 8(a)(ii);

"**Exchange Property**" has the meaning provided in Condition 8(a)(i);

"**Exchange Right**" has the meaning provided in Condition 8(a)(i);

"**Exempted Subsidiary**" means any Restricted Subsidiary organised in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee or create any Lien over its Capital Stock to secure any of the secured obligations subject to the Security Documents; provided that (x) the Guarantor shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee, 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 Guarantor having obtained such applicable approval or registration;

"**Existing Notes**" means (a) the 5.125% Senior Notes due 2022 issued by the Guarantor pursuant to an indenture dated 14 August 2017, as amended and supplemented from time to time; (b) the 6.70% Senior Notes due 2022 issued by the Guarantor pursuant to an indenture dated 7 March 2019, as amended and supplemented from time to time; (c) the 5.75% Senior Notes due 2025 issued by the Guarantor pursuant to an indenture dated 2 July 2020, as amended and supplemented from time to time; (d) the 6.05% Senior Notes due 2025 issued by the Guarantor pursuant to an indenture dated 13 October 2020, as amended and supplemented from time to time; (e) the 5.5% Senior Notes due 2026 issued by the Guarantor pursuant to an indenture dated 17 May 2021, as amended and supplemented from time to time; (f) the 5.5% Senior Notes due 2025 issued by the Guarantor pursuant to an indenture dated 21 July 2021, as amended and supplemented from time to time; and (g) the 4.85% Senior Notes due 2022 issued by the Guarantor pursuant to an indenture dated 1 September 2021, as amended and supplemented from time to time;

"**Extraordinary Resolution**" has the meaning provided in the Trust Deed;

"**Fair Market Value**" means, with respect to any property as at or on any date (the "**FMV Date**"):

(a) in the case of a Distribution pursuant to limb (b) of the definition thereof (including without limitation any Relevant Cash Dividend), the cash amount of such Distribution, as determined by the Calculation Agent;

(b) in the case of any other cash amount, the amount of such cash, as determined by the Calculation Agent;

(c) in the case of securities (including the Shares), options, warrants or other rights or assets that are or will be publicly traded on a Relevant Exchange of adequate liquidity (as determined by the Calculation Agent or an Independent Adviser), the arithmetic mean of (i) the Volume Weighted Average Prices of such Shares, securities, options, warrants or other rights or assets or (ii) (if no Volume Weighted Average Price is generally available in respect of such securities, options, warrants or other rights or assets) the Closing Prices of such securities, options, warrants or other rights or assets, in each case on each Trading Day comprised in the period of five Trading Days in respect thereof commencing on (and including) such FMV Date (or, if later, the date (the "Adjusted FMV Date") which falls on the first such Trading Day on which such securities, options, warrants or other rights or assets are publicly traded, provided that where such Adjusted FMV Date falls after the fifth day following the FMV Date, the Fair Market Value of such securities, options, warrants or other rights or assets shall instead be determined pursuant to paragraph (d) below, and no such Adjusted FMV

Date shall be deemed to apply) or such shorter period as such securities, options, warrants or other rights or assets are publicly traded, all as determined (unless otherwise specified) by the Calculation Agent; and

(d) in the case of securities, options, warrants or other rights or assets that are not publicly traded on a Relevant Exchange of adequate liquidity (as aforesaid) or where otherwise provided in paragraph (c) above to be determined pursuant to this paragraph (d), an amount equal to the fair market value of such securities, options, warrants or other rights or assets as determined by an Independent Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Share, the dividend yield of a Share, the volatility of such market price, prevailing interest rates and the terms of such securities, options, warrants or other rights or assets, including as to the expiry date and exercise price (if any) thereof.

Such amounts shall, in the case of (a) above, be translated into the Relevant Currency (if declared or paid or payable in a currency other than the Relevant Currency, and if the relevant dividend is payable at the option of A-Living or a Shareholder in any currency additional to the Relevant Currency, the relevant dividend shall be treated as payable in the Relevant Currency) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash dividend in the Relevant Currency; and in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Screen Rate on that date. In addition, in the case of (a) and (b) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit;

A "**Free Float Event**" occurs on the first date on which less than 25 per cent. of A-Living's total number of issued shares are held by the public, provided that if following the occurrence of any Free Float Event, at least 25 per cent. of A-Living's total number of issued shares are held by the public on any day following the date of occurrence of such Free Float Event (the "Reference Date" in respect of such Free Float Event), a further Free Float Event may subsequently occur on the first date (falling after the Reference Date in respect of such Free Float Event) on which less than 25 per cent. of A-Living's total number of issued shares are held by the public;

"**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;

"**HK$**" means the lawful currency of Hong Kong;

"**HKSE**" means The Stock Exchange of Hong Kong Limited or any successor of that stock exchange;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**Hong Kong Supplemental Share Mortgage**" means any Hong Kong law governed share mortgage in the form scheduled to the Hong Kong Share Mortgage between the Chargor and the Trustee in respect of shares in Deluxe Star International Limited, supplementing the Hong Kong Share Mortgage;

"**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 shall not be considered an Incurrence of indebtedness. The terms "**Incurrence**", "**Incurred**" and "**Incurring**" have meanings correlative with the foregoing;

"**Indenture**" means each of the respective indentures governing the Existing Notes;

"**Independent Adviser**" means an independent institution or adviser of international repute with appropriate expertise, which may (without limitation) be the Calculation Agent, selected and appointed by the Issuer at its own (failing which, the Guarantor's) expense and notified in writing to the Trustee;

"**Investments**" means all the Issuer's right, title and interest from time to time in and to:

(a) shares, stocks, debentures, units, bonds, notes, commercial paper, certificates of deposit, depository interests, securities and other investments;

(b) warrants, options and other rights to subscribe for, purchase or otherwise acquire securities and investments;

(c) any other securities or investments deriving from Investments or any rights attaching or relating to securities or investments,

in each case including whether held through the Central Clearing and Settlement System of Hong Kong operated by Hong Kong Securities Clearing Company Limited ("CCASS") or any other clearing system and any rights against any custodian, nominee, clearing system or other similar person holding any such right, title or interest on its behalf, and all dividends and other Related Rights (DOC);

"**Issuer Optional Redemption Date**" has the meaning provided in Condition 10(b)(ii);

"**Issuer Optional Redemption Notice**" has the meaning provided in Condition 10(b)(ii);

"**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 JV 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 Guarantor; and (ii) a percentage equal to the direct equity ownership percentage of the Guarantor and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries;

"**JV 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 JV 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 international standing appointed by the Guarantor;

"**JV Subsidiary Guarantor**" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee;

"**Lien**" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind);

"**Listed Subsidiary**" means any Restricted Subsidiary any class of 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;

"**Maturity Date**" means the Interest Payment Date falling on or nearest to 24 November 2026;

"**Obligor**" means any of the Issuer, the Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Chargor, Deluxe Star International Limited and Zhongshan A-Living, and together the "**Obligors**";

"**Offer**" means a publicly announced offer to the holders of any Shares comprising Exchange Property, whether expressed as a legal offer, an invitation to treat or in any other way, in circumstances where such offer is available to all holders of the applicable Shares or all or substantially all such holders other than any holder who is, or is connected with, or is deemed to be acting in concert with, the person making such offer or to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any stock exchange in any territory, it is determined not to make such an offer;

"**Officer**" means, in relation to an Obligor, one of the executive officers (which shall also be an Authorised Signatory) of, as the case may be, that Obligor or, in the case of a Subsidiary Guarantor or a JV Subsidiary Guarantor, one of the directors or officers (which shall also be an Authorised Signatory) of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be;

"**Officers' Certificate**" means, in relation to an Obligor, a certificate signed by two Officers of such Obligor; provided, however, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor under the Trust Deed, "Officers' Certificate" means a certificate signed by one Officer if there is only one Officer of such Subsidiary Guarantor at the time such certificate is required to be delivered.

"**Optional Put Date**" has the meaning provided in Condition 10(c)(iii);

"**Optional Put Exercise Notice**" has the meaning provided in Condition 10(c)(iii);

"**Pari Passu Subsidiary Guarantee**" means a Guarantee by any Subsidiary Guarantor or any JV Subsidiary Guarantor of indebtedness of the Guarantor or any Subsidiary Guarantor; provided that (1) the Guarantor or such Subsidiary Guarantor was permitted to Incur such indebtedness under the indentures constituting the Senior Notes and (2) such guarantee ranks *pari passu* with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;

"**Permitted Holders**" means with respect to the Guarantor, any or all of the following:

(a) Chen Zhuo Lin, Chan Cheuk Yin, Luk Sin Fong, Fion, Chan Cheuk Hung, Chan Cheuk Hei and Chan Cheuk Nam;

(b) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (a) of this definition;

(c) the estate, trust or any immediate family member of any Persons listed in clause (a) of this definition or the legal representative of any of the foregoing; and

(d) 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 per cent. or more by one or more Persons specified in clauses (a), (b) and (c) of this definition,

and with respect to A-Living, the Guarantor;

"**Permitted Pari Passu Secured Indebtedness**" has the meaning provided in Condition 3(a)(ii);

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organisation or government or any agency or political subdivision thereof;

"**PRC**" means the People's Republic of China, and for the purpose of Bonds Documents, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;

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

"**Preferred Stock**" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person;

"***pro rata* share**" means, for each HK$1,000,000 in principal amount of the Bonds at any time, a fraction of the Exchange Property the numerator of which shall be HK$1,000,000 and the denominator of which shall be the aggregate principal amount of all the Bonds (including each HK$1,000,000 in principal amount of the Bonds to which the *pro rata* share relates) which are outstanding at such time (excluding for this purpose the principal amount of any Bonds in respect of which Exchange Rights have been exercised by a Bondholder but the Exchange Property has not yet been delivered or paid and excluding from the Exchange Property such *pro rata* share of the Exchange Property in relation to such Bonds);

"**Qualified Exchange**" means either (1) any of the New York Stock Exchange, the London Stock Exchange, the HKSE, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, Shanghai Stock Exchange or 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);

"**Register**" has the meaning provided in Condition 1;

"**Registration Date**" means in respect of any Shares comprised in the Exchange Property (or, as the case may be, Additional Exchange Property) to be delivered to a Bondholder upon exercise of Exchange Rights, the date on which the relevant Bondholder is registered as the holder of the Shares comprised in the Exchange Property (or, as the case may be, Additional Exchange Property);

"**Related Rights (DOC)**" has the meaning given to "Related Rights" in the Deed of Charge;

"**Related Rights (HK Share Mortgage)**" has the meaning given to "Related Rights" in the Hong Kong Share Mortgage;

"**Relevant Cash Dividend**" means any aggregate cash dividend or distribution (or portion thereof) to all or substantially Shareholders which would or could otherwise have been received by such Shareholders pursuant to the terms of a Scrip Dividend;

"**Relevant Corporation**" means A-Living, and any corporation or company derived from or resulting or surviving from the merger, consolidation, amalgamation, reconstruction or acquisition of A-Living with, into or by such other corporation or company;

"**Relevant Currency**" means Hong Kong dollars or, if at the relevant time or for the purposes of the relevant calculation or determination the HKSE is not the Relevant Exchange in respect of the Shares, the currency in which the Shares are quoted or dealt in on the Relevant Exchange in respect of the Shares at such time;

"**Relevant Date**" means, in respect of any Bond, whichever is the later of:

(a) the date on which payment in respect of it first becomes due; and

(b) if any payment is improperly withheld or refused the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days following the date on which notice is duly given by the Issuer to the Bondholders in accordance with Condition 18 that, upon further presentation of the relevant Bond, where required pursuant to these Conditions, being made, such payment will be made, provided that such payment is in fact made as provided in these Conditions;

"**Relevant Event**" means a Change of Control or a Free Float Event;

"**Relevant Event Exchange Period**" means, in respect of any Relevant Event, the period of 30 days following such Relevant Event, or, if later, 30 days immediately following the date on which the Relevant Event Notice in respect thereof is given to Bondholders;

"**Relevant Event Exchange Price**" has the meaning provided in Condition 8(c)(11);

"**Relevant Event Notice**" has the meaning provided in Condition 9(d);

"**Relevant Event Period**" means, in respect of any Relevant Event, the period commencing on and including the date of the occurrence of such Relevant Event and ending on and including 60 days following such Relevant Event or, if later, on and including 60 days following the date on which the Relevant Event Notice in respect thereof is given to Bondholders as required by Condition 9(d);

"**Relevant Event Put Date**" has the meaning provided in Condition 10(c)(i);

"**Relevant Event Put Exercise Notice**" has the meaning provided in Condition 10(c)(i);

"**Relevant Exchange**" means (i) in respect of the Shares, the HKSE or, if the Shares are no longer admitted to trading on the HKSE, the principal stock exchange or securities market on which the Shares are then listed, admitted to trading or quoted or dealt in, or (ii) in respect of any other security, option, warrant or other right or asset, the principal stock exchange or securities market on which the security, option, warrant or other right or asset is then listed, admitted to trading or quoted or dealt in;

"**Restricted Subsidiary**" means any Subsidiary of the Guarantor other than an Unrestricted Subsidiary;

"**Scheme of Arrangement**" means a scheme of arrangement, reorganisation, amalgamation or reconstruction of any company or companies (whether or not involving liquidation or dissolution) or analogous procedure that results in the acquisition by another entity of all or a majority of the Shares;

"**Screen Rate**" means, on any day, and, in respect of the translation of one currency into another currency, the spot mid-rate of exchange between such pair of currencies prevailing as at 10:00 a.m. (Hong Kong time) on that day (for the purpose of this definition, the "Original Date") as appearing on or derived from Bloomberg page in respect of such pair of currencies, or, if such rate cannot be so determined, such rate prevailing as at 10:00 a.m. (Hong Kong time) on the immediately preceding day on which such rate can be so determined (all as determined in good faith by the Calculation Agent), provided that if such immediately preceding day falls earlier than the fifth day prior to the Original Date or if such rate cannot be so determined by the Calculation Agent, the Screen Rate in respect of the Original Date shall be the rate determined in such other manner as an Independent Adviser shall in good faith consider appropriate;

"**Scrip Dividend**" means any Shares to be issued or that may be issued in lieu of any Relevant Cash Dividend;

"**Secured Liabilities**" means, collectively, the obligations under the Bonds, the Trust Deed, the Indentures, the Permitted Pari Passu Secured Indebtedness and the Security Documents;

"**Secured Party**" means any of (i) the Trustee, (ii) any Bondholder, (iii) any Agent, (iv) the Calculation Agent, (v) the Custodian, (vi) any receiver and manager or other receiver appointed in respect of all or any part of the Bonds Security Assets (together, a "Receiver"), or (vii) any delegate or sub-delegate (including any Appointee (as defined in the Trust Deed)) appointed by the Trustee or a Receiver, delegate or sub-delegate in accordance with the Trust Deed or a Bonds Security Document, and together the "**Secured Parties**";

"**securities**" means shares or other securities (including without limitation any options, warrants, convertible bonds, evidence of indebtedness or rights to subscribe or purchase shares or other securities);

"**Security**" means a mortgage, charge, pledge, lien, assignment by way of security or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect;

"**Security Documents**" means, collectively, the pledge agreements entered in connection with the Senior Notes, and any other agreements or instruments that may evidence or create any security interest in favour of the Trustee, the Collateral Agent, the holders of Secured Liabilities and/or any Bondholders in any or all of the Collateral (for the avoidance of doubt, Security Documents shall not include the Bonds Security Documents);

"**Securities Act**" means the U.S. Securities Act of 1933, as amended.

"**Settlement Date**" means, in the case of the exercise of Exchange Rights the date falling 20 Exchange Business Days after the relevant Exchange Date (or, in the case of Shares comprising Additional Exchange Property, the relevant Retroactive Adjustment Reference Date);

"**Shares**" means H shares of RMB1.00 nominal value each in the capital of A-Living or shares of any class or classes resulting from any consolidation, subdivision or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of A-Living. If, for any reason, any Shares which previously comprised all or part of the Exchange Property cease to be part of it and are replaced by other securities, the expression "Shares" as used in these Conditions shall thereafter refer to such securities or, in the case of a replacement in part, such securities and/or the Shares thereafter comprising or comprised in the Exchange Property, as the context may require, and if such securities are issued by an entity other than A-Living, then the expression "A-Living" as used herein shall thereafter refer to such entity or, in the case of a replacement in part as aforesaid, such entity and/or A-Living as the context may require;

"**Significant Restricted Subsidiary**" means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a "significant subsidiary" within the meaning of the definition of "significant subsidiary" in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date; provided that in each instance in such definition in which the term "10 percent" is used, the term "5 percent" shall be substituted therefor;

"**Stated Maturity**" means, (1) with respect to any indebtedness, the date specified in such debt security as the fixed date on which the final instalment 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 instalment of principal of or interest on any indebtedness, the date specified as the fixed date on which such instalment is due and payable as set forth in the documentation governing such indebtedness;

"**Subsidiary**" means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50 per cent. 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 per cent. or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is "controlled" and consolidated by such Person in accordance with GAAP;

"**Subsidiary Guarantor**" means any initial Subsidiary Guarantor named in the Trust Deed and any other Restricted Subsidiary which guarantees the payment of the Bonds pursuant to the Trust Deed and the Bonds; provided that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Trust Deed and the Bonds or (b) any JV Subsidiary Guarantor;

"**Subsidiary Guarantor Pledgor**" means any initial Subsidiary Guarantor Pledgor named in the Trust Deed and any other Subsidiary Guarantor which pledges Collateral to secure the obligations of the Guarantor under the Trust Deed and the Bonds and of such Subsidiary Guarantor under its

Subsidiary Guarantee; provided that a Subsidiary Guarantor Pledgor will not include any person whose pledge under the Security Documents has been released in accordance with the Security Documents, the Trust Deed and the Bonds;

"**Tax Redemption Date**" has the meaning provided in Condition 10(b)(i);

"**Tax Redemption Notice**" has the meaning provided in Condition 10(b)(i);

"**Trading Day**" means in respect of Shares, or other securities or options, warrants or other rights, a day on which the Relevant Exchange in respect thereof is open for business, other than, in any such case, a day on which such Relevant Exchange is scheduled to or does close prior to its regular closing time, provided that where a "Trading Day" shall be deemed to be in respect of the Shares unless otherwise specified;

"**Transaction Documents**" means the Bonds Documents, the Security Documents, the Intercreditor Agreement, the Sub-Collateral Agent Appointment Agreement and any accession or supplemental deed, agreement or document executed by the Trustee under or pursuant to the Intercreditor Agreement or the Sub-Collateral Agent Appointment Agreement;

"**Unrestricted Subsidiary**" means (1) any Subsidiary of the Guarantor that at the time is an 'Unrestricted Subsidiary' under the Senior Notes (as defined in the Indentures); and (2) any Subsidiary of an Unrestricted Subsidiary;

the "**Value**" of any Exchange Property on any day means the aggregate of:

(a) the value of publicly traded securities included in such Exchange Property, which shall be deemed to be the Volume Weighted Average Price of such securities on such day, provided that if such day is not a day on which the Relevant Exchange in respect thereof is open for business or, if there is no such Volume Weighted Average Price, then the value of such publicly traded securities shall be the Volume Weighted Average Price on the immediately preceding such day; and

(b) the value of all other assets (other than cash) and of publicly traded securities for which a value cannot be determined pursuant to sub-paragraph (a) above included in such Exchange Property, which shall be deemed to be the value on such day as certified by an Independent Adviser; and

(c) the value of cash shall be deemed to be the amount thereof,

as determined by the Calculation Agent, provided that (i) if on such day any such publicly traded securities are quoted or traded on the Relevant Exchange in respect thereof cum- any dividend or other entitlement, or any assets or publicly traded securities the value of which is to be determined pursuant to (b) above have the benefit of, or are entitled to, or carry the right to, any dividend or other entitlement, in any such case which a Bondholder would not be entitled to pursuant to these Conditions on exercising Exchange Rights assuming Exchange Rights had been exercised on such day, then the Value of any such assets or publicly traded securities on such day shall be reduced by an amount equal to the Fair Market Value as of such day of any such dividend or other entitlement and (ii) if on any day any such publicly traded securities are quoted or traded on the Relevant Exchange in respect thereof ex- any dividend or other entitlement, or any assets or publicly traded securities the value of which is to be determined pursuant to (b) above do not have the benefit of, or are not entitled to, or do not carry the right to, any dividend or other entitlement, in any such case which a Bondholder would be entitled to pursuant to these Conditions on exercising Exchange Rights assuming Exchange Rights had been exercised on such day, then the Value of any such assets or publicly traded securities on such day shall be increased by an amount equal to the Fair Market Value as of such day of any such dividend or other entitlement;

"**Volume Weighted Average Price**" means, in respect of a Share or any other security, option, warrant or other right or asset, on any Trading Day in respect thereof, the volume weighted average price on the Relevant Exchange in respect thereof on such Trading Day of a Share or, as the case may be, such security, option, warrant or other right or asset published by or derived from Bloomberg page HP (or any successor ticker or page) (setting Weighted Average Line, or any other successor setting and using values not adjusted for any event occurring after such Trading Day; and for the avoidance of doubt, all values will be determined with all adjustment settings on the DPDF Page, or any successor or similar setting, switched off) in respect of such Share, security, option, warrant or other right or asset (all as calculated and determined by the Calculation Agent) (and for the avoidance of doubt such Bloomberg page for the Shares as at the Issue Date is 3319 HK Equity HP), if available or, in any other case, such other source (if any) as shall be determined in good faith to be appropriate by an Independent Adviser on such Trading Day, provided that:

(i) if on any such Trading Day (for the purpose of this definition, the "Original Date") such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Share, security, option, warrant, or other right or asset, as the case may be, in respect of such Trading Day shall be the Volume Weighted Average Price, determined by the Calculation Agent as provided above, on the immediately preceding Trading Day in respect thereof on which the same can be so determined, *provided, however, that* if such immediately preceding Trading Day falls prior to the fifth day before the Original Date, the Volume Weighted Average Price in respect of such Trading Day shall be considered to be not capable of being determined pursuant to this proviso (i); and

(ii) if the Volume Weighted Average Price cannot be determined as aforesaid, the Volume Weighted Average Price of a Share, security, option, warrant, or other right or asset, as the case may be, shall be determined as at the Original Date by an Independent Adviser in such manner as it shall determine in good faith to be appropriate,

and the Volume Weighted Average Price determined as aforesaid on or as at any Trading Day shall, if not in the Relevant Currency, be translated into the Relevant Currency at the Screen Rate on such Trading Day; and

"**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.

A reference to any offer "**by way of rights**" shall be taken to be references to an offer or grant to all or substantially all holders of Shares, other than holders to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such offer or grant.

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

7 INTEREST

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 7.0 per cent. per annum, payable semi-annually in arrear on 24 May and 24 November of each year (each an "**Interest Payment Date**"), beginning on 24 May 2022; provided that if any Interest Payment Date would otherwise fall on a day which is not a business day (as defined in this Condition 7), it shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month in which event it shall be brought forward to the immediately preceding business day.

Each Bond will cease to bear interest (a) (subject to Condition 8(b)(vi)) where the Exchange Right attached to it shall have been exercised by a Bondholder, from and including the Interest Payment Date immediately preceding the relevant Exchange Date, or if none, the Issue Date (subject in any case as provided in Condition 8(b)(vi)), or (b) where such Bond is redeemed or repaid pursuant to Condition 10 or Condition 13, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of principal or premium (if any) is improperly withheld or refused. In the event of such improper withholding or refusal, the relevant Bond will continue to bear interest at 3.00 per cent. per annum above the rate aforesaid (both before and after judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (ii) the day falling seven days after the Trustee or the Principal Paying and Exchange Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholders under these Conditions).

Interest in respect of any Bond shall be calculated per HK$1,000,000 in principal amount of the Bonds (the "Calculation Amount"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the actual number of days in the Interest Period (or such other period) divided by 365, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each such successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

In this Condition 7, the expression "**business day**" means a day (other than a Saturday, Sunday or public holiday) upon which commercial banks are generally open for business and settlement of Hong Kong dollar payments in Hong Kong.

8 EXCHANGE RIGHT

(a) Exchange Period and Exchange Rights

(i) *Exchange Right:* Each Bondholder shall have the right to require the Issuer to exchange all or any of its Bonds at any time during the Exchange Period referred to below for, a *pro rata* share of the Exchange Property as at the relevant Exchange Date. Such exchange of a Bond for a *pro rata* share of the Exchange Property is referred to herein as an "**exchange**" and the right of a Bondholder to require an exchange is herein referred to as the "**Exchange Right**". Upon a due exercise of Exchange Rights in respect of any Bond, the relevant Bondholder shall be entitled to receive, and the Issuer and the Guarantor shall deliver or procure the delivery of, a *pro rata* share of the Exchange Property calculated as at the relevant Exchange Date in accordance with this Condition 8, as determined by the Calculation Agent.

For the purpose of these Conditions, "**Exchange Property**" means, at any time and in respect of all the Bonds which are outstanding at such time (excluding for this purpose the principal amount of any Bonds in respect of which Exchange Rights have been exercised by a Bondholder but the Exchange Property has not yet been delivered or paid), a number of Shares (unrounded) equal to the aggregate principal amount of the Bonds so outstanding divided by the Exchange Price in effect at such time.

The "**Exchange Price**" will initially be HK$27.48 per Share but will be subject to adjustment in the manner provided in Condition 8(c).

On exercise of Exchange Rights, Bondholders shall initially therefore be entitled to receive approximately 36,390.1019 Shares in respect of each HK$1,000,000 principal amount of Bonds delivered for exchange (before applying Condition 8(a)(iii)).

(ii) *Exchange Period:* Subject to applicable law and save as provided in these Conditions, the Exchange Right in respect of any Bond may be exercised by the Holder thereof, at any time during the period from (and including) 4 January 2022 up to (and including) the earliest to occur of (A) the date which falls seven days prior to the Maturity Date, (B) if such Bond is to be redeemed pursuant to Condition 10(b) prior to the Maturity Date, then up to (and including) the date which falls seven days prior to the date fixed for redemption thereof or (C) the time at which the Trustee declares the Bonds to be immediately due and payable pursuant to Condition 13 or, as the case may be, the time at which the Bonds automatically become immediately due and payable without any declaration or other act on the part of the Trustee or any Bondholder as provided in Condition 13(g) or Condition 13(h) (the "**Exchange Period**").

Exchange Rights shall lapse in the event that (x) the Trustee shall give notice pursuant to Condition 13 to the Issuer and the Guarantor that the Bonds are immediately due and payable or (y) the Bonds automatically become immediately due and payable without any declaration or other act on the part of the Trustee or any Bondholder as provided in Condition 13(g) or Condition 13(h). If the Bonds become immediately due and payable as contemplated in (x) of (y) of the immediately preceding sentence, a Holder who has exercised its Exchange Right shall promptly, and in any event within the time frame set out in the Trust Deed, give written notice to the Issuer, the Trustee, the Principal Paying and Exchange Agent and (where applicable) the Custodian if any of the relevant *pro rata* share of the Exchange Property which is to be delivered under the exercise of such Exchange Right has not been delivered to the account specified in the relevant Exchange Notice, and of the amount thereof not so delivered. In the absence of its receipt of written notice to such effect from such Holder, the Trustee, any Agent or the Custodian (as the case may be) may assume that all Exchange Property which is to be delivered under the exercise of such Exchange Right has been duly delivered in accordance with the relevant Exchange Notice before the occurrence of the event referred to in (x) or (y) above (whichever earlier) and shall not be liable to any Obligor, any Bondholder, any other Secured Party or any other person for so doing. For the avoidance of doubt, subject to the requirements in the Trust Deed, the exercise of any Exchange Right shall be deemed to have been revoked in accordance with the Trust Deed if the relevant *pro rata* share of the Exchange Property to be delivered under the exercise of such Exchange Right has not yet been delivered by the time of the occurrence of such event as is referred to in (x) or (y) above (whichever earlier) and, in such circumstances, the relevant Bondholder shall be entitled to payments on such outstanding Bonds as if it had not delivered the relevant Exchange Notice; provided however, that this shall not prejudice the right of any Bondholder who has elected or may elect to receive the Default Cure Amount (as provided in Condition 13).

Exchange Rights may not be exercised in respect of a Bond where the Holder thereof shall have exercised its right to require redemption pursuant to Condition 10(c) unless there is default by the Issuer (failing which, the Guarantor) in redeeming the relevant Bonds on the relevant put date.

Notwithstanding the foregoing sentence, if a Relevant Event occurs, the Exchange Right may also be exercised at any time during the Relevant Event Period, notwithstanding that all or part of such period falls prior to the commencement of the Exchange Period, in which case any Bondholder exercising the Exchange Right prior to such date shall, as a pre-condition to receiving Shares, be required to certify in the Exchange Notice, among other things, that it or, if it is a broker-dealer acting on behalf of a customer, such customer: (1) will, on exchange, become the beneficial owner of the Shares; and (2) is located outside the United States (within the meaning of Regulation S under the Securities Act).

(iii) *Fractions of Shares:* Fractions of Shares will not be delivered on exchange, and the same shall be rounded down by the Calculation Agent to the nearest whole number of Shares, and no cash adjustments will be made in respect thereof. However, if the Exchange Right in respect of more than one Bond is exercised at any one time such that Shares to be delivered on exchange pursuant to any one Exchange Notice, the number of such Shares to be delivered in respect thereof shall be calculated by the Calculation Agent on the basis of the aggregate principal amount of such Bonds being so exchanged and rounded down to the nearest whole number of Shares.

Notwithstanding the foregoing, in the event of a consolidation or reclassification of Shares by operation of law or otherwise occurring after the Issue Date which reduces the number of Shares outstanding, the Issuer (failing which, the Guarantor) will upon exchange of the Bonds pay to the Bondholder exercising the Exchange Right directly a sum (but only if such sum exceeds HK$100) in cash in Hong Kong dollars equal to the product of (A) any fraction of a Share not delivered pursuant to the above paragraph and (B) the Volume Weighted Average Price of a Share on the relevant Exchange Date (or, in the case of a fraction of a Share comprising Additional Exchange Property, the Retroactive Adjustment Reference Date), as determined by the Calculation Agent). Any such sum shall be paid by the Issuer directly to the relevant Bondholder not later than three Business Days after the relevant Exchange Date (or, in the case of a fraction of a Share comprising Additional Exchange Property as aforesaid, the Retroactive Adjustment Reference Date) by wire transfer to a Hong Kong dollar account maintained by or on behalf of such Bondholder with a bank that processes payments in Hong Kong dollars in accordance with instructions given by such Bondholder in the relevant Exchange Notice.

(iv) *Revival and/or Survival after Default:* Notwithstanding the provisions of Condition 8(a)(i), if (A) the Issuer and/or the Guarantor shall default in making payment in respect of such Bond on such date fixed for redemption, (B) an Event of Default has occurred under Condition 13, or (C) any Bond is not redeemed in accordance with Condition 10, the Exchange Right attaching to such Bond will revive and/or will continue to be exercisable up to (and including) the close of business (at the place where the Certificate evidencing such Bond is deposited for exchange) on the date on which the full amount of the moneys payable in respect of such Bond has been duly received by the Trustee or the Principal Paying and Exchange Agent and notice thereof has been duly given to the Bondholders in accordance with Condition 18 or, if earlier, the Maturity Date, provided that, in each case, if such final date for the exercise of Exchange Rights is not a Business Day at the place aforesaid, then the period for exercise of Exchange Rights by Bondholders shall end on the immediately preceding Business Day at the place aforesaid; and provided further that the Exchange Rights shall lapse in the manner as set out in, and subject to, Condition 8(a)(ii) and the Trust Deed.

(b) Procedure for Exercise of Exchange Rights

(i) *Exchange Notice:* To exercise the Exchange Right attaching to any Bond, the Bondholder must (A) complete and execute a notice, together with a copy of the applicable signed transfer document(s) (the "Transfer Instrument"), (each in the then current form obtainable from the specified office of any Exchange Agent) (such notice and such Transfer Instrument, collectively, the "Exchange Notice") and deliver, at such Bondholder's own expense, such Exchange Notice in accordance with the terms of the Agency Agreement together with the relevant Certificate and any certificates and other documents as may be required under the laws of the jurisdiction in which the specified office of such Exchange Agent shall be located and (B) deliver the original signed Transfer Instrument to the Issuer at the office of the Issuer (being as at the Issue Date at 18/F., Three Pacific Place, 1 Queen's Road East, Hong Kong, provided that the Issuer shall give notice to the Bondholders in accordance with Condition 18 as soon as possible upon a change in such office), in each case during usual business hours (being 9:00 a.m. and 3:00 p.m. (Hong Kong time)) on any Business Day in the place of the specified office of such Exchange Agent and the Principal Paying and Exchange Agent, provided that if the delivery of the Exchange Notice together with the relevant Bond or Certificate and the copy of the signed Transfer Instrument is made outside of such usual business hours as aforesaid or on a day which not a Business Day in the place of the specified office of such Exchange Agent and the Principal Paying and Exchange Agent, such delivery shall be deemed to have been made on the immediately following such Business Day. None of the Trustee, the Agents, the Custodian or the Calculation Agent shall be responsible for monitoring or ascertaining in any way the existence, launching or any change of such laws or regulations or for ascertaining whether such certificates or documents, if applicable, shall have been provided by such Bondholder, and none of them shall be liable for any failure by any Bondholder to provide such certificates or documents.

An Exchange Notice once given shall be irrevocable and may not be withdrawn without the consent in writing of the Issuer. Notwithstanding the foregoing, an Exchange Notice shall be deemed to have been revoked in the manner as set out in, and subject to, Condition 8(a)(ii) and the Trust Deed.

The Issuer, or the relevant Exchange Agent on its behalf, may reject any incomplete or incorrect Exchange Notice (including the transfer document(s)). All costs and expenses incurred or caused by an incomplete or incorrect Exchange Notice shall be for the account of the relevant Bondholder.

The Issuer and the Agents shall be only required to act on an Exchange Notice that is complete and correct in all respects. Where the Exchange Notice (including the transfer document(s)) is incomplete or incorrect and has been rejected by the Issuer or the relevant Exchange Agent, the Settlement Date shall be determined by reference to the date of receipt of a complete and correct executed Exchange Notice (including the transfer document(s)) which has been delivered in accordance with the terms of the Agency Agreement.

Where the relevant Bond is represented by the Global Certificate, any person appearing in the records of Euroclear or Clearstream as entitled to an interest in the Global Certificate shall be entitled (subject to the provisions of the Global Certificate) to deliver or cause to be delivered to Euroclear or Clearstream, as the case may be, at its own expense a duly completed Exchange Notice referred to above in accordance with the rules and procedures of Euroclear or Clearstream, as the case may be.

(ii) *Exchange Date:* Subject to the following paragraph, the "**Exchange Date**" applicable in respect of any exercise of Exchange Rights shall mean the Exchange Business Day immediately following the date on which all of the following are completed (or deemed to be completed): (A) the delivery of an Exchange Notice (together with the relevant Certificate(s) (if required)) to an Exchange Agent in accordance with Condition 8(b)(i); (B) the delivery of the original signed Transfer Instrument to the Issuer delivered in accordance with Condition 8(b)(i); and (C) compliance by the relevant Bondholder with the other relevant conditions set out in this Condition 8. Upon the occurrence of an Exchange Date, the Issuer shall promptly notify the Trustee, the Principal Paying and Exchange Agent and the Calculation Agent of such date, and each of the Trustee, the Principal Paying and Exchange Agent and the Calculation Agent shall be entitled to rely conclusively, without investigation or verification on such notice.

If the date on which all of (A), (B) and (C) as referred to in the immediately preceding paragraph are completed (or deemed to be completed) falls either (1) on the final day prior to any period during which A-Living shall close its register of shareholders as may be permissible under the laws of Hong Kong (a "Closure Period") or (2) during a Closure Period, the Exchange Date in respect of the relevant exercise will be the Exchange Business Day immediately following the end of the Closure Period.

A Bondholder exercising Exchange Rights will be required to certify in the relevant Exchange Notice (a "U.S. Certification") that such exchange is being made outside of the United States (as such term is defined in Regulation S under the Securities Act). If such U.S. Certification is not provided, the relevant Exchange Notice shall be void.

Exchange Rights may only be exercised in respect of an authorised denomination (or integral multiple thereof). Where Exchange Rights are exercised in respect of part only of a Certificate, the old Certificate shall be cancelled and a new Certificate for the balance thereof shall be issued in lieu thereof without charge to the relevant Bondholder but upon payment by the relevant Bondholder of any and all taxes, duties and other governmental charges payable in connection therewith, and the Registrar will, within 10 Business Days in the place of the specified office of the Registrar following the relevant Exchange Date, deliver such new Certificate to the relevant Bondholder at the specified office of the Registrar or (at the risk and, if mailed at the request of the Bondholder otherwise than by ordinary mail, at the expense of the Bondholder) mail the new Bond by uninsured mail to such address as the Bondholder may request.

(iii) *Stamp and other duties and taxes and exchange costs:* The Issuer and the Guarantor will, jointly and severally, pay any stamp, registration, documentary, transfer or other similar taxes or duties (including penalties) arising on the transfer or delivery of any Exchange Property to or to the order of a Bondholder pursuant to the exercise of Exchange Rights which are payable or imposed in the Cayman Islands, the PRC and the jurisdiction in which the relevant Exchange Property is situated (and for this purpose any securities in registered form comprising Exchange Property shall be deemed to be situated in the jurisdiction in which the register (or in the case of more than one register, the principal register) on which title to and transfers of such securities are recorded or maintained is located) or imposed or payable by virtue of the place of incorporation, domicile or tax residence of the issuer of any securities comprised in the relevant *pro rata* share of the Exchange Property, and all other costs, fees and expenses in connection with the transfer or delivery of Exchange Property on exercise of Exchange Rights, including the costs, fees and expenses of any custodian, depositary, agent or other entity facilitating the relevant transfer or delivery (such taxes, duties, costs, fees and expenses described in this paragraph, the "Exchange Expenses").

Subject to the above, a Bondholder exercising Exchange Rights must pay directly to the relevant authorities any other taxes and capital, stamp, issue, registration, documentary, transfer or other duties (including penalties) arising in any jurisdiction not mentioned in the immediately preceding paragraph of this Condition 8(b)(iii) on exchange and/or on the transfer, delivery or other disposition of Exchange Property arising on exercise of Exchange Rights.

None of the Trustee, the Agents, the Custodian or the Calculation Agent shall be responsible for determining whether any Exchange Expenses or any other taxes and capital, stamp, issue, registration, documentary, transfer or other duties (including penalties) are payable by any Obligor, any Bondholder, or any other person or the amount thereof, or for paying the same, and none of them shall be responsible or liable for any failure by any Obligor, any Bondholder or any other person to pay such Exchange Expenses or taxes and capital, stamp, issue, registration, documentary, transfer, duties or amounts (including penalties).

If the Issuer or the Guarantor shall fail to pay any Exchange Expenses for which it is responsible as provided above, the relevant Bondholder shall be entitled to tender and pay the same and each of the Issuer and the Guarantor, as a separate and independent stipulation, covenants jointly and severally to reimburse each such Bondholder directly in respect of the payment of such Exchange Expenses and any penalties payable in respect thereof.

Each Bondholder must pay, and is solely liable for, all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with the exercise of Exchange Rights by it.

(iv) *Delivery:* The Issuer and the Guarantor shall, as soon as practicable and (subject as provided below where the relevant Bondholder specifies in its Exchange Notice that delivery of the Shares shall be made otherwise than through CCASS) in any event not later than the Settlement Date, effect delivery of the Shares to exchanging Bondholders in accordance with prevailing regulations relevant to the transfer of the Shares to exchanging Bondholders. The Issuer and the Guarantor shall, to the extent permitted under the rules, procedures and practices of CCASS, take all necessary action to procure that the Shares are delivered to an exchanging Bondholder or its nominee as provided for in the Exchange Notice through CCASS, unless such Bondholder otherwise specifies in its Exchange Notice that delivery shall be made otherwise than through CCASS, and in that case, each of the Issuer and the Guarantor shall use its best endeavours to procure that a certificate (registered in the name of the Bondholder or its nominee as provided for in the Exchange Notice) for the Shares in registered form shall be issued and despatched (at the risk of the relevant Bondholder) (or, if requested, made available for collection) not later than the Settlement Date.

Notwithstanding the above, if the Exchange Property has changed in whole or in part as a result of acceptance of an Offer or as a result of the compulsory acquisition of any Shares or as a result of a Scheme of Arrangement becoming effective, in each case as provided in Condition 8(k), then references to "**Settlement Date**" in the immediately preceding paragraph shall be construed as references to the later of the date that would be (but for the operation of this paragraph) the Settlement Date and the day falling five Business Days after the Consideration Date.

The Issuer, the Guarantor, the Trustee, the Agents and the Custodian shall not be responsible or liable to any person for any delay in the delivery of any property comprising Exchange Property following exercise of Exchange Rights arising as a result of a failure by the relevant Bondholder to supply all information and details as required by the relevant Exchange Notice.

If (A) the Registration Date in respect of any exercise of Exchange Rights shall be after (i) the record date or other due date for the establishment of entitlement of Shareholders (or if no such date is fixed, the date as determined to be appropriate by an Independent Adviser) in respect of any event giving rise to an adjustment to the Exchange Price pursuant to Conditions 8(c)(1), 8(c)(2), 8(c)(3), 8(c)(4), 8(c)(5) or 8(c)(9) or (ii) the date of first public announcement (as referred to in Conditions 8(c)(6), 8(c)(7) or

8(c)(8)) of any event giving rise to an adjustment to the Exchange Price pursuant to Conditions 8(c)(6), 8(c)(7) or 8(c)(8), or (iii) the date as determined to be appropriate by an Independent Adviser in the case of any event giving rise to an adjustment to the Exchange Price pursuant to Condition 8(c)(10), in each case subject to Condition 8(e), and (B) the Exchange Date in respect of such exercise of Exchange Rights falls before the date on which the relevant adjustment becomes effective under the relevant Condition, upon the relevant adjustment becoming effective (the date on which any such adjustment as aforesaid becomes effective (or, if not a Trading Day, the immediately following Trading Day), the "Retroactive Adjustment Reference Date" in respect thereof), the Issuer and the Guarantor shall procure the delivery to the exchanging Bondholder (in accordance with the instructions contained in the Exchange Notice, subject to applicable laws and regulations), such additional number of Shares (the "Additional Exchange Property" in respect of such exercise) as, together with the Shares delivered or to be delivered on exchange of the relevant Bond, is equal to the number of Shares which would have been required to be delivered on exchange of such Bond if the relevant adjustment to the Exchange Price had been in effect on such Exchange Date, provided that:

(a) if in the case of Conditions 8(c)(1), 8(c)(2), 8(c)(3), 8(c)(4), 8(c)(5) or 8(c)(9) the relevant Bondholder shall be entitled to receive (or the Issuer is able to confer to the relevant Bondholder the benefit of) the relevant Shares, dividend or other distribution or securities in respect of the Shares, then the relevant Bondholder shall not be entitled to receive Additional Exchange Property in respect of such exercise; and

(b) at the Issuer's election (which shall be notified by it to the relevant Bondholder (by email to the relevant email address specified for this purpose by such Bondholder in the relevant Exchange Notice) as soon as practicable after the relevant Exchange Date and in any case no later than the 2nd Business Day prior to the Retroactive Adjustment Reference Date), the Issuer and the Guarantor shall (in lieu of delivering Additional Exchange Property) procure the payment (in accordance with the instructions contained in the Exchange Notice, subject to applicable laws and regulations) of the cash equivalent amount (rounded to the nearest whole multiple of HK$0.01, with HK$0.005 rounded upwards) in Hong Kong dollars (the "RA Cash Amount" in respect of such exercise), calculated by multiplying such number of Shares comprising the Additional Exchange Property by the arithmetic average of the Volume Weighted Average Prices of one Share (translated if necessary into Hong Kong dollars at the Screen Rate) on each of the five consecutive Trading Days commencing on (and including) the Retroactive Adjustment Reference Date), provided that if such amount cannot be so determined or if any doubt shall arise as to the calculation thereof, the RA Cash Amount shall be equal to such amount as is determined in such other manner as an Independent Adviser shall consider to be appropriate to give the intended result,

all as determined by the Calculation Agent (unless otherwise specified).

Delivery of the Additional Exchange Property (or, as the case may be, payment of the RA Cash Amount) shall be made as soon as practicable (and in any case no later than the date falling seven Business Days) following the Retroactive Adjustment Reference Date (or, in the case of the RA Cash Amount, following the last day of such period of five consecutive Trading Days as aforesaid).

(v) *Entitlement to dividend, distributions, interest or other income etc.:* The relevant Bondholder (or the person designated in the relevant Exchange Notice) will be the owner of the *pro rata* share of the Exchange Property to be delivered upon exchange with effect from (and including) the relevant Registration Date and will be entitled to all rights, distributions or payments in respect of such Exchange Property from (and including) such Registration Date. Subject as provided herein, Exchange Property delivered on exercise of Exchange Rights shall not include any dividends or other income thereon or other distributions or rights in respect thereof, declared, paid or made by reference to a record date or other due date for the establishment of the relevant entitlement falling prior to the relevant Registration Date. Exchange Property delivered or transferred or to be delivered or transferred upon exchange shall rank for and be entitled to all dividends, interest and other income, payments and distributions and rights thereon or in respect thereof declared, paid, made or granted by reference to a record date or other due date for the establishment of entitlement falling on or after the relevant Registration Date.

(vi) *Interest Accrual:* If any notice requiring the redemption of any Bonds is given pursuant to Condition 10(b) on or after the 15th Business Day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Issue Date) in respect of any dividend or distribution payable in respect of the Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, then interest shall (subject as hereinafter provided) accrue on Bonds in respect of which Exchange Rights shall have been exercised and in respect of which the Exchange Date falls after such record date and on or prior to the Interest Payment Date next following such record date in each case from and including the preceding Interest Payment Date (or, if such Exchange Date falls before the first Interest Payment Date, from, and including, the Issue Date) to, but excluding, such Exchange Date; provided that no such interest shall accrue on any Bond in the event that the Shares delivered on exchange thereof shall carry an entitlement to receive such dividend or distribution. Any such interest shall be calculated and determined by the Calculation Agent and be paid by the Issuer (failing whom the Guarantor) not later than 14 days after the relevant Exchange Date directly by wire transfer to a Hong Kong dollar account maintained by on or behalf of the relevant Bondholder with a bank that processes payments in Hong Kong dollars in accordance with instructions given by the relevant Bondholder in the Exchange Notice.

(c) Adjustments to Exchange Price

Upon the occurrence of any of the events described below, the Exchange Price shall be adjusted by the Calculation Agent as follows:

(1) *Consolidation, Subdivision or Re-classification:* If and whenever there shall be an alteration to the nominal value of the Shares as a result of consolidation, subdivision or re-classification, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such alteration by the following fraction:

$$\frac{A}{B}$$

Where:

A is the nominal amount of one Share immediately after such alteration; and

B is the nominal amount of one Share immediately before such alteration.

Such adjustment shall become effective on the date the alteration takes effect.

(2) *Capitalisation of Profits or Reserves:*

(i) If and whenever A-Living shall issue any Shares credited as fully paid to all or substantially all holders of the Shares ("Shareholders") by way of capitalisation of profits or reserves (including Shares paid up out of distributable profits or reserves and/or share premium account) except any Scrip Dividend, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before such issue by the following fraction:

$$\frac{A}{B}$$

Where:

A is the aggregate nominal amount of the issued Shares immediately before such issue; and

B is the aggregate nominal amount of the issued Shares immediately after such issue.

Such adjustment shall become effective on the date of issue of such Shares or if a record date is fixed therefor, immediately after such record date.

(ii) In the case of a Scrip Dividend where the Current Market Price on the date of first public announcement of the terms of such Scrip Dividend (for the purpose of this Condition 8(c)(2)(ii), the ''Determination Date'') multiplied by the number of such Shares to be issued or that may be issued pursuant to the terms of such Scrip Dividend exceeds the Fair Market Value of the Relevant Cash Dividend as at the Determination Date, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately following the adjustment pursuant to Condition 8(c)(3) in respect of the Relevant Cash Dividend by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A is the aggregate number of Shares in issue immediately before the Determination Date;

B is the aggregate number of Shares which the Fair Market Value of the Relevant Cash Dividend would purchase at such Current Market Price; and

C is the aggregate number of Shares issued or that may be issued pursuant to the terms of such Scrip Dividend,

or (at the Issuer's sole discretion, following consultation with the Calculation Agent) by making such other adjustment to the Exchange Price to give effect to the foregoing as an Independent Adviser shall certify to the Bondholders is fair and reasonable.

Such adjustment shall become effective on the date (for the purpose of this Condition 8(c)(2)(ii), the ''Effective Date'') which is the later of (i) the date on which the adjustment pursuant to Condition 8(c)(3) in respect of the Relevant Cash Dividend becomes effective and (ii) the first date on which the fraction above is capable of being determined in accordance with these Conditions.

(3) *Distribution:* If and whenever A-Living shall pay or make any Distribution to the Shareholders, the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price of one Share on the date on which the date of first public announcement of the terms of the Distribution; and

B is the Fair Market Value (on such date of first public announcement as aforesaid) of the portion of the Distribution attributable to one Share.

Such adjustment shall become effective on the date (for the purpose of this Condition 8(c)(3), the "Effective Date") which is the later of (i) the date on which such Distribution is paid or made or if a record date is fixed therefor, the date falling immediately after such record date and (ii) the first date on which the fraction above is capable of being determined in accordance with these Conditions.

(4) *Rights Issues of Shares or Options over Shares:* If and whenever A-Living shall issue Shares to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase or otherwise acquire any Shares or any securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Shares (or shall grant any such rights in respect of existing securities so issued), in each case at a consideration receivable per Share which is less than the Current Market Price per Share on the date of the first public announcement of the terms of the issue or grant of such Shares, options, warrants or other rights (and notwithstanding that the relevant issue may be or be expressed to be subject to shareholder or other approvals or consents or other contingency or event occurring or not occurring) (for the purpose of this Condition 8(c)(4), the "Determination Date"), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A is the aggregate number of Shares in issue immediately before such Determination Date;

B is the number of Shares which the aggregate consideration (if any) receivable for the Shares issued by way of rights, or for the securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Shares deliverable on the exercise thereof would purchase at such Current Market Price per Share; and

C is the aggregate number of Shares to be issued or, as the case may be, the maximum number of Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate.

Such adjustment shall become effective on the date (for the purpose of this Condition 8(c)(4), the "Effective Date") which is the later of (i) the date of issue of such Shares or issue or grant of such options, warrants or other rights (as the case may be) or where a record date is set, the date falling immediately after such record date and (ii) the first date on which the fraction above is capable of being determined in accordance with these Conditions.

(5) *Rights Issues of Other Securities:* If and whenever A-Living shall issue any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares) to all or substantially all Shareholders as a class by way of rights, or shall issue or grant to all or substantially all Shareholders as a class by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities (other than Shares or options, warrants or other rights to subscribe for, purchase or otherwise acquire Shares), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before the Effective Date by the following fraction:

$$\frac{A-B}{A}$$

Where:

A is the Current Market Price of one Share on the date of first public announcement of the terms of such issue or grant; and

B is the Fair Market Value on such date of first public announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date (for the purpose of this Condition 8(c)(5), the "Effective Date") which is the later of (i) the date of issue of the securities, or issue or grant of such rights, options or warrants (as the case may be) or where a record date is set, the date falling immediately after such record date and (ii) the first date on which the fraction above is capable of being determined in accordance with these Conditions.

(6) *Issues at less than Current Market Price:* If and whenever A-Living shall issue (otherwise than as mentioned in Condition 8(c)(4) above) wholly for cash or for no consideration any Shares (other than Shares issued on the exercise of Exchange Rights or on the exercise of any other rights of conversion into, or exchange or subscription for, or purchase of Shares) or shall issue or grant (otherwise than as mentioned in Condition 8(c)(4) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares (other than the Bonds) in each case at a consideration receivable per Share which is less than the Current Market Price on the date of the first public announcement of the terms of such issue or grant (for the purpose of this Condition 8(c)(6), the "Determination Date"), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A is the aggregate number of Shares in issue immediately before the Determination Date;

B is the number of Shares which the aggregate consideration (if any) receivable for the issue of such additional Shares or, as the case may be, for the Shares to be issued or otherwise made available upon the exercise of any such options, warrants or other rights would purchase at such Current Market Price per Share; and

C is the number of additional Shares so issued.

References to "**additional Shares so issued**" in "C" above shall, in the case of an issue by A-Living of options, warrants or other rights to subscribe for or purchase Shares, mean such Shares to be issued assuming that such options, warrants or other rights are exercised in full at the initial exercise price on the Determination Date.

Such adjustment shall become effective on the date (for the purpose of this Condition 8(c)(6), the "Effective Date") which is the later of (i) the date of issue of such additional Shares or, as the case may be, the issue or grant of such options, warrants or other rights and (ii) the first date on which the fraction above is capable of being determined in accordance with these Conditions.

(7) *Other Issues at less than Current Market Price:* If and whenever A-Living or any of its Subsidiaries (otherwise than as mentioned in Conditions 8(c)(4), 8(c)(5) or 8(c)(6)), or (at the direction or request of or pursuant to any arrangements with A-Living or any of its Subsidiaries) any other company, person or entity shall issue any wholly for cash or for no consideration securities (other than the Bonds) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Shares to be issued by A-Living upon conversion, exchange or subscription at a

consideration receivable per Share which is less than the Current Market Price per Share on the date of the first public announcement of the terms of issue of such securities (for the purpose of this Condition 8(c)(7), the "Determination Date"), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A is the aggregate number of Shares in issue immediately before the Determination Date;

B is the number of Shares which the aggregate consideration (if any) receivable for the Shares to be issued on conversion or exchange or on exercise of the right of subscription attached to such securities would purchase at such Current Market Price per Share; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the initial conversion, exchange or subscription price or rate on the issue date of such securities.

Such adjustment shall become effective on the date (for the purpose of this Condition 8(c)(7), the "Effective Date") which is the later of (i) the date of issue of such securities or, as the case may be, the grant of such rights and (ii) the first date on which the fraction above is capable of being determined in accordance with these Conditions.

(8) *Modification of Rights of Conversion etc.:* If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such securities (other than the Bonds) as are mentioned in Conditions 8(c)(6) or 8(c)(7) (other than in accordance with the terms (including terms as to adjustment) applicable to such securities upon issue) so that following such modification the consideration receivable per Share (for the number of Shares available on conversion, exchange, subscription, purchase or acquisition following the modification) is less than the Current Market Price per Share on the date of the first public announcement of the proposals for such modification (for the purpose of this Condition 8(c)(8), the "Determination Date"), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before the Effective Date by the following fraction:

$$\frac{A+B}{A+C}$$

Where:

A is the aggregate number of Shares in issue immediately before the Determination Date;

B is the number of Shares which the aggregate consideration (if any) receivable for the Shares to be issued on conversion or exchange or on exercise of the right of subscription, purchase or acquisition attached to the securities so modified would purchase at such Current Market Price per Share or, if lower, the existing conversion, exchange or subscription, purchase or acquisition price of such securities; and

C is the maximum number of Shares to be issued on conversion or exchange of such securities or on the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription, purchase or acquisition price or rate but giving credit in such manner as an Independent Adviser considers appropriate (if at all) for any previous adjustment under this Condition 8(c)(8), Condition 8(c)(7) or Condition 8(c)(6).

Such adjustment shall become effective on the date (for the purpose of this Condition 8(c)(8), the "Effective Date") which is the later of (i) the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such securities and (ii) the first date on which the fraction above is capable of being determined in accordance with these Conditions.

(9) *Other Offers to Shareholders:* If and whenever A-Living or any of its Subsidiaries or (at the direction or request of or pursuant to any arrangements with A-Living or any of its Subsidiaries) any other company, person or entity shall offer any securities in connection with which the Shareholders as a class are entitled to participate in arrangements whereby such securities may be acquired by them (except where the Exchange Price falls to be adjusted under Conditions 8(c)(4), 8(c)(5), 8(c)(6) or 8(c)(7)), the Exchange Price shall be adjusted by multiplying the Exchange Price in force immediately before the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

Where:

A is the Current Market Price of one Share on the date of first public announcement of the terms of such issue; and

B is the Fair Market Value on such date of first public announcement of the portion of the rights attributable to one Share.

Such adjustment shall become effective on the date (for the purpose of this Condition 8(c)(9), the "Effective Date") which is the later of (i) the date of issue, sale or delivery of the securities and (ii) the first date on which the fraction above is capable of being determined in accordance with these Conditions.

(10) *Other Events:* If the Issuer determines that an adjustment should be made to the Exchange Price as a result of one or more circumstances not referred to in this Condition 8 (even if the relevant circumstance is specifically excluded from the operation of Conditions 8(c)(1) through 8(c)(9) (both inclusive)), the Issuer shall, at its own expense, request an Independent Adviser to determine as soon as practicable what adjustment (if any) to the Exchange Price is fair and reasonable to take account thereof, if the adjustment would result in a reduction in the Exchange Price, and the date on which such adjustment (if any) should take effect and upon such determination by the Independent Adviser such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this Condition 8(c)(10) if such Independent Adviser is so requested to make a determination.

(11) *Adjustment upon Relevant Event:* If a Relevant Event shall occur upon any exercise of Exchange Rights such that the relevant Exchange Date falls within the Relevant Event Exchange Period in respect thereof, the Exchange Price applicable solely in respect of such exercise (the "Relevant Event Exchange Price"), shall be determined based on the Exchange Price in effect on the relevant Exchange Date adjusted in accordance with the following formula:

$$REEP = \frac{OEP}{1 + \left(EP \times \frac{c}{t}\right)}$$

Where:

REEP is the Relevant Event Exchange Price;

OEP	is the Exchange Price in effect on the relevant Exchange Date;
EP	is the initial exchange premium of 20.0 per cent. expressed as a fraction;
c	is the number of days from and including the date the Relevant Event occurs to but excluding the Maturity Date; and
t	is the number of days from and including the Issue Date to but excluding the Maturity Date.

(d) Trustee and Agents Not Obliged to Monitor the Exchange Property, etc.

None of the Trustee, the Agents, the Custodian or the Calculation Agent shall be under any duty to (and none of them shall be responsible or liable for any loss arising from any failure by it to) monitor or ascertain whether any event or circumstance which gives rise or may give rise to an adjustment to the Exchange Property or the Exchange Price, or any other event or circumstance as described under this Condition 8 or in Condition 13 in relation to any Default Cure Amount, has happened or exists as described in this Condition 8 or in Condition 13 in relation to any Default Cure Amount and, unless it has express notice in writing from the Issuer to the contrary, each of them may assume that no such event or circumstance has happened or does exist, that there is no change to the Exchange Price and that each of the Obligors has duly complied with the provisions of and the conditions precedent as contemplated in this Condition 8. None of the Trustee, the Agents, the Custodian or the Calculation Agent shall be liable to any Obligor, any Bondholder, any other Secured Party or any other person for so doing.

The Trustee, the Agents and the Custodian shall not be responsible for (i) calculating or verifying the calculations, or for procuring such calculation or verification, of any amount (including, without limitation, any Default Cure Amount) payable, or the *pro rata s*hare of the Exchange Property to be delivered, under or as a result of the exercise of any Exchange Rights, or (ii) procuring the delivery of any Exchange Property by the Issuer, or ascertaining or enquiring as to the amount of Exchange Property actually delivered, or (iii) determining whether any amount is payable under this Condition 8 to any Bondholder or whether any Default Cure Amount is payable as contemplated in Condition 13 or, if the same are payable, the amount thereof, or for paying any such amount or any Default Cure Amount, and none of them shall be responsible or liable to any Obligor, any Bondholder, any other Secured Party or any other person for not doing any of the foregoing.

None of the Trustee or the Agents shall be responsible for the issuance, delivery, registration or payment of, or any failure of the Issuer or the Guarantor to issue, deliver, register or pay, any Exchange Property or Shares, or any other securities, property or cash, which are deliverable or payable upon or in connection with the exercise of any Exchange Right, and none of them shall be accountable or liable for the sufficiency, validity or value (of any kind) of any Exchange Property or Shares, or any other securities, property or amount of cash. In the absence of notice to the contrary, the Trustee, the Agents and the Custodian may assume that all Exchange Property has been duly delivered in accordance with the relevant Exchange Notice.

The Trustee, the Agents and the Custodian shall not be responsible for selecting or appointing or monitoring any Independent Adviser or for any opinion, determination or calculation made or to be made by any Independent Adviser, and each of them shall be entitled to rely, without any enquiry or verification, on any Independent Adviser's opinion, determination or calculation, and none of them shall be liable to any Obligor, any Bondholder, any other Secured Party or any other person for the same.

(e) Minor Adjustments

On any adjustment, the resultant Exchange Price, if not an integral multiple of one Hong Kong cent, shall be rounded down to the nearest Hong Kong cent. No adjustment shall be made to the Exchange Price if such adjustment (rounded down if applicable) would be less than one per cent. of the Exchange Price then in effect. Any adjustment not required to be made, and/or any amount by which the Exchange Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment.

(f) Consideration receivable

For the purpose of any calculation of the consideration receivable or price pursuant to Conditions 8(c)(4), 8(c)(6), 8(c)(7) and 8(c)(8), the following provisions shall apply:

(i) the aggregate consideration receivable or price for Shares issued for cash shall be the amount of such cash;

(ii) (a) the aggregate consideration receivable for Shares to be issued on the conversion, exercise or exchange of any options, warrants or other rights or securities (or following any modification thereof) shall be deemed to be the consideration received or receivable by A-Living for any such options, warrants or other rights or securities (or following any modification thereof); (b) the aggregate consideration receivable for Shares to be issued on the exercise of rights of subscription attached to any such securities (or following any modification thereof) shall be deemed to be that part (which may be the whole) of the consideration received or receivable by A-Living for such securities (or following any modification thereof) which is attributed by A-Living to such rights of subscription or, if no part of such consideration is so attributed, to the Fair Market Value of such rights of subscription as at the relevant Determination Date, plus in the case of each of (a) and (b) above of this Condition 8(f)(ii), the additional minimum consideration (if any) to be received by A-Living on the conversion, exercise or exchange of such options, warrants or other rights or securities (or following any modification thereof), or on the exercise of such rights of subscription; and (c) the consideration per Share receivable by A-Living on the conversion, exercise or exchange of, or on the exercise of such rights of subscription attached to, such options, warrants or other rights or securities (or following any modification thereof) shall be the aggregate consideration referred to in (a) or (b) above of this Condition 8(f)(ii) (as the case may be) divided by the number of Shares to be issued on such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

(iii) if the consideration or price determined pursuant to (i) or (ii) above of this Condition 8(f) (or any component thereof) shall be expressed in a currency other than Hong Kong dollars, it shall be converted into Hong Kong dollars at the Screen Rate on the relevant Determination Date;

(iv) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Shares or securities or options, warrants or rights, or otherwise in connection therewith;

(v) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to A-Living or another entity; and

(vi) if as part of the same transaction, Shares shall be issued or issuable for a consideration receivable in more than one or in different currencies then the consideration receivable per Share shall be determined by dividing the aggregate consideration (determined as aforesaid and converted if and to the extent not in Hong Kong dollars, into Hong Kong dollars as aforesaid) by the aggregate number of Shares so issued.

(g) Notice of Adjustment of Exchange Price

Notice of any adjustment of the Exchange Price shall be given by the Issuer to the Bondholders in accordance with Condition 18 and to the Trustee, the Paying Agents and the Exchange Agents in accordance with the Trust Deed promptly in writing after the determination thereof.

(h) **Multiple Events, Upward/Downward Adjustment**

Where more than one event which gives or may give rise to an adjustment to the Exchange Price occurs within such a short period of time that in the opinion of an Independent Adviser, the foregoing provisions in this Condition 8 would need to be operated subject to some modification in order to give the intended result, such modification shall be made to the operation of the foregoing provisions as may be advised by such Independent Adviser to be in its opinion appropriate in order to give such intended result.

No adjustment resulting in an increase in the Exchange Price will be made, except in the case of a consolidation, subdivision or re-classification of the Shares as referred to in Condition 8(c)(1), or as a result of giving effect to the provisions of Condition 8(k). The Issuer may at any time and for a specified period of time only, following notice being given to the Trustee and the Principal Paying and Exchange Agent in writing and to the Bondholders in accordance with Condition 18, reduce the Exchange Price.

(i) Decision and Determination of the Calculation Agent or an Independent Adviser

Adjustments to the Exchange Price shall be determined and calculated by the Calculation Agent upon request from the Issuer or the Guarantor and/or, to the extent so specified in these Conditions and upon request from the Issuer or the Guarantor, by an Independent Adviser.

Adjustments to the Exchange Price calculated by the Calculation Agent or, where applicable, an Independent Adviser and any other determinations made by the Calculation Agent or, where applicable, an Independent Adviser, or an opinion of an Independent Adviser, pursuant to these Conditions shall in each case be made in good faith and shall be final and binding (in the absence of manifest error) on the Obligors, the Trustee, the Bondholders, the Calculation Agent (in the case of a determination by an Independent Adviser), the Agents, the Custodian and any other Secured Party.

The Calculation Agent may consult, at the expense of the Issuer, failing whom the Guarantor, on any matter (including, but not limited to, any legal matter), any legal or other professional adviser and it shall be able to rely upon, and it shall not be liable and shall incur no liability as against the Issuer, the Trustee, the Bondholders, any Agent, the Custodian or any other Secured Party in respect of anything done, or omitted to be done, relating to that matter in good faith, in accordance with that adviser's opinion.

The Calculation Agent shall act solely upon the request from, and exclusively as agent of, the Issuer and the Guarantor and in accordance with these Conditions. Neither the Calculation Agent (acting in such capacity) nor any Independent Adviser appointed in connection with the Bonds (acting in such capacity) will thereby assume any obligations towards or relationship of agency or trust and shall not be liable and shall incur no liability in respect of anything done, or omitted to be done in good faith, in its capacity as Calculation Agent as against the Issuer, the Trustee, the Bondholders, any Agent or any other Secured Party.

If following consultation between the Issuer and the Calculation Agent any doubt shall arise as to whether an adjustment falls to be made to the Exchange Price or as to how an adjustment to the Exchange Price under Condition 8 should be made, and following consultation between the Issuer, the Guarantor and an Independent Adviser, a written opinion of such Independent Adviser in respect thereof shall be conclusive and binding (in the absence of manifest error) on the Obligors, the Trustee, the Bondholders, the Calculation Agent, the Agents, the Custodian and any other Secured Party.

(j) **Share Scheme Shares/Options**

Notwithstanding any provision in this Condition 8, no adjustment will be made to the Exchange Price when Shares or other securities (including rights or options) are issued, offered, exercised, allotted or granted to, or for the benefit of, among others, employees and/or former employees (including directors and/or former directors) of A-Living or any of its Subsidiaries pursuant to any share option, share award, restricted share or employee share incentive scheme or plan (and which such scheme or plan is in compliance with the listing rules of the Relevant Stock Exchange) ("Share Scheme Shares/Options") unless any grant or issue of Share Scheme Shares/Options (which, but for this provision, would have required adjustment pursuant to Condition 8) would result in the total number of Shares which may be issued upon exercise of such Share Scheme Shares/Options granted during any 12-month period up to and including the date of such grant representing, in aggregate, over 1.0 per cent. of the average number of issued and outstanding Shares during such 12-month period, in which case only such portion of the grant or issue of Share Scheme Shares/Options that exceeds 1.0 per cent. of the average number of issued and outstanding Shares during the relevant 12-month period shall be taken into account in determining any adjustment of the Exchange Price pursuant to Condition 8.

(k) General offers and schemes of arrangement

(i) Acceptance of offers and schemes of arrangement

In the event of an Offer for, or any Scheme of Arrangement in respect of, the Shares, the Issuer or the registered holder or owner of the Exchange Property shall have absolute discretion to accept such Offer (and as to any alternative consideration) or reject such Offer or to vote or not to vote in respect of any such Scheme of Arrangement, provided that (i) it shall not (provided it is not thereby prejudiced) take any action with respect to any such Offer prior to the Specified Date and (ii) it shall not accept such Offer or vote in favour a Scheme of Arrangement unless the value of the consideration offered for the Shares pursuant to the Offer or, where there is any alternative consideration, unless the value of the consideration accepted by the Issuer, is equal to or greater than the value of the Shares. The value of the Shares and the value of any consideration will be determined by an Independent Adviser by reference to market values, where applicable, and such other considerations as the Independent Adviser shall consider appropriate.

The Issuer or the registered holder or owner of the Exchange Property shall not accept any Offer in respect of such part of the Exchange Property which would be deliverable to Bondholders who have exercised Exchange Rights for which the Exchange Date falls prior to the commencement of the Suspension Period (as defined in this Condition 8(k)). The Issuer or the registered holder or owner of the Exchange Property shall give notice to the Trustee and the Principal Paying and Exchange Agent in writing and to the Bondholders in accordance with Condition 18 forthwith upon receipt of any Offer for the Shares.

Subject as otherwise provided in this Condition 8(k), in relation to any Scheme of Arrangement, the Issuer or the registered holder or owner of the Exchange Property shall at all times be entitled, in relation to any Shares, to vote on, exercise its rights in respect of, or otherwise participate in, any such Scheme of Arrangement as it thinks fit.

In the case of a Scheme of Arrangement, the Issuer will not, and will procure that the registered holder or owner of the Exchange Property will not, exercise any voting rights in respect of such part of the Exchange Property which would be deliverable to those Bondholders who have exercised Exchange Rights in respect of Bonds prior to the suspension of the Exchange Rights as provided below.

The Exchange Rights shall be suspended during the period from and including (A) in the case of an Offer, the Specified Date to and including the date on which the relevant Offer is withdrawn or the relevant Offer lapses or the Final Acceptance Date, or, if earlier, the Final Date; or (B) in the case of a Scheme of Arrangement, the date falling the date falling five Business Days prior to the last date for submitting any vote (or the like) for the purpose of a meeting of the Shareholders to approve the relevant Scheme of arrangement, reorganisation, amalgamation or reconstruction to and including the date on which the same is approved or rejected by any relevant judicial or other authorities, and if Exchange Rights are exercised such that the Exchange Date would otherwise fall in the Suspension Period, such exercise shall be null and void.

If the Issuer accepts an Offer and such Offer is or becomes unconditional in all respects, Exchange Rights will also be suspended during the period from and including the Final Acceptance Date, or if earlier, the Final Date to but excluding the Consideration Date.

If the Shares are subject to compulsory acquisition or if a Scheme of Arrangement becomes effective, Exchange Rights will also be suspended during the period from and including the date on which such compulsory acquisition, or such Scheme of Arrangement, as the case may be, becomes effective to but excluding the Consideration Date.

Any period during which Exchange Rights are suspended pursuant to the foregoing is referred to as a "**Suspension Period**".

Notice of any such Suspension Period (including the dates expected to be (as of the date such notice is given) the dates of commencement and termination thereof) will be given by the Issuer to the Trustee and the Principal Paying and Exchange Agent in writing and to the Bondholders in accordance with Condition 18 forthwith upon becoming aware of the existence of any Suspension Period.

If a tender or other offer is made by or on behalf of a Relevant Corporation (or any person associated with such Relevant Corporation) to purchase or otherwise acquire, redeem or exchange such Shares, the Issuer or the registered holder or owner of the Exchange Property shall not tender or be entitled to be treated as having tendered any such Shares which are comprised in the Exchange Property or be treated as having accepted any such offer in respect thereof or vote in respect of any such Shares in relation to any such tender or other offer, nor shall the Issuer or the registered holder or owner of the Exchange Property exercise or be treated as having exercised any option to require the redemption or repayment of such Shares prior to the final due date for redemption or repayment thereof.

The Issuer shall give notice to the Trustee and the Principal Paying and Exchange Agent in writing and to the Bondholders in accordance with Condition 18 forthwith upon becoming aware of the existence of any Offer or any Scheme of Arrangement.

In accepting or rejecting any Offer or electing for any alternative consideration or in voting on, exercising its rights in respect of, or otherwise participating in, any Scheme of Arrangement, compromise, reorganisation, amalgamation, merger, demerger or reconstruction, the Issuer is not obliged to take account of the interests of the Bondholders and accordingly the Issuer may act in a manner which is contrary to the best interests of the Bondholders.

(ii) *Acceptance of offers and schemes of arrangement*

If the Issuer (or the registered holder or owner of the Exchange Property) accepts such Offer (or if the Shares are subject to compulsory acquisition) or if a Scheme of Arrangement becomes effective, then, with effect from the Consideration Date:

(a) the Shares the subject of such Offer or Scheme of Arrangement or compulsory acquisition will be deemed no longer to form part of the Exchange Property and shall be deemed to be replaced by the consideration (the "Consideration") received for the Shares acquired under the Offer or pursuant to such compulsory acquisition and in place of the Exchange Property which it substitutes;

(b) in the case of an All Property Offer, where Exchange Rights are exercised and the relevant Exchange Date falls on or after the Consideration Date, the relevant Bondholders shall be entitled to receive an amount of Offered Property determined in accordance with these Conditions, and the Exchange Price shall be adjusted by the Calculation Agent by multiplying the Exchange Price in effect immediately prior to the Consideration Date by the following fraction:

$$\frac{1}{OP}$$

where:

OP is the amount of Offered Property comprised in the Consideration for one Share;

(c) in the case of an All Cash Offer, where Exchange Rights are exercised and the relevant Exchange Date falls on or after the Consideration Date (or (assuming for this purpose only that the Exchange Date in respect of any such exercise of Exchange Rights is the Consideration Date) where Condition 8(c)(11) applies in respect of the relevant exercise of Exchange Rights, the applicable Relevant Event Exchange Price), the relevant Bondholders shall be entitled to receive an amount in cash per each HK$1,000,000 principal amount of the Bonds determined by the Calculation Agent as follows (and rounded to the nearest whole multiple of HK$0.01 (with HK$0.005 rounded upwards)):

$$A \times B$$

where:

A is HK$1,000,000 in principal amount of the Bonds divided by the Exchange Price in effect on the Consideration Date; and

B is the Offered Cash Amount in respect of one Share;

(d) in the case of a Part-Cash Offer, where Exchange Rights are exercised and the relevant Exchange Date falls on or after the Consideration Date, the relevant Bondholder shall be entitled to receive:

(A) an amount of Offered Property determined in accordance with these Conditions and the Exchange Price shall be adjusted as provided in (b) above; and

(B) a cash amount per each HK$1,000,000 principal amount of the Bonds determined in accordance with (c) above.

(iii) Certain definitions

For the purpose of these Conditions:

"**All Cash Offer**" means an Offer (or, as the case may be, compulsory acquisition, or Scheme of Arrangement) where the Consideration received by the Issuer (or the registered holder or owner of the Exchange Property) solely comprises consideration that is not Eligible Equity Shares;

"**All Property Offer**" means an Offer (or, as the case may be, compulsory acquisition, or Scheme of Arrangement) where the Consideration received by the Issuer (or the registered holder or owner of the Exchange Property) solely comprises Eligible Equity Shares;

"**Eligible Equity Shares**" means equity share capital of the offeror provided that (i) the offeror is a limited liability company (or equivalent) incorporated in or established under the laws of the PRC, Hong Kong, a European Union member state, a state within the European Economic Area, the United Kingdom or an OECD member state, and (ii) such equity share capital is listed and admitted to trading on a Qualified Exchange;

"**Final Acceptance Date**" means, in respect of any Offer, the final date for acceptance of such Offer which, if such Offer is extended prior to becoming unconditional, shall be the final date for acceptance of the extended Offer (but, if such Offer is or becomes unconditional, disregarding any additional or further period during which such Offer is open for acceptance);

"**Final Date**" means, in relation to any Offer, the date such Offer becomes or is declared unconditional in all respects;

"**Offered Cash Amount**" means the cash amount in Hong Kong dollars (or, where applicable, translated into Hong Kong dollars at the Screen Rate on the Final Date) comprising the whole or part of the Consideration received by the Issuer (or the registered holder or owner of the Exchange Property) for one Share in the Offer (or, as the case may be, compulsory acquisition, or Scheme of Arrangement) (other than cash paid in respect of fractional entitlements to the Offered Property) provided that if the Offered Property comprises securities or property other than Eligible Equity Shares, such securities or property will be deemed, for the purpose of this definition to form part of the Offered Cash Amount in an amount equal to their Fair Market Value on the Final Date;

"**Offered Property**" means the number of Eligible Equity Shares (including fractions) comprised in the Consideration relating to the relevant Offer (or, as the case may be, compulsory acquisition, or Scheme of Arrangement) for one Share received by the Issuer (or the registered holder or owner of the Exchange Property);

"**Part-Cash Offer**" means an Offer (or, as the case may be, compulsory acquisition, or Scheme of Arrangement) where the Consideration received by the Issuer (or the registered holder or owner of the Exchange Property) comprises Eligible Equity Shares and other consideration; and

"**Specified Date**" means, in respect of any Offer, the fifteenth day following that on which such Offer was made, or, if earlier, the Final Acceptance Date.

9 UNDERTAKINGS

(a) The Guarantor undertakes to (i) file or cause to be filed with the National Development and Reform Commission of the PRC (the "NDRC") the requisite post-issuance filing within 10 PRC Business Days after the Issue Date and in accordance with the Notice of the National Development and Reform Commission on Promoting the Administrative Reform of the Record-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) promulgated by the NDRC on September 14, 2015 which came into effect immediately (the "Post-Issuance Filing") and (ii) comply with all applicable PRC laws and regulations in relation to the issue of the Bonds.

The Guarantor shall within 10 PRC Business Days after completion of the Post-Issuance Filing provide the Trustee with a certificate substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming such completion, together with a copy of the Post-Issuance Filing annexed to such certificate (the "Filing Certificate"). The Trustee may rely conclusively, without further inquiry or investigation and without liability to any Bondholder, any other Secured Party or any other person, on the Filing Certificate. The Trustee, the Agents and the Custodian shall have no obligation or duty to monitor or ensure or assist with the submission of the Post-Issuance Filing with the NDRC or to verify the accuracy, validity and/or genuineness of the Filing Certificate or the Post-Issuance Filing annexed to the Filing Certificate or any other documents in relation to or in connection with the Post-Issuance Filing (and the Trustee may assume without inquiry, investigation or verification that the copy of the Post-Issuance Filing annexed to the Filing Certificate is a complete and accurate copy of the original) or to translate or procure the translation of the Filing Certificate (including without limitation any annexure thereto) from Chinese to English or to give notice to the Bondholders confirming the completion of the Post-Issuance Filing, and the Trustee shall not be liable to Bondholders or any other person for not doing so.

(b) Each of the Issuer and the Guarantor undertakes to use all reasonable endeavours to maintain the listing of the Bonds on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). If the Issuer and/or the Guarantor are unable to maintain such listing or the maintenance of such listing is, in the opinion of the Issuer and/or the Guarantor, unduly onerous or burdensome, the Issuer and the Guarantor each undertake to use all reasonable endeavours to obtain and maintain a listing and/or admission to trading of the Bonds on such other internationally recognised stock exchange upon which debt securities such as the Bonds are customarily listed and/or admitted to trading as the Issuer and/or the Guarantor may from time to time determine and as may be approved by an Extraordinary Resolution of the Bondholders, and the Issuer will forthwith give notice to the Bondholders in accordance with Condition 18 of the listing or de-listing and/or admission of the Bonds by any of such stock exchanges.

(c) If the appointment of an Independent Adviser is required by these Conditions or if these Conditions relate to any matter to be determined by an Independent Adviser, the Issuer and the Guarantor shall procure, at the expense of the Issuer, failing whom the Guarantor, that the relevant appointment is made promptly and, in any event, in time to enable the proper operation of the relevant provisions of these Conditions. None of the Trustee, the Agents, the Custodian or the Calculation Agent shall be responsible for or under any obligation to select or appoint an Independent Advisor, and none of them shall have any responsibility or liability for verifying any calculation, determination, certification, advice or opinion made, given or reached by any such Independent Adviser.

(d) Within seven Business Days following the occurrence of a Relevant Event, the Issuer shall give notice thereof to the Trustee and the Agents in writing and to the Bondholders in accordance with Condition 18 (a "Relevant Event Notice"). Such notice shall contain a statement informing Bondholders of their entitlement to exercise their Exchange Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 10(c)(i).

The Relevant Event Notice shall also specify:

(i) the Value of the *pro rata* share of the Exchange Property attributable to each HK$1,000,000 principal amount of the Bonds as at the last practicable date prior to the publication of the Relevant Event Notice, together with any accrued and unpaid interest;

(ii) the last day of the Relevant Event Period, and the Relevant Event Exchange Period;

(iii) the Relevant Event Put Date; and

(iv) such other information relating to the Relevant Event as the Trustee may in its absolute discretion require.

None of the Trustee, the Agents, the Custodian or the Calculation Agent shall be required to take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and none of them will be responsible or liable to any Obligor, any Bondholder, any other Secured Party or any other person for any loss arising from any failure by them to do so.

(e) Within seven Business Days following the occurrence of a De-listing Event, the Issuer shall give notice thereof to the Trustee and the Agents in writing and to the Bondholders in accordance with Condition 18 (a "De-listing Event Notice"). Such notice shall contain a statement informing Bondholders of their entitlement to exercise their Exchange Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 10(c)(ii).

The De-listing Event Notice shall also specify:

(i) the Value of the *pro rata* share of the Exchange Property attributable to each HK$1,000,000 principal amount of the Bonds as at the last practicable date prior to the publication of the De-listing Event Notice, together with any accrued and unpaid interest;

(ii) the last day of the De-listing Event Period;

(iii) the De-listing Event Put Date; and

(iv) such other information relating to the De-listing Event as the Trustee in its absolute discretion may require.

None of the Trustee, the Agents, the Custodian or the Calculation Agent shall be required to take any steps to ascertain whether a De-listing Event or any event which could lead to a De-listing Event has occurred or may occur and none of them will be responsible or liable to any Obligor, any Bondholder, any other Secured Party or any other person for any loss arising from any failure by them to do so.

(f) Any undertaking given by both the Issuer and the Guarantor under this Condition 9 shall be on a joint and several basis.

10 REDEMPTION AND PURCHASE

(a) Final Redemption

Unless previously exchanged, redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount together with accrued and unpaid interest thereon on the Maturity Date.

The Bonds may only be redeemed at the option of the Issuer prior to the Maturity Date in accordance with Condition 10(b).

(b) Redemption at the Option of the Issuer

(i) Redemption for tax reasons

At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "Tax Redemption Notice") to the Bondholders in accordance with Condition 18 (which Tax Redemption Notice shall be copied to the Trustee and the Agents), redeem (subject as provided below) all but not some only of the Bonds for the time being outstanding on the date (the "Tax Redemption Date") specified in the Tax Redemption Notice at their principal amount together with interest accrued but unpaid to (but excluding) such date, if the Issuer satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice by the Issuer that (A) it (or, if the Parent Guarantee was called, the Guarantor) has or will become obliged to pay additional amounts as provided or referred to in Condition 12 as a result of (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the Relevant Taxing Jurisdiction of the Issuer or the Guarantor (as the case may be); or (2) any change in the application or official interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), in each case which change or amendment becomes effective on or after the Issue Date; and (B) such obligation cannot be avoided by the Issuer (or, if the Parent Guarantee was called, the Guarantor) taking reasonable measures available to it, provided that no such Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer (or, if the Parent Guarantee was called, the Guarantor) would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

At least 15 days prior to the publication of any Tax Redemption Notice, the Issuer shall deliver to the Trustee (I) a certificate in English signed by an Authorised Signatory of the Issuer stating that the Issuer (or, if the Parent Guarantee was called, the Guarantor) has or will become obligated to pay additional amounts as provided or referred to in Condition 12 as a result of such changes or amendment and that accordingly the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have been satisfied, and (II) an opinion, addressed to and in a form satisfactory to the Trustee, of legal counsel or tax adviser to the effect that the Issuer (or, if the Parent Guarantee was called, the Guarantor) has or will become obligated to pay such amounts as a result of such changes or amendment. The Trustee shall be entitled (but shall not be obliged) to accept and rely conclusively upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (A) and (B) above of this Condition 10(b)(i) without further enquiry and without liability to any Bondholder or any other person, in which event the same shall be conclusive and binding on the Bondholders.

Any Tax Redemption Notice shall be irrevocable.

On the Tax Redemption Date, the Issuer shall (subject to the next following paragraph) redeem the Bonds at their principal amount together with interest accrued but unpaid up to (but excluding) the Tax Redemption Date (if any).

If the Issuer gives a notice of redemption pursuant to this Condition 10(b)(i), each Bondholder will have the right to elect that its Bonds shall not be redeemed and that the provisions of Condition 12 shall not apply in respect of any payment to be made on such Bonds which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 12 and payment of all amounts on such Bonds shall be made subject to the deduction or withholding of any taxation of the Relevant Taxing Jurisdiction (as defined in Condition 12) of the Issuer or the Guarantor (as the case may be) required to be withheld or deducted. To exercise such right, the Holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying Agent together with the relevant Certificate on or before the day falling 10 days prior to the Tax Redemption Date.

Any Tax Redemption Notice shall specify (x) the Tax Redemption Date, (y) the last day on which Exchange Rights may be exercised by a Bondholder and (z) the Value of the *pro rata* share of the Exchange Property attributable to each HK$1,000,000 principal amount of the Bonds as at the most recent practicable date prior to the giving of the relevant Tax Redemption Notice.

(ii) Redemption for minimum outstanding amount

The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount together with interest accrued but unpaid to (but excluding) the Issuer Optional Redemption Date (if any) at any time if, prior to the date on which the relevant notice of redemption is given Exchange Rights shall have been exercised and/ or purchases (and corresponding cancellations) and/or redemptions effected in respect of 90 per cent. or more in principal amount of the Bonds originally issued.

In order to exercise such option the Issuer shall give not less than 30 nor more than 60 days' notice (an "Issuer Optional Redemption Notice") to the Bondholders in accordance with Condition 18 (which Issuer Optional Redemption Notice shall be copied to the Trustee and the Agents) specifying the date for redemption (the "Issuer Optional Redemption Date"). Any Issuer Optional Redemption Notice shall be irrevocable.

On the Issuer Optional Redemption Date, the Issuer shall redeem the Bonds at their principal amount together with interest accrued but unpaid to (but excluding) the Issuer Optional Redemption Date (if any).

Any Issuer Optional Redemption Notice shall specify (A) the Issuer Optional Redemption Date, (B) the last day on which Exchange Rights may be exercised by a Bondholder and (C) the Value of the *pro rata* share of the Exchange Property attributable to each HK$1,000,000 principal amount of the Bonds as at the most recent practicable date prior to the giving of the relevant Issuer Optional Redemption Notice.

(c) Redemption at the Option of the Bondholders

(i) Redemption following a Relevant Event

Following the occurrence of a Relevant Event, the Holder of each Bond will have the right to require the Issuer to redeem that Bond on the Relevant Event Put Date in respect of such Relevant Event at their principal amount together with interest accrued but unpaid to (but excluding) such date (if any). To exercise such right, the Holder of the relevant Bond must deliver the Certificate to the specified office of any Paying Agent, together with a duly completed and signed notice of exercise in the form for the time being obtainable from the specified office of any Paying Agent (the "Relevant Event Put Exercise Notice" in respect of such Relevant Event), at any time during the Relevant Event Period. The "Relevant Event Put Date" in respect of such Relevant Event shall be the 14th calendar day after the expiry of the Relevant Event Period in respect of such Relevant Event (or if that is not a Business Day in Hong Kong, the next following day which is a Business Day in Hong Kong).

Payment in respect of any such Bond shall be made by transfer to a Hong Kong dollar account maintained by on or behalf of the relevant Bondholder with a bank that processes payments in Hong Kong dollars as specified by the relevant Bondholder in the relevant Relevant Event Put Exercise Notice.

A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Relevant Event Put Exercise Notices delivered as aforesaid on the Relevant Event Put Date.

(ii) Redemption following a De-listing Event

Following the occurrence of a De-listing Event, the Holder of each Bond will have the right to require the Issuer to redeem that Bond on the De-listing Event Put Date at their principal amount together with interest accrued but unpaid to (but excluding) such date (if any). To exercise such right, the Holder of the relevant Bond must deliver the Certificate to the specified office of any Paying Agent, together with a duly completed and signed notice of exercise in the form for the time being obtainable from the specified office of any Paying Agent (a "De-listing Event Put Exercise Notice"), at any time during the De-listing Event Period. The "De-listing Event Put Date" shall be the date falling 30 Business Days after the expiry of the De-listing Event Period.

Payment in respect of any such Bond shall be made by transfer to a Hong Kong dollar account maintained by on or behalf of the relevant Bondholder with a bank that processes payments in Hong Kong dollars as specified by the relevant Bondholder in the relevant De-listing Event Put Exercise Notice.

A De-listing Event Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of the De-listing Event Put Exercise Notices delivered as aforesaid on the De-listing Event Put Date.

(iii) Redemption at the option of Bondholders

On 24 November 2024 (the "Optional Put Date"), the Holder of each Bond will have the right to require the Issuer to redeem that Bond on the Optional Put Date at their principal amount together with interest accrued but unpaid to (but excluding) such date (if any). To exercise such right, the holder of the relevant Bond must deliver the Certificate to the specified office of any Paying Agent, together with a duly completed and signed notice of exercise in the form for the time being obtainable from the specified office of any Paying Agent (an "Optional Put Exercise Notice"), not earlier than 60 days and not later than 30 days prior to the Optional Put Date.

Payment in respect of any such Bond shall be made by transfer to a Hong Kong dollar account maintained by on or behalf of the relevant Bondholder with a bank that processes payments in Hong Kong dollars as specified by the relevant Bondholder in the relevant Optional Put Exercise Notice.

An Optional Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of the Optional Put Exercise Notices delivered as aforesaid on the Optional Put Date.

(d) Multiple Notices

If more than one notice of redemption is given pursuant to this Condition 10, the first of such notices to be given shall prevail.

(e) Purchase

Each of the Obligors or any of their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of any of the Obligors or any such Subsidiary, shall not entitle the Holder thereof to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for various purposes, including for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 13, 15 and 16.

(f) Cancellation

Bonds purchased by any of the Obligors or any of their respective Subsidiaries may be held, re-issued or sold or cancelled. All Bonds redeemed or exchanged will be cancelled and may not be re-issued or resold.

(g) Trustee and Agents not obliged to monitor

None of the Trustee, the Calculation Agent, the Agents or the Custodian shall be under any duty to monitor or ascertain whether any event or circumstance which gives rise or may give rise to any redemption under this Condition 10 has happened or exists as described in this Condition 10 or may occur or arise, and none of them shall be responsible or liable to any Obligor, any Bondholder, any other Secured Party or any other person for not so doing. The Trustee, the Agents and the Custodian shall not be responsible for calculating or verifying the calculations of any amount payable under any redemption or option under this Condition 10 and none of them shall be responsible or liable to any Obligor, any Bondholder, any other Secured Party or any other person for not doing so.

11 PAYMENTS

(a) Method of Payment

Payment of principal, premium (if any) and interest (if any) (other than any payment to be made by the Issuer or the Guarantor to a Bondholder directly) will be made by wire transfer to the registered account of the Bondholder. Such payment will only be made after surrender (if required) of the relevant Certificate at the specified office of the Registrar or any Transfer Agent. In the case of any amount payable by the Issuer pursuant to Conditions 8 and 10(c), such payment will be made by Hong Kong dollar cheque mailed by the Issuer to the address specified in the relevant Exchange Notice or such other notice as delivered by the relevant Bondholder under Condition 10(c).

Interest on Bonds due on an Interest Payment Date will be paid on the due date for the payment of interest to the holder shown on the Register at the close of business on the 15th Business Day before the due date for the payment of interest (the "Interest Record Date"). Payments of interest on each Bond will be made by wire transfer to the registered account of the Bondholder but only in the case of any amount payable by the Issuer pursuant to Conditions 8 and 10(c), by Hong Kong dollar cheque mailed by the Issuer to the address specified in the relevant Exchange Notice or such other notice as delivered by the relevant Bondholder under Condition 10(c).

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

*All payments in respect of Bonds represented by the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except December 25 and January 1.*

(b) Registered Accounts

For the purposes of this Condition 11, a Bondholder's "**registered account**" means the Hong Kong dollar account maintained by or on behalf of such Bondholder with a bank that processes payments in Hong Kong dollars, details of which appear on the Register at the close of business on the Interest Record Date, and a Bondholder's "**registered address**" means its address appearing on the Register at that time.

(c) Agents

The names of the initial Principal Paying and Exchange Agent, Transfer Agent and Registrar and their initial specified offices are set out below. The Issuer and the Guarantor reserve the right under the Agency Agreement at any time with the prior written approval of the Trustee to remove any Paying Agent, any Exchange Agent, any Transfer Agent or the Registrar, as the case may be, and to appoint other or further Paying Agents, Exchange Agents, Transfer Agents or Registrar, provided that it will at all times maintain a Principal Paying and Exchange Agent, a Transfer Agent, a Registrar and such other Paying Agents, Exchange Agents, Transfer Agents having specified offices in any place required by the rules of any relevant stock exchange if and for so long as the Bonds are listed or admitted to trading on any stock exchange or admitted to listing by any other relevant authority for which the rules require the appointment of a paying agent, an exchange agent, a transfer agent or a registrar in any particular place. Notice of any such removal or appointment and of any change in the specified office of any Paying Agent, Exchange Agent, Transfer Agent or the Registrar will be given promptly by the Issuer to Bondholders in accordance with Condition 18.

The Issuer reserves the right, under the Calculation Agency Agreement, at any time to vary or terminate the appointment of the Calculation Agent and appoint another Calculation Agent with the prior written approval of the Trustee, provided that it will at all times maintain a Calculation Agent which shall be a financial institution of international repute or a financial adviser with appropriate expertise. Notice of any change in the Calculation Agent will promptly be given by the Issuer to Bondholders in accordance with Condition 18.

(d) Payments Subject to Fiscal Laws

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to Condition 12. No commissions or expenses shall be charged to the Bondholders in respect of such payments.

(e) Fractions

When making payments to Bondholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest such unit.

(f) Delay in Payment

Bondholders will not be entitled to any further interest or other payment for any delay after the due date in receiving any amount due:

(i) as a result of the due date not being a business day; or

(ii) if the relevant Bondholder is late in surrendering the relevant Bond (where such surrender is required pursuant to these Conditions as a precondition to payment).

In this Condition 11, "**business day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets settle payments generally in (A) Hong Kong, (B) the place of the specified office of the Principal Paying and Exchange Agent, and (C) (where surrender of the relevant Certificate is required pursuant to these Conditions as a precondition to payment) the place of the specified office of the Registrar or the relevant Paying Agent to whom the relevant Certificate is surrendered.

12 TAXATION

All payments of principal of, and premium (if any) on and interest on the Bonds or under the Parent Guarantee, the Subsidiary Guarantees and the 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 Issuer, the Guarantor or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organised or resident for tax purposes (or in any such case any political subdivision or taxing authority thereof or therein), including, without limitation, the PRC (each as applicable, a "Relevant Taxing Jurisdiction") or any jurisdiction through which payments are made (or in any such case any political subdivision or taxing authority thereof or therein) (together with each Relevant Taxing Jurisdiction, as applicable, 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 Issuer, the Guarantor 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 Bond 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 Bond and the Relevant Jurisdiction other than merely holding such Bond or the receipt of payments thereunder or under the Parent Guarantee, 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 Bond (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, on and interest on, such Bond 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 Bond for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Issuer, the Guarantor or 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;

(iv) the presentation of such Bond (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Bond 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 law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding Conditions 12(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.

References in these Conditions to principal, premium (if any), interest and/or any other amounts payable to the Bondholders in respect of the Bonds shall be deemed also to refer to any Additional Amounts which may be payable under this Condition 12 or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The provisions of this Condition 12 shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 10(b)(i).

None of the Trustee, the Agents, the Custodian or the Calculation Agent shall be responsible for paying any tax, duty, charge, withholding or other payment referred to in this Condition 12 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by any Obligor, any Bondholder, any other Secured Party or any other person to pay such tax, duty, charge, withholding or other payment in any jurisdiction or to provide any notice or information to any person or to make any presentation that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

13 EVENTS OF DEFAULT

Each of the following events will be an "**Event of Default**" in these Conditions:

(a) *non-payment of principal or premium:* default in the payment of principal of (or premium, if any, on) the Bonds when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(b) *failure to exchange:* any of the Issuer or the Guarantor fails to perform any of its obligations arising in respect of the exercise of Exchange Rights, including any failure to transfer or deliver any Exchange Property by the time required pursuant to these Conditions;

(c) *non-payment of interest:* default in the payment of interest on any Bond when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(d) *breach of other obligations:* an Obligor does not perform or comply with any one or more of its obligations in the Bonds, the Bonds Security Documents or the Trust Deed (other than a default specified in Conditions 13(a), (b) and (c) above) and such default or breach continues for a period of 30 consecutive days after written notice thereof is given by the Trustee to the Issuer and the Guarantor;

(e) *cross-default:* there occurs with respect to any indebtedness of the Issuer, the Guarantor or any Restricted Subsidiary having an outstanding principal amount of US$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such indebtedness of all such Persons, whether such indebtedness now exists or shall hereafter be created, (i) 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 (ii) the failure to make a principal payment when due;

(f) *enforcement:* one or more final judgments or orders for the payment of money are rendered against the Issuer, the Guarantor or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$20.0 million (in excess of amounts which the Guarantor's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(g) *proceedings:* an involuntary case or other proceeding is commenced against the Issuer, the Guarantor or any Significant 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 Issuer, the Guarantor or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Issuer, the Guarantor or any Significant 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 Issuer, the Guarantor or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(h) *winding-up:* the Issuer, the Guarantor or any Significant Restricted Subsidiary (i) 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, (ii) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Guarantor or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Issuer, the Guarantor or any Significant Restricted Subsidiary or (iii) effects any general assignment for the benefit of creditors (other than, in each case under (ii) of this Condition 13(h), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Restricted Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Restricted Subsidiary being transferred to or otherwise vested in the Issuer, the Guarantor or any Significant Restricted Subsidiary (as the case may be) on a *pro rata* basis or on a basis more favourable to the Issuer or the Guarantor (as the case may be));

(i) *repudiation — guarantees:* the Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor denies or disaffirms its obligations under the Parent Guarantee, its Subsidiary Guarantee or its JV Subsidiary Guarantee, or, except as permitted under the Trust Deed, the Parent Guarantee or 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;

(j) *default:* any default by any Obligor in the performance of any of its obligations under any Bonds Security Documents or the Security Documents to which it is a party, which adversely affects the enforceability, validity, perfection or priority of the applicable Security on any Bonds Security Assets, any Bonds Security Interests or Lien on the Collateral or which adversely affects the condition or value of the Security on any Bonds Security Assets, any Bonds Security Interests or the Collateral taken as a whole, in any material respect;

(k) *repudiation — Security:* the Issuer, the Guarantor, the Chargor or any Subsidiary Guarantor Pledgor denies or disaffirms its obligations under any Bonds Security Document or any Security Document or, other than in accordance with any Bonds Security Document or the Security Documents, any such document ceases to be or is not in full force and effect or the Trustee ceases to have a security interest in the Collateral or any Bonds Security Assets, as the case may be (subject to any Permitted Liens over the Collateral as defined in the indenture constituting the Senior Notes); or

(l) *repudiation — Bonds Documents or Intercreditor arrangements:* the Issuer or the Guarantor denies or disaffirms its obligations under any Bonds Documents, the Intercreditor Agreement or the Sub-Collateral Agent Appointment Agreement or, other than in accordance with these Conditions or the Bonds Documents, any Bonds Document, the Intercreditor Agreement or the Sub-Collateral Agreement ceases to be or is not in full force and effect or the Trustee ceases to have a security interest in the Bonds Security Assets (subject to those permitted under Condition 3).

If an Event of Default (other than an Event of Default specified in Condition 13(g) or Condition 13(h) above) occurs and is continuing (as defined in the Trust Deed), the Trustee at its discretion may, and if so requested in writing by Bondholders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, (subject to, in any such case, that the Trustee first being indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer and the Guarantor declaring that the principal of, premium, if any, and accrued and unpaid interest on the Bonds is, and the same shall immediately become, 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 Condition 13(g) or Condition 13(h) above occurs with respect to any of the Issuer, the Guarantor or any Significant Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Bonds 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 Bondholder.

Notwithstanding anything to the contrary herein but subject to the requirements set forth in the Trust Deed, if the Exchange Right attached to any Bond has been duly exercised in accordance with Condition 8 following the occurrence of an Event of Default but prior to the Bonds having become due and payable, or if there has occurred an Event of Default under Condition 13(b), the

Issuer (failing whom the Guarantor and the Subsidiary Guarantors, jointly and severally) shall, as a separate payment obligation and at the written request of the exchanging Bondholder to the Issuer (which request shall be copied to the Trustee, the Principal Paying and Exchange Agent and the Calculation Agent), pay to such Bondholder directly (in accordance with the instructions contained in the Exchange Notice, subject to applicable laws and regulations) an amount in Hong Kong dollars (the ''Default Cure Amount''), as determined (and notified to the Issuer, the Trustee and the Principal Paying and Exchange Agent) by the Calculation Agent, equal to the product (rounded to the nearest whole multiple of HK$0.01, with HK$0.005 rounded upwards) of (i) (A) the number of Shares that are required to be delivered by the Issuer to satisfy the Exchange Right in relation to such exchanging Bondholder minus (B) the number of Shares that are delivered by the Issuer pursuant to such Bondholders' Exchange Notice and (ii) the Closing Price (translated if necessary into Hong Kong dollars at the Screen Rate) on the Trading Day immediately preceding the Exchange Date; provided that if such Bondholder has received any payment under the Bonds pursuant to Condition 3(f) or other provisions of this Condition 13, the amount of such payment shall be deducted from the Default Cure Amount.

14 PRESCRIPTION

Claims in respect of amounts due in respect of the Bonds will become void unless made within five years (in the case of interest) and 10 years (in the case of principal or other sums payable hereunder) from the appropriate Relevant Date in respect thereof.

15 MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER, SUBSTITUTION AND ENTITLEMENT OF TRUSTEE

(a) Meetings of Bondholders

The Trust Deed contains provisions for convening meetings of the Bondholders (including meetings held by way of video or audio conference call) to consider any matter affecting their interests, including without limitation provisions governing the passing of resolutions by Bondholders and the sanctioning by Extraordinary Resolution of a modification of any provisions of these Conditions or any relevant provisions of the Trust Deed or any other Transaction Documents. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing by Bondholders, holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee having been first indemnified and/or secured and/or pre-funded to its satisfaction for all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the aggregate principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, to (i) change the Maturity Date, (ii) modify the circumstances in which the Issuer or the Bondholders are entitled to redeem the Bonds pursuant to Conditions 10(b) or 10(c), (iii) reduce or cancel the principal amount of the Bonds or to reduce the amount payable on redemption or repayment of the Bonds, (iv) vary the method or basis of calculating amounts payable in respect of the Bonds, (v) modify or cancel the Exchange Rights (other than an increase in the Exchange Property deliverable on exercise of Exchange Rights or other adjustments already expressly permitted or provided for in these Conditions or the Trust Deed), (vi) vary the currency of the denomination or any payment in respect of the Bonds, (vii) modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, (viii) change or modify the composition of the Exchange Property other than in accordance with these Conditions or the Trust Deed, (ix) change the governing law of the Bonds or any Bonds Document, (x) modify Condition 3 (or the corresponding provisions of the Bonds Security Documents or the Security Documents described therein), or otherwise release any Bonds Security Assets or Collateral to the extent not expressly contemplated in these Conditions, the Bonds Security Documents or the Security Documents, (xi) modify or cancel the Parent Guarantee, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Intercreditor Agreement, the Deed of Charge, the Hong Kong Share Mortgage or any Hong Kong Supplemental Share Mortgage (other than as provided in Condition 15(b)) or (xii) withdraw any Exchange Property as contemplated in Condition 3(d)(ii)(D) that is expressed to require a special quorum resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 66 2/3 per cent., or at any adjourned meeting not less than 50 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution (A) in writing signed by or on behalf of Holders of not less than 90 per cent. of the aggregate principal amount of the Bonds for the time being outstanding or (B) passed by Electronic Consent (as defined in the Trust Deed) shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders. A resolution in writing and/or passed by Electronic Consent in accordance with the Trust Deed will be binding on all Bondholders, whether or not they participated in such resolution and/or Electronic Consent.

(b) Modification and Waiver

The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of the provisions of the Transaction Documents which, in the Trustee's opinion, is of a formal, minor or technical nature, or is made to correct a manifest error, or is to comply with mandatory provisions of law, and (ii) any other modification (except as mentioned in the Trust Deed) to any Transaction Document, and any waiver or authorisation of any breach or proposed breach, of any of the provisions of any Transaction Document which, in the opinion of the Trustee, is not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders, and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified to the Bondholders by the Issuer, failing whom the Guarantor, promptly in accordance with Condition 18.

(c) Substitution

The Trustee may, without the consent of the Bondholders, agree to the substitution in place of the Issuer (or any previous substitute or substitutes under this Condition 15(c)) as the principal debtor under the Bonds and the Trust Deed subject to the conditions set out in the Trust Deed, including (i) the Bonds remaining unconditionally and irrevocably guaranteed by the Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors and secured in the manner described in Condition 3 and (ii) the Bonds continuing to be exchangeable for the Exchange Property as provided in these Conditions *mutatis mutandis* as provided in these Conditions, provided that in any such case, the conditions set out in the Trust Deed are complied with. Any such substitution shall be binding on the Bondholders and shall be notified promptly by the Issuer to the Bondholders in accordance with Condition 18.

(d) Entitlement of the Trustee

In connection with the exercise of its rights, powers, discretions and functions (including but not limited to those referred to in this Condition 15), the Trustee shall have regard to the general interests of the Bondholders as a class and, in particular but without limitation, shall not have regard to interests of, or be responsible for, the consequences of such exercise for individual Bondholders (whether resulting from their being for any purpose domiciled or resident in, or connected with, or subject to the jurisdiction of, any particular territory, or for any other reason), and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from any Obligor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

16 ENFORCEMENT

The Trustee may at any time following the occurrence of an Event of Default which is continuing (as defined in the Trust Deed), at its discretion and without notice:

(a) make a demand under any, some or all of the Parent Guarantee, Subsidiary Guarantees and JV Subsidiary Guarantees in accordance with these Conditions and the Trust Deed; and/or

(b) enforce any, some or all of the Bonds Security Interests in accordance with the relevant Bonds Security Documents; and/or

(c) subject to the Intercreditor Agreement or the Sub-Collateral Agent Appointment Agreement, instruct the Sub-Collateral Agent to enforce the Lien over the Collateral in accordance with the relevant Security Document; and/or

(d) take such other steps and/or actions and/or initiate such other proceedings against any Obligor as it may think fit to enforce the provisions of any Transaction Document to which it is a party,

but it shall not be bound to do any of the foregoing unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders (or, in the case of paragraph (c) above, such resolution being passed by holders of not less than 50 per cent. in aggregate principal amount of the Bonds then outstanding) or so requested in writing by the holders of at least 25 per cent. (or, in the case of paragraph (c) above, not less than 50 per cent.) in aggregate principal amount of the Bonds then outstanding, and (ii) it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder shall be entitled to proceed directly against the Issuer, the Guarantor, any of the Subsidiary Guarantors and/or any of the JV Subsidiary Guarantors (other than for any Default Cure Amount or any payments arising under or as a result of the exercise of an Exchange Right) unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure is continuing.

17 THE TRUSTEE, THE AGENTS AND THE CUSTODIAN

The Trust Deed and the Bonds Security Documents contain provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking actions or instituting proceedings to enforce its rights under the Transaction Documents unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee, the Agents and the Custodian are entitled to enter into business transactions with any Obligor and any entity related (directly or indirectly) to any of them without accounting for any profit.

None of the Trustee, the Agents or the Custodian shall be responsible for the performance (whether financial or otherwise) or failure to perform by any Obligor, the Calculation Agent, the Collateral Agent, the Sub-Collateral Agent or any other person appointed by any of them in relation to the Bonds, the Bonds Security Assets (including, for the avoidance of doubt, any related rights in connection therewith), the Exchange Property (and the delivery or failure to deliver thereof), the Collateral, the Default Cure Amount and/or the Transaction Documents or the duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer or the Guarantor to the contrary, the Trustee, each Agent and the Custodian shall be entitled to assume that the same are being duly performed. None of the Trustee, the Agents or the Custodian shall be liable to any Obligor, any Bondholder, any Secured Party or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee and the Agents may rely on any direction, request or resolution of Bondholders given by Holders of the requisite principal amount of Bonds outstanding or passed in accordance with the Trust Deed, whether at a meeting of Bondholders convened and held in accordance with the Trust Deed or otherwise. None of the Trustee, the Agents or the Custodian shall have any obligation to monitor whether any Default, Event of Default or Relevant Event (or any event which could lead to the occurrence of any of the aforesaid events) has occurred or may occur, and none of them shall be liable to any Obligor, any Bondholder, any other Secured Party or any other person for not doing so.

Whenever the Trustee is required or entitled by the terms of the Trust Deed or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions or clarifications of any direction from the Bondholders by way of an Extraordinary Resolution and to first be indemnified and/or secured and/or pre-funded to its satisfaction, and the Trustee is not responsible for any loss or liability incurred by any Obligor, any Bondholder, any other Secured Party or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or clarifications or in the event that no such directions or clarifications are received or an indemnity, security or pre-funding is not provided to the Trustee to its satisfaction. The Trustee shall not be liable to any Obligor, any Bondholder, any other Secured Party or any other person for any action taken by it in accordance with the instructions of the Bondholders. None of the Trustee, the Agents or the Custodian shall be under any obligation to monitor compliance with the provisions of any Transaction Document.

The Trustee may rely without liability to any Obligor, any Bondholder, any other Secured Party or any other person on any report, confirmation or certificate or any advice of any accountants, financial advisers, investment bank, or other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and be entitled to rely on any such report, confirmation or certificate or advice and such report, confirmation or certificate or advice shall be binding on the Obligors, each other Secured Party and the Bondholders.

None of the Trustee, the Agents or the Custodian shall have any obligation to enforce or realise the Collateral or any Lien under the Intercreditor Agreement or the Sub-Collateral Agent Appointment Agreement other than, in the case of the Trustee and subject to these Conditions and the Trust Deed, to instruct (to the extent permitted by the terms of the Intercreditor Agreement and/or the Sub-Collateral Agent Appointment Agreement) the Sub-Collateral Agent, and the Trustee shall not be obliged to provide any such instruction unless (a) it shall have been so directed by an Extraordinary Resolution of the Bondholders passed by Holders of not less than 50 per cent. in aggregate principal amount of the Bonds then outstanding or so requested in writing by the Holders of not less than 50 per cent. in principal amount of the Bonds then outstanding, and (b) it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction. None of the Trustee, the Agents or the Custodian shall be liable or responsible to any Obligor, any Bondholder, any other Secured Party or any other person for any action, omission, delay, default or breach by the Collateral Agent, the Sub-Collateral Agent or any other person appointed under the Intercreditor Agreement or the Sub-Collateral Agent Appointment Agreement, whether in connection with any enforcement action taken thereunder or otherwise.

Each Bondholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, solvency, creditworthiness, condition, affairs, status and nature of the Obligors, A-Living and their respective Subsidiaries, Deluxe Star International Limited, any counterparty to any Bonds Security Documents, any issuer which shares or equity are comprising the Bonds Security Assets or Collateral, the Calculation Agent, the Collateral Agent, the Sub-Collateral Agent or any Secured Creditor or the Senior Notes, the Permitted Pari Passu Secured Indebtedness, the Secured Liabilities and any security or guarantee arrangement in connection therewith (including, without limitation, the terms of the Indentures, the Intercreditor Agreement and the Sub-Collateral Agent Appointment Agreement). None of the Trustee, the Agents or the Custodian shall at any time have any responsibility or liability to any Obligor, any Bondholder, any other Secured Party or any other person for the same and each Bondholder shall not rely on the Trustee, any Agent or the Custodian in respect thereof.

The Bonds Security Assets and the Collateral may decline speedily in value. At any time after any Security or Lien thereon has become enforceable, none of the Trustee, a Receiver, the Collateral Agent or the Sub-Collateral Agent is required to send any notice of its intention to sell or otherwise dispose of any Bonds Security Asset or Collateral. Upon becoming entitled to do so under the relevant Transaction Document, the Trustee, a Receiver, the Collateral Agent or the Sub-Collateral Agent (as applicable) may, in its sole and absolute discretion, sell or otherwise dispose of the relevant Bonds Security Asset or Collateral in such manner and under such circumstances as the Trustee, that Receiver, the Collateral Agent or the Sub-Collateral Agent (as applicable) may deem necessary or advisable (including the right to purchase any or all of the Bonds Security Assets or Collateral to be sold, bulk sale of the Bonds Security Assets or Collateral at a substantially discounted value compared to the then-current market price, sale by public auction or by private sale which may result in receipt of less proceeds than would be received via a public sale), and none of the Trustee, the Agents or the Custodian shall be liable to any Obligor, any Bondholder, any other Secured Party or any other person for such sale or disposal.

18 NOTICES

All notices to the Bondholders shall be validly given (unless otherwise specified) if mailed to them at their respective addresses in the register of Holders of the Bonds maintained by the Registrar and, so long as the Bonds are listed on the SGX-ST and the rules of that exchange so require, published in a leading newspaper having general circulation in Asia (which is expected to be the Asian Wall Street Journal). Any such notice shall be deemed to have been given on the later of the date of such publication and the seventh day after being so mailed.

All notices (including any Exchange Notice, Relevant Event Put Exercise Notice, De-listing Event Put Exercise Notice, Issuer Optional Redemption Notice, Optional Put Exercise Notice or Tax Redemption Notice) to be delivered by a Bondholder to an Agent under these Conditions shall be received by such Agent during usual business hours of such Agent (being 9:00 a.m. to 3:00 p.m. on a Business Day in the place of the specified office of such Agent, and any such notice being received outside such hours or on any day which is not a Business Day in the place of the specified office of such Agent shall be deemed to have been received by such Agent only at 9:00 a.m. on the immediately following Business Day in the place of the specified office of such Agent).

The Issuer (failing which, the Guarantor) shall send a copy of all notices given by it to Bondholders or any Bondholder pursuant to these Conditions simultaneously to the Calculation Agent.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System (as defined in the Global Certificate), notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or any Alternative Clearing System (and any such notice shall be deemed to have been given on the date on which such delivery is so made), for communication by it to entitled accountholders in substitution for notification as required by (and for the date on which such notification is deemed to have been given pursuant to) the Conditions, and notices from holders of the Bonds to the Agents shall be given in accordance with the procedures and practice of Euroclear or Clearstream or such Alternative Clearing System.

19 REPLACEMENT OF BONDS

If any Bond is mutilated, defaced, destroyed, stolen or lost, it may be replaced at the specified office of the Principal Paying and Exchange Agent upon payment by the claimant of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity and/or security as (a) the Issuer may reasonably require or (b) the Registrar or the relevant Transfer Agent (as the case may be) may require. Mutilated or defaced Bonds must be surrendered before replacements will be issued.

20 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the first interest payment and the timing for the Post-Issuance Filing with the NDRC) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds; provided that the pro rata share of the Exchange Property corresponding to each Bond shall be adjusted accordingly. References in these Conditions to the Bonds include (unless the context requires otherwise) any other bonds issued pursuant to this Condition 20 and consolidated and forming a single series with the Bonds.

21 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds or any provision of the Trust Deed under the Contracts (Rights of Third Parties) Act 1999 but this shall not affect any right or remedy which exists or is available apart from such Act and is without prejudice to the rights of Bondholders as contemplated in Condition 16.

22 GOVERNING LAW AND JURISDICTION

(a) Governing law

The Trust Deed, the Deed of Charge, the Agency Agreement, the Calculation Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The Hong Kong Share Mortgage, any Hong Kong Supplemental Share Mortgage and the Custody Agreement shall be governed by, and construed in accordance with, Hong Kong law.

(b) Jurisdiction

The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Agency Agreement, the Bonds, the Hong Kong Share Mortgage and any Hong Kong Supplemental Share Mortgage, and to have jurisdiction to settle any disputes which may arise out of or in connection with the Custody Agreement, and the English courts are to have jurisdiction to settle any disputes which may arise out of or in connection with the Deed of Charge and the Calculation Agency Agreement. Accordingly, any legal action or proceedings arising out of or in connection with the Trust Deed, the Bonds or the Bonds Security Documents, as the case may be, (''Proceedings''), may be brought in such courts. Each of the Obligors has irrevocably submitted to the jurisdiction of the aforementioned courts and has waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. The submission of the Issuer in the Custody Agreement and the Deed of Charge is made for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) Agent for Service of Process

Each of the Obligors has irrevocably appointed Deluxe Star International Limited 旺紀國際有限公司 at its registered office for the time being, currently at 18/F., Three Pacific Place, 1 Queen's Road East, Hong Kong as its agent in Hong Kong to receive service of process in any Proceedings in Hong Kong. The Issuer has irrevocably appointed Cogency Global (UK) Limited at 6 Lloyds Avenue, Unit 4CL, London EC3N 3AX as its agent in England to receive service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by any Obligor). If for any reason such agent shall cease to be such agent for service of process or no longer has an address in Hong Kong or in England (as the case may be), each of the Obligors irrevocably agrees to forthwith appoint a substitute process agent and each of them shall immediately notify the Trustee of such appointment. Nothing herein or in the Trust Deed or the Bonds Security Documents shall affect the right to serve process in any other manner permitted by law.

(d) Waiver of Immunity

Each of the Obligors has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

DESCRIPTION OF THE GLOBAL CERTIFICATE

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the terms and conditions of the Bonds set out in this Offering Circular. Terms defined in the Conditions have the same meaning in the paragraphs below. The following is a summary of those provisions:

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate will be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each HK$1,000,000 in principal amount of Bonds for which the Global Certificate is issued.

Cancellation

Cancellation of any Bond by the Issuer following its redemption, exchange or purchase by the Obligors or any of their respective Subsidiaries will be effected by a reduction in the principal amount of the Bonds in the register of Bondholders.

Trustee's Powers

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Exchange Right

Subject to the requirements of Euroclear and Clearstream (or any alternative clearing system), the Exchange Rights attaching to the Bonds in respect of which the Global Certificate is issued may be exercised. The Bonds in respect of which the Global Certificate is issued are exchangeable into the Exchange Property subject to and in accordance with the Conditions and the Trust Deed (the "**Exchange Right**"). Such Exchange Right may be exercised by a person entitled to an interest in the Bonds in respect of which the Global Certificate is issued delivering or causing to be delivered at its own expense a duly signed and completed Exchange Notice in the form (for the time being current) obtainable from the specified office of any Exchange Agent in accordance with the rules and procedures of Euroclear or Clearstream (or any alternative clearing system), as the case may be, to any Exchange Agent accompanied by a written authority to such Exchange Agent to procure the debit of the relevant person's account with Euroclear or Clearstream (or any alternative clearing system) with the principal amount of the portion of the Bonds in respect of which the Global Certificate is issued to which such person is entitled. Deposit of the Global Certificate with the Exchange Agent together with the relevant Exchange Notice(s) shall not be required. The exercise of the Exchange Right shall be notified by the Exchange Agent to the Registrar and the holder of the Global Certificate. For the avoidance of doubt, the "**Exchange Date**" applicable to a Bond shall have the meaning set out in Condition 8(b).

Payment

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

So long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment will be made to the person shown as the holder 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 payment, where "**Clearing System Business Day**" means a weekday (Monday to Friday inclusive) except December 25 and January 1.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Conditions. Notices from holders of the Bonds to the Agents shall be given in accordance with the procedures and practice of Euroclear or Clearstream or such Alternative Clearing System.

Redemption at the Option of the Issuer

The redemption options of the Issuer provided for in Condition 10(b) shall be exercised by the Issuer giving notice to the Bondholders within the time limits set out in and containing the information required by the relevant Conditions.

Redemption at the Option of the Bondholders

The Bondholder's redemption options in Condition 10(c) may be exercised by the holder of the Global Certificate giving notice to the Principal Paying and Exchange Agent of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the relevant Conditions.

Exchange of Bonds Represented by Global Certificate

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream or any other clearing system through which the Bonds are held selected by the Issuer and approved in writing by the Trustee, the Principal Paying and Exchange Agent and the Registrar (an "**Alternative 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 permanently to cease business or does in fact do so. In such circumstances, the Issuer will at its own expense cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Transfers

Transfers of beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear and Clearstream (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream (or any Alternative Clearing System) and their respective direct and indirect participants.

DESCRIPTION OF THE SHARES

The information included below is for information purposes only and is based on, or derived or extracted from, among other sources, publicly available information. The Issuer and the Guarantor have taken reasonable care in the compilation and reproduction of the information. However, none of the Issuer, the Guarantor, the Sole Bookrunner, the Trustee, the Agents or the Custodian or any of their respective holding companies, affiliates, subsidiaries, directors, officers, employees, agents, representatives or advisers has independently verified such information. No representation or warranty, express or implied, is made or given by the Issuer, the Guarantor or any of their employees or professional advisers as to the accuracy, completeness or sufficiency of such information. Accordingly, such information should not be unduly relied upon.

The Exchange Property shall comprise Shares of A-Living. The Shares have been listed on the Hong Kong Stock Exchange since 9 February 2018. Information about A-Living can be found on the website of the Hong Kong Stock Exchange. Save as otherwise explicitly provided in this Offering Circular, information contained on the website of the Hong Kong Stock Exchange does not form part of this Offering Circular. None of the Issuer, the Guarantor, the Subsidiary Guarantors, the JV Subsidiary Guarantors and the Sole Bookrunner accepts any responsibility for the information contained in such third party website. In addition, A-Living has no obligation with respect to the Bonds.

Market Price

The table below sets forth the closing prices and the daily trading volume of the Shares on the Hong Kong Stock Exchange for the periods indicated:

	Closing Share Price			Daily average trading volume of Shares
	High	Low	End of Period	
		HK$		
2020				
First Quarter	37.70	26.05	37.70	7,866,466
Second Quarter	44.90	36.75	39.05	4,390,712
Third Quarter	46.60	35.30	39.20	4,985,171
Fourth Quarter	40.65	30.10	34.40	4,303,239
2021				
First Quarter	38.10	28.40	34.50	6,045,091
Second Quarter	40.25	31.40	38.65	4,098,614
Third Quarter	38.70	25.60	27.70	5,492,942
Fourth Quarter (up to 16 November 2021)	29.90	21.00	23.80	3,273,470

TAXATION

The statements herein regarding taxation are based on the laws in force as at the date of this document and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following is a general description of certain Cayman Islands, British Virgin Islands and Hong Kong tax considerations relating to the Bonds. It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.

CAYMAN ISLANDS

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty.

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from August 2, 2005.

There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands.

The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not a party to any double taxation treaties.

BRITISH VIRGIN ISLANDS

There is no income or other tax of the British Virgin Islands imposed by withholding or otherwise on any payment to be made to or by us or the Issuer or any of the BVI Subsidiary Guarantors pursuant to the Bonds or the Subsidiary Guarantees.

HONG KONG

Withholding Tax

No withholding tax in Hong Kong is payable on payments of principal or distributions in respect of the Bonds.

Profits Tax

Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance") as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal, exchange or redemption of the Bonds where such sale, disposal, exchange or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Distributions on the Bonds will be subject to Hong Kong profits tax where such distributions are derived from a Hong Kong source, and are received by or accrue to:

- a financial institution (as defined in the Inland Revenue Ordinance) and the income that arises through or from the carrying on by the financial institution of its business in Hong Kong; or

- a corporation carrying on a trade, profession or business in Hong Kong; or

- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such distributions are in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale or disposal of the Bonds where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond (so long as the register of holders of the Bonds is maintained outside Hong Kong, as is expected to be the case).

Hong Kong stamp duty is payable by the purchaser on every purchase, and by the seller on every sale of Hong Kong stock, including the transfer of the Shares to the holder of the Bonds upon the exchange. The duty is charged at the ad valorem rate of 0.13 per cent. of the consideration for, or (if greater) the value of, the Shares transferred to or from each of the seller and the purchaser. In other words, a total of 0.26 per cent. is currently payable on a typical transfer (i.e. sale and purchase transaction) of Shares. In addition, any instrument of transfer (if required) will be subject to a flat rate of stamp duty of HK$5. Where a sale or purchase of Shares is effected by a person who is not resident in Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) is chargeable with such duty, together with the stamp duty otherwise chargeable thereon and the transferee is liable to pay such duty. If stamp duty is not paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

The Proposed Financial Transactions Tax

On February 14, 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common financial transactions tax ("FTT") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States"). However, Estonia has since stated that it will not participate. If the Commission's Proposal is adopted, the FTT would be a tax primarily on "financial institutions" (which could include the Company) in relation to "financial transactions" (which could include the issuance or sale of the Bonds).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Bonds (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal, the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Bonds where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument that is subject to the dealings is issued in a participating Member State.

The FTT may give rise to tax liabilities for the Company if it is adopted based on the Commission's Proposal. It should be noted that the FTT could be payable by Holders, including in relation to secondary market transactions, if the conditions for a charge to arise are satisfied and the FTT is adopted based on the Commission's Proposal. Primary market transactions referred to in Article 5(c) of Regulation EC No 1287/2006 are expected to be exempt but there is, however, uncertainty in relation to the intended scope of the exemption for certain money market instruments and structured issues.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of the Bonds are advised to seek their own professional advice in relation to the FTT.

SUBSCRIPTION AND SALE

The Issuer, the Guarantor and the Subsidiary Guarantors have entered into a subscription agreement with the Sole Bookrunner dated 17 November 2021 (the "Subscription Agreement"), pursuant to which and subject to certain conditions contained therein, the Issuer has agreed to issue, the Guarantor and the Subsidiary Guarantors have agreed to guarantee and the Sole Bookrunner agreed with the Issuer, the Guarantor and the Subsidiary Guarantors to subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds.

The Sole Bookrunner is offering the Bonds in accordance with the terms of the Subscription Agreement and subject to certain conditions contained in the Subscription Agreement, including, *inter alia*, the receipt by the Sole Bookrunner of documentation related to the issuance and sale of the Bonds, officer's certificates and legal opinions.

Each of the Issuer and the Guarantor has agreed in the Subscription Agreement that the Issuer, the Guarantor and any persons acting on any of their behalf will not, and each of the Issuer and the Guarantor will procure that none of its subsidiaries (other than A-Living and its subsidiaries) nor any person acting on its behalf will, for a period from the date of the Subscription Agreement up to 90 days after the Issue Date ("Lock-up Period"), without the prior written consent of the Sole Bookrunner (a) issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal) or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible or exchangeable into or exercisable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Sole Bookrunner prior to the expiration of the Lock-up Period; in each case except for (x) the Bonds and the Shares delivered on exchange of the Bonds or under the Securities Lending Agreement, (y) any transfer of Shares to another subsidiary by the Guarantor and (z) any security arrangements entered into with respect to the Shares, provided that the Issuer and/or the Guarantor procures that the person in favor of who such security is granted shall not have the right to enforce such security (whether through selling, contracting to sell, pledging or disposing of the Shares or entering into any agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares or entering into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in any of the foregoing) prior to the expiration of the Lock-up Period.

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Sole Bookrunner and its subsidiaries, affiliates or any person who controls any of them or any of their respective directors, officers, employees or agents against certain liabilities in connection with, among other things, the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Sole Bookrunner are subject to certain conditions precedent and entitles the Sole Bookrunner to terminate it in certain circumstances prior to payment being made to the Issuer.

The Issuer or, as the case may be, the Guarantor will pay the Sole Bookrunner's customary commissions in connection with the offering and will reimburse the Sole Bookrunner for certain fees and expenses incurred in connection with the offering.

The Sole Bookrunner and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("Banking Services and/or Transactions"). The Sole Bookrunner and its affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with the Issuer, the Guarantor and/or their respective affiliates for which they have received, or will receive, fees and expenses.

The Sole Bookrunner proposes to offer the Bonds for resale in transactions not requiring registration under the Securities Act pursuant to Regulation S.

Other Relationships

In connection with the offering of the Bonds, the Sole Bookrunner and/or its affiliates, or affiliates of the Issuer, the Guarantor or A-Living, may act as investors and place orders, receive allocations and trade the Bonds for its or their own account and such orders, allocations or trading of the Bonds may be material. Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer, the Guarantor or A-Living, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to offering of the Bonds should be read as including any offering of the Bonds to the Sole Bookrunner or its affiliates, or affiliates of the Issuer, the Guarantor or A-Living as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Furthermore, it is possible that a significant proportion of the Bonds may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained. The Issuer, the Guarantor, A-Living and the Sole Bookrunner are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Sole Bookrunner and its affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, the Guarantor and/or A-Living, including the Bonds and could adversely affect the trading price and liquidity of the Bonds. The Sole Bookrunner and its affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer, the Guarantor or A-Living, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments of the Issuer, the Guarantor or A-Living.

General

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required.

United States

The Bonds, the Guarantees and the Shares to be delivered upon exchange of the Bonds have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Sole Bookrunner has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Bonds or the Guarantees (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Bonds or the Guarantees during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds or the Guarantees within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Bonds and the Guarantees are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds and the Guarantees, an offer or sale of the Bonds or the Guarantees within the United States by dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

United Kingdom

The Sole Bookrunner has represented, warranted and agreed that:

(i) 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 any Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer, the Guarantor or the Subsidiary Guarantors; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

Prohibition of Sales to EEA Retail Investors

The Sole Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the EEA. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prohibition of Sales to UK Retail Investors

The Sole Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law in the UK by virtue of the EUWA; or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law in the UK by virtue of the EUWA.

Hong Kong

The Sole Bookrunner has represented, warranted and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Singapore

The Sole Bookrunner has acknowledged that this Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Sole Bookrunner has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, 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 Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) 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

(ii) 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 Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) 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;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B(1)(c) of the SFA — the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds 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).

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, the Sole Bookrunner has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

The People's Republic of China

The Sole Bookrunner has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC, except as permitted by the securities laws of the PRC.

The British Virgin Islands

The Sole Bookrunner has represented and agreed that it has not made and will not make any invitation to the public or any member of the public in the British Virgin Islands to purchase the Bonds and the Bonds may not be offered or sold, directly or indirectly, in the British Virgin Islands.

The Cayman Islands

The Sole Bookrunner has represented and agreed that it has not made and will not make any invitation to the public or any member of the public in the Cayman Islands to purchase the Bonds and the Bonds may not be offered or sold, directly or indirectly, in the Cayman Islands.

INDEPENDENT AUDITOR OF THE COMPANY AND A-LIVING

Our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2020 reproduced in this Offering Circular have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with the Hong Kong Standards on Auditing issued by the HKICPA as stated in the auditor's reports therein have been reproduced from our annual reports for the years ended December 31, 2019 and 2020, respectively. Our unaudited condensed consolidated interim financial information as of and for the six months ended June 30, 2021 reproduced in this Offering Circular have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The audited consolidated financial statements of A-Living as at and for the years ended December 31, 2019 and 2020, and the notes thereto, which are incorporated by reference in this Offering Circular, have been audited by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as stated in their report incorporated by reference herein. The unaudited condensed consolidated interim financial information of A-Living as of and for the six months ended June 30, 2021, and the notes thereto, which is incorporated by reference in this Offering Circular, has been reviewed by PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA.

GENERAL INFORMATION

1 **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream under Common Code Number 240657791 and the International Securities Identification Number for the Bonds is XS2406577911.

2 **Legal Entity Identifier:** The Legal Entity Identifier (LEI) of the Issuer is 549300TN2SD7VQZUOV66.

3 **Authorizations:** The Issuer has obtained all necessary consents, approvals and authorizations in connection with the issue of and performance of its obligations under the Bonds and the Deed of Charge. The issue of the Bonds and the giving of the Security was authorised by a resolution of the director of the Issuer passed on October 25, 2021. The Guarantor and the Subsidiary Guarantors obtained all necessary consents, approvals and authorizations in connection with the giving and performance of its obligations under the Guarantees. The giving of such Parent Guarantee and the Subsidiary Guarantee were authorised by a resolution of the board of directors of each of the Guarantor and the Subsidiary Guarantors passed on October 25, 2021.

4 **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) or general affairs of the Issuer, the Guarantor or the Group since the date of its incorporation (the case of the Issuer) or June 30, 2021 (in the case of the Guarantor or the Group) that is material in the context of the issue of the Bonds or the Guarantees.

5 **Litigation:** There are no legal or arbitration proceedings against or affecting the Issuer, the Guarantor or any member of the Group or any of their respective assets, nor is the Issuer or the Guarantor aware of any pending or threatened proceedings, which are or might be material in the context of the issue of the Bonds.

6 **Listing of the Bonds:** Application will be made to the SGX-ST for the listing and quotation of the Bonds 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 the listing and quotation of the Bonds on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Guarantor, their subsidiaries, their associated companies or the Bonds. For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, the Bonds, 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 Bonds, if traded on the SGX-ST, will be traded in a minimum board lot size of HK$2,000,000.

For so long as the Bonds are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Certificate is exchanged for Bonds in definitive form, the Issuer will appoint and maintain a paying agent in Singapore, where the Bonds in definitive form may be presented or surrendered for payment or redemption. In addition, in the event that the Global Certificate is exchanged for Bonds in definitive form, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Bonds in definitive form, including details of the paying agent in Singapore.

7 **Available Documents:** So long as any of the Bonds is outstanding, copies of the following documents will be available for inspection by any Bondholder following prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the Principal Paying and Exchange Agent from the Issue Date at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m. (Hong Kong time) on any business day), at the principal place of business of the Trustee (being at the date of this Offering Circular at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong) and the specified office of the Principal Paying and Exchange Agent:

- the Trust Deed;
- the Agency Agreement;
- the Calculation Agency Agreement;

- the Bonds Security Documents;
- the Custody Agreement;
- the Intercreditor Agreement; and
- the Sub-Collateral Agent Appointment Agreement.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Notes:

(1) The unaudited condensed consolidated interim financial information set out herein has been reproduced from the Company's interim report for the six months ended June 30, 2021, and page references are references to pages set forth in such report. The unaudited condensed consolidated interim financial information has not been specifically prepared for the inclusion in this Offering Circular. The audited consolidated financial statements set out herein have been reproduced from the Company's annual reports for the years ended December 31, 2019 and 2020, and page references are references to pages set forth in such reports. The audited consolidated financial statements have not been specifically prepared for the inclusion in this Offering Circular.

Interim Consolidated Balance Sheet

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**12,859,541**	12,080,847
Investment properties	6	**10,960,386**	10,849,449
Right-of-use assets	6	**3,441,413**	3,376,304
Goodwill	7	**4,622,196**	4,264,614
Other intangible assets	7	**4,039,993**	3,576,350
Investments accounted for using the equity method	8	**31,927,699**	18,179,155
Prepayments for acquisition of equity interests		**10,000**	523,321
Prepayments for acquisition of land use rights	9	**-**	34,285
Properties under development	10	**23,243,298**	30,973,623
Other receivables	12	**8,579,305**	7,508,793
Financial assets at fair value through other comprehensive income		**322,123**	510,639
Deferred income tax assets		**1,481,590**	1,392,281
		101,487,544	93,269,661
Current assets			
Properties under development	10	**80,925,093**	82,148,512
Completed properties held for sale	11	**17,260,770**	19,092,671
Inventories		**295,890**	248,325
Prepayments for acquisition of land use rights	9	**7,102,659**	8,311,775
Contract assets		**4,058,997**	3,204,597
Trade and other receivables	12	**55,811,527**	50,021,335
Prepaid income taxes		**4,785,630**	5,355,663
Financial assets at fair value through profit or loss	13	**1,503,154**	1,247,819
Restricted cash	14	**10,647,890**	8,938,792
Cash and cash equivalents	15	**46,512,122**	41,925,908
		228,903,732	220,495,397
Total assets		**330,391,276**	313,765,058

Interim Consolidated Balance Sheet (Continued)

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
EQUITY			
Capital and reserves attributable to the shareholders of the Company			
Share capital and premium	16	**3,421,883**	3,421,883
Shares held for Share Award Scheme	17	**(156,588)**	(156,588)
Other reserves	18	**4,564,159**	3,416,513
Retained earnings		**47,241,223**	44,133,820
		55,070,677	50,815,628
Perpetual Capital Securities	19	**13,013,810**	13,637,493
Non-controlling interests		**21,882,534**	12,516,601
Total equity		**89,967,021**	76,969,722
LIABILITIES			
Non-current liabilities			
Borrowings	20	**58,412,878**	59,243,748
Other payables	21	**4,670,829**	4,284,452
Financial liabilities at fair value through profit or loss	22	**6,611**	101,235
Contract liabilities	23	**117,746**	75,271
Lease liabilities		**410,267**	392,927
Deferred income tax liabilities		**3,976,706**	4,087,131
		67,595,037	68,184,764
Current liabilities			
Borrowings	20	**39,486,623**	38,569,018
Trade and other payables	21	**73,314,728**	75,229,690
Financial liabilities at fair value through profit or loss	22	**447,109**	1,004,423
Contract liabilities	23	**42,211,917**	36,306,083
Lease liabilities		**229,815**	244,011
Current income tax liabilities		**17,139,026**	17,257,347
		172,829,218	168,610,572
Total liabilities		**240,424,255**	236,795,336
Total equity and liabilities		**330,391,276**	313,765,058

The notes on pages 32 to 83 form an integral part of this interim financial information.

Interim Consolidated Income Statement

(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June 2021 (Unaudited)	2020 (Unaudited)
Operation			
Revenue	5	**38,587,759**	33,527,374
Cost of sales	27	**(27,739,181)**	(22,006,936)
Gross profit		**10,848,578**	11,520,438
Selling and marketing costs	27	**(1,273,482)**	(952,070)
Administrative expenses	27	**(1,899,444)**	(1,713,554)
Net impairment losses on financial and contract assets		**(198,222)**	(98,127)
Other gains, net	24	**4,253,080**	2,831,959
Other income	25	**787,574**	777,584
Other expenses	26	**(112,698)**	(128,308)
Operating profit		**12,405,386**	12,237,922
Finance costs, net	28	**(1,239,305)**	(1,342,235)
Share of post-tax profits of investments accounted for using the equity method	8	**195,619**	491,115
Profit before income tax		**11,361,700**	11,386,802
Income tax expenses	29	**(4,891,083)**	(5,047,603)
Profit for the period		**6,470,617**	6,339,199
Profit attributable to:			
Shareholders of the Company		**5,290,297**	5,127,482
Holders of Perpetual Capital Securities	19	**507,533**	549,386
Non-controlling interests		**672,787**	662,331
		6,470,617	6,339,199
Earnings per share from continuing operations attributable to the shareholders of the Company for the period (expressed in Renminbi per share)			
— Basic	30	**1.363**	1.321
— Diluted	30	**1.363**	1.321

The notes on pages 32 to 83 form an integral part of this interim financial information.

Interim Consolidated Statement of Comprehensive Income

(All amounts in RMB thousands unless otherwise stated)

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Profit for the period	**6,470,617**	6,339,199
Other comprehensive income for the period		
Items that will not be reclassified subsequently to profit or loss		
— Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	**(175,342)**	(14,285)
Items that may be reclassified to profit or loss		
— Currency translation differences	**(12,084)**	(5,678)
Other comprehensive income for the period, net of tax	**(187,426)**	(19,963)
Total comprehensive income for the period	**6,283,191**	6,319,236
Total comprehensive income attributable to:		
Shareholders of the Company	**5,116,840**	5,116,925
Holders of the Perpetual Capital Securities	**507,533**	549,386
Non-controlling interests	**658,818**	652,925
	6,283,191	6,319,236

The notes on pages 32 to 83 form an integral part of this interim financial information.

Interim Consolidated Statement of Changes in Equity

(All amounts in RMB thousands unless otherwise stated)

	Unaudited							
	Attributable to the owners of the Company							
	Share capital and premium (note 16)	Shares held for Share Award Scheme (note 17)	Other reserves (note 18)	Retained earnings	Total	Perpetual Capital Securities (note 19)	Non-controlling interests	Total equity
Six months ended 30 June 2021								
Balance at 1 January 2021	3,421,883	(156,588)	3,416,513	44,133,820	50,815,628	13,637,493	12,516,601	76,969,722
Comprehensive income								
Profit for the period	–	–	-	5,290,297	5,290,297	507,533	672,787	6,470,617
Other comprehensive income								
— Currency translation differences	–	–	3,302	-	3,302	-	(15,386)	(12,084)
— Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	(176,759)	-	(176,759)	-	1,417	(175,342)
Total comprehensive income for the six months ended 30 June 2021	–	–	(173,457)	5,290,297	5,116,840	507,533	658,818	6,283,191
Transfer to statutory reserve and enterprise expansion funds (note 18)	–	–	218,287	(218,287)	–	–	–	–
Distribution to holders of Perpetual Capital Securities (note 19)	–	–	–	–	–	(504,314)	–	(504,314)
Redemption of perpetual capital securities	–	–	–	(18,878)	(18,878)	(626,902)	–	(645,780)
Non-controlling interests on acquisition of subsidiaries (note 33)	–	–	–	–	–	–	372,470	372,470
Disposal of subsidiaries	–	–	–	–	–	–	(117,206)	(117,206)
Capital withdrawn by non-controlling interests	–	–	–	–	–	–	(597,700)	(597,700)
Capital injection by non-controlling interests	–	–	1,102,816	–	1,102,816	–	9,450,575	10,553,391
Dividends distribution to non-controlling interests	–	–	–	–	–	–	(401,024)	(401,024)
Dividends (note 31)	–	–	–	(1,945,729)	(1,945,729)	–	–	(1,945,729)
Total transactions with owners, recognised directly in equity for the six months ended 30 June 2021	–	–	1,321,103	(2,182,894)	(861,791)	(1,131,216)	8,707,115	6,714,108
Balance at 30 June 2021	3,421,883	(156,588)	4,564,159	47,241,223	55,070,677	13,013,810	21,882,534	89,967,021

Interim Consolidated Statement of Changes in Equity (Continued)

(All amounts in RMB thousands unless otherwise stated)

	Unaudited							
	Attributable to the owners of the Company							
	Share capital and premium (note 16)	Shares held for Share Award Scheme (note 17)	Other reserves (note 18)	Retained earnings	Total	Perpetual Capital Securities (note 19)	Non-controlling interests	Total equity
Six months ended 30 June 2020								
Balance at 1 January 2020	3,421,883	(156,588)	2,931,267	38,277,061	44,473,623	13,566,867	7,295,986	65,336,476
Comprehensive income								
Profit for the period	–	–	–	5,127,482	5,127,482	549,386	662,331	6,339,199
Other comprehensive income								
— Currency translation differences	–	–	3,728	–	3,728	–	(9,406)	(5,678)
— Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	(14,285)	–	(14,285)	–	–	(14,285)
Total comprehensive income for the six months ended 30 June 2020	–	–	(10,557)	5,127,482	5,116,925	549,386	652,925	6,319,236
Transfer to statutory reserve and enterprise expansion funds (note 18)	–	–	172,571	(172,571)	–	–	–	–
Distribution to holders of Perpetual Capital Securities (note 19)	–	–	–	–	–	(482,835)	–	(482,835)
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	1,840,173	1,840,173
Acquisition of additional interests in subsidiaries	–	–	(177,239)	–	(177,239)	–	(52,761)	(230,000)
Dividends distribution to non-controlling interests	–	–	–	–	–	–	(386,508)	(386,508)
Capital injection by non-controlling interests	–	–	–	–	–	–	659,486	659,486
Other transaction with non-controlling interests	–	–	1,590	–	1,590	–	1,798	3,388
Dividends (note 31)	–	–	–	(1,416,131)	(1,416,131)	–	–	(1,416,131)
Total transactions with owners, recognised directly in equity for the six months ended 30 June 2020	–	–	(3,078)	(1,588,702)	(1,591,780)	(482,835)	2,062,188	(12,427)
Balance at 30 June 2020	3,421,883	(156,588)	2,917,632	41,815,841	47,998,768	13,633,418	10,011,099	71,643,285

The notes on pages 32 to 83 form an integral part of this interim financial information.

Interim Consolidated Statement of Cash Flows

(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June **2021** **(Unaudited)**	 2020 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		**7,677,578**	16,364,049
Interest paid		**(2,681,666)**	(3,210,858)
PRC income tax paid		**(4,168,535)**	(5,632,145)
Net cash generated from operating activities		**827,377**	7,521,046
Cash flows from investing activities			
Cash (paid)/received for acquisition of subsidiaries through business combination	33	**(109,783)**	311,629
Net cash (outflow)/inflow on disposal of the subsidiaries	32	**(1,377,777)**	301,921
Proceeds from disposal of property, plant and equipment and intangible assets		**19,012**	391,997
Purchases of property, plant and equipment, self-used land use rights and intangible assets		**(1,452,197)**	(1,469,207)
Repayment of cash advances from joint ventures and associates and other related parties		**6,043,603**	4,027,913
Cash advances made to joint ventures, associates and other related parties		**(4,791,790)**	(8,091,783)
Prepayment for acquisitions of equity interests		**(10,000)**	–
Investments in joint ventures and associates		**(8,555,732)**	(103,588)
(Payments)/proceeds received to settle derivative financial instruments		**(755,559)**	12,708
Purchase of wealth management products		**(16,529,430)**	(9,016,488)
Redemption of wealth management products		**16,483,317**	7,493,059
Payment for acquisition of other financial assets at fair value through profit or loss		**(129,246)**	–
Proceeds from disposal of other financial assets at fair value through profit or loss		**–**	10,914
Payment for acquisition of financial assets at fair value through other comprehensive income		**(6,565)**	(61,568)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**–**	500
Proceeds from disposal of joint ventures		**–**	362,148
Interest and dividend income received		**1,326,823**	660,831
Net cash used in investing activities		**(9,845,324)**	(5,169,014)

Interim Consolidated Statement of Cash Flows (Continued)

(All amounts in RMB thousands unless otherwise stated)

	Note	Six months ended 30 June 2021 (Unaudited)	2020 (Unaudited)
Cash flows from financing activities			
Redemption of perpetual capital securities		**(645,780)**	–
Net proceeds from borrowings		**25,220,367**	27,104,998
Repayments of borrowings		**(22,236,091)**	(28,215,624)
Repayments of cash advances made to related parties		**(1,734,082)**	(389,428)
Cash advances from related parties		**1,775,955**	4,307,606
Cash advance from non-controlling interests and third parties		**5,309,977**	4,547,867
Repayment of cash advance from non-controlling interests and third parties		**(2,588,726)**	(3,827,071)
Principal elements of lease payments		**(148,337)**	(116,037)
Decrease in restricted deposits as guarantee		**296,892**	120,321
Acquisition of additional interests in subsidiaries from non-controlling interests		**–**	(230,000)
Capital withdrawn by non-controlling interests		**(597,700)**	–
Capital injection by non-controlling interests		**10,553,391**	659,486
Other transaction with non-controlling interests		**–**	3,388
Distribution to holders of Perpetual Capital Securities		**(504,314)**	(482,835)
Dividends paid to shareholders of the Company		**(947,939)**	(685,372)
Dividends paid to non-controlling interests		**(109,142)**	(315,538)
Net cash generated from financing activities		**13,644,471**	2,481,761
Net increase in cash and cash equivalents		**4,626,524**	4,833,793
Net cash and cash equivalents at 1 January		**41,925,908**	33,551,303
Exchange losses on cash and cash equivalents		**(40,310)**	(23,327)
Cash and cash equivalents at 30 June	15	**46,512,122**	38,361,769

The notes on pages 32 to 83 form an integral part of this interim financial information.

Notes to the Interim Financial Information

(All amounts in RMB thousands unless otherwise stated)

1 General information

Agile Group Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 14 July 2005 and is principally engaged in investment holding. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (the "**Group**") are principally engaged in property development and property management in the People's Republic of China (the "**PRC**").

The Company's shares have been listed on Hong Kong Stock Exchange since 15 December 2005.

The condensed consolidated interim financial information was approved by the Board of Directors of the Company on 18 August 2021.

The outbreak of the 2019 Novel Coronavirus ("**COVID-19**") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental revenue and occupancy rate of investment properties, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group has been keeping continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the condensed consolidated interim financial information is authorised for issuance, COVID-19 does not have any material adverse impact on the financial position and operating results of the Group.

2 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020 and any public announcement made by the Company during the six months ended 30 June 2021.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (note 29) and the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the reporting period commencing 1 January 2021:

- Interest Rate Benchmark Reform — Phase 2 — Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16.

The amendments listed above did not have significant impact on the amounts recognised in the current or prior periods and is not likely to affect future periods.

(b) New standards and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments	1 January 2022
Amendments to HKAS 37	Provisions, contingent liabilities and contingent assets	1 January 2022
Annual Improvements Projects	Annual Improvements to HKFRSs 2018–2020 (amendments)	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance contract	1 January 2023
Amendments to HK Interpretation 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

4 Fair value measurement of financial instruments

(a) Fair value hierarchy

The hierarchy of financial assets or financial liabilities measured at fair value is as follows:

At 30 June 2021 (unaudited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at fair value through profit or loss (FVPL)				
— Hong Kong listed equity securities and debt instruments	**157,073**	**–**	**–**	**157,073**
— Unlisted equity securities	**–**	**–**	**484,193**	**484,193**
— Wealth management products	**–**	**–**	**774,344**	**774,344**
— Others	**–**	**–**	**87,544**	**87,544**
	157,073	**–**	**1,346,081**	**1,503,154**
Financial assets at fair value through other comprehensive income (FVOCI)				
— Hong Kong listed equity securities	**263,755**	**–**	**–**	**263,755**
— Unlisted equity securities	**–**	**–**	**58,368**	**58,368**
	263,755	**–**	**58,368**	**322,123**
Total financial assets	**420,828**	**–**	**1,404,449**	**1,825,277**
Financial liabilities				
Financial liabilities at FVPL				
— Derivative financial instruments	**–**	**353,675**	**–**	**353,675**
— Put options	**–**	**–**	**100,045**	**100,045**
Total financial liabilities	**–**	**353,675**	**100,045**	**453,720**

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

4 Fair value measurement of financial instruments (Continued)

(a) Fair value hierarchy (Continued)

At 31 December 2020 (audited)	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVPL				
— Hong Kong listed equity securities and debt instruments	165,476	–	–	165,476
— Unlisted equity securities	–	–	354,951	354,951
— Wealth management products	–	–	635,923	635,923
— Others	–	–	91,469	91,469
	165,476	–	1,082,343	1,247,819
Financial assets at FVOCI				
— Hong Kong listed equity securities	462,017	–	–	462,017
— Unlisted equity securities	–	–	48,622	48,622
	462,017	–	48,622	510,639
Total financial assets	627,493	–	1,130,965	1,758,458
Financial liabilities				
Financial liabilities at FVPL				
— Derivative financial instruments	–	1,010,883	–	1,010,883
— Put options	–	–	94,775	94,775
Total financial liabilities	–	1,010,883	94,775	1,105,658

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

4 Fair value measurement of financial instruments (Continued)

(a) Fair value hierarchy (Continued)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a no recurring basis as at 30 June 2021.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities, wealth management products and put options.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of foreign currency forwards is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 1 and 2 except for unlisted equity securities, wealth management products and others explained in (c) below.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

4 Fair value measurement of financial instruments (Continued)

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the six months ended 30 June 2021 and 2020:

	Financial assets (unaudited)	**Financial liabilities (unaudited)**
Balance as at 31 December 2020	**1,130,965**	**(94,775)**
Additions	**16,658,676**	**–**
Addition through business combinations (note 33)	**29,375**	**–**
Finance costs	**–**	**(7,244)**
Redemption of wealth management products	**(16,483,317)**	**–**
Gains recognised in other gains, net	**64,029**	**1,974**
Gains recognised in other comprehensive income	**4,721**	**–**
Balance as at 30 June 2021	**1,404,449**	**(100,045)**

	Financial assets (unaudited)	Financial liabilities (unaudited)
Balance as at 31 December 2019	826,340	(70,436)
Additions	9,016,488	–
Addition through business combinations	253,751	–
Redemption of wealth management products	(7,493,059)	–
Disposal	(700)	–
Gains recognised in other gains, net	32,164	(6,406)
Balance as at 30 June 2020	2,634,984	(76,842)

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

4 Fair value measurement of financial instruments (Continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (Continued)

Valuation processes

The finance department of the Group includes a team that performs the valuations of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation methodologies to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments mainly included the unlisted equity securities, wealth management products and put options (note 13 and note 22). As the investments are not traded in an active market, their fair value have been determined by discounted cash flows. The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined using a capital asset pricing model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.

- Earnings growth factor for unlisted equity securities, wealth management products and others: these are estimated based on market information for similar types of companies and products.

- Expected cash inflows: these are estimated based on the terms of the operating contract, the entity's knowledge of the business and how the current economic environment is likely to impact it.

(d) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different from their carrying amounts, since the interest receivable and payable is either close to current market rates or the instruments are short-term in nature.

5 Segment information

The executive directors of the Company, which are the chief operating decision-maker of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategy decision.

The Group is organised into three business segments: property development, property management and others. As the executive directors of the Company consider most of the Group's consolidated revenue and results are attributable from the market in the PRC, most of the non-current assets are located in the PRC, and less than 10% of the Group's consolidated assets are located outside the PRC, geographical segment information is not considered necessary.

The executive directors of the Company assess the performance of the operating segments based on a measure of segment results, being profit before income tax before deducting finance costs. The Group has a large number of customers, none of whom contributed 5% or more of the Group's revenue.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

Segment results for the six months ended 30 June 2021 and 2020 are as follows:

Six months ended 30 June 2021 (unaudited)

	Property development (note (a))	Property management (note (b))	Others (note (c))	Group
Gross segment sales	32,091,522	6,247,156	1,503,885	39,842,563
Inter-segment sales	–	(1,254,804)	–	(1,254,804)
Sales to external customers	32,091,522	4,992,352	1,503,885	38,587,759
Timing of revenue recognition				
— At a point in time	27,345,285	119,695	389,319	27,854,299
— Over time	4,746,237	4,872,657	1,114,566	10,733,460
Fair value gains on investment properties (note 6)	–	–	600	600
Operating profit	11,046,766	1,083,026	275,594	12,405,386
Share of post-tax profits/(losses) of investments accounted for using the equity method (note 8)	167,344	33,268	(4,993)	195,619
Segment result	11,214,110	1,116,294	270,601	12,601,005
Finance costs, net (note 28)				(1,239,305)
Profit before income tax				11,361,700
Income tax expenses (note 29)				(4,891,083)
Profit for the period				6,470,617
Depreciation and amortisation	298,823	118,040	211,877	628,740
Write-down of properties under development, completed properties held for sale and property, plant and equipment	324,543	–	–	324,543

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

Segment results for the six months ended 30 June 2021 and 2020 are as follows: (Continued)

Six months ended 30 June 2020 (unaudited)

	Property development (note (a))	Property management (note (b))	Others (note (c))	Group
Gross segment sales	29,310,114	4,001,627	1,040,445	34,352,186
Inter-segment sales	–	(824,812)	–	(824,812)
Sales to external customers	29,310,114	3,176,815	1,040,445	33,527,374
Timing of revenue recognition				
— At a point in time	26,259,603	18,397	271,830	26,549,830
— Over time	3,050,511	3,158,418	768,615	6,977,544
Fair value gains on investment properties (note 6)	–	–	12,513	12,513
Operating profit	11,326,517	718,735	192,670	12,237,922
Share of post-tax profits of investments accounted for using the equity method (note 8)	466,396	21,974	2,745	491,115
Segment result	11,792,913	740,709	195,415	12,729,037
Finance costs, net (note 28)				(1,342,235)
Profit before income tax				11,386,802
Income tax expenses (note 29)				(5,047,603)
Profit for the period				6,339,199
Depreciation and amortisation	171,628	103,508	258,385	533,521
Write-down of properties under development, completed properties held for sale and property, plant and equipment	306,704	–	9,880	316,584

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

Segment assets and liabilities and capital expenditure as at 30 June 2021 are as follows (unaudited):

	Property development (note (a))	Property management (note (b))	Others (note (c))	Elimination	Group
Segment assets	**273,025,621**	**18,571,422**	**36,089,607**	**(5,387,872)**	**322,298,778**
Unallocated assets					**8,092,498**
Total assets					**330,391,276**
Segment assets include:					
Investments accounted for using the equity method (note 8)	**30,579,299**	**1,135,133**	**213,267**	**–**	**31,927,699**
Segment liabilities	**102,252,346**	**7,509,577**	**16,581,251**	**(5,387,872)**	**120,955,302**
Unallocated liabilities					**119,468,953**
Total liabilities					**240,424,255**
Capital expenditure	**448,304**	**657,646**	**1,095,706**	**–**	**2,201,656**

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

Segment assets and liabilities and capital expenditure as at 31 December 2020 are as follows (audited):

	Property development (note (a))	Property management (note (b))	Others (note (c))	Elimination	Group
Segment assets	259,712,640	13,651,068	36,399,135	(4,504,187)	305,258,656
Unallocated assets					8,506,402
Total assets					313,765,058
Segment assets include:					
Investments accounted for using the equity method (note 8)	16,863,326	1,102,792	213,037	–	18,179,155
Segment liabilities	100,480,715	4,710,237	15,845,669	(4,504,187)	116,532,434
Unallocated liabilities					120,262,902
Total liabilities					236,795,336
Capital expenditure	609,384	902,356	4,482,807	–	5,994,547

5 Segment information (Continued)

(a) Property development segment mainly comprises the business units involved in development and sales of properties, property construction service and provision of ecological landscaping services and intelligent home and decoration services.

(b) Property management segment mainly comprises the business units involved in property management business and city sanitation and cleaning services operated by A-Living.

(c) Others mainly comprise the business units involved in environmental protection service and commercial management services, each of whom is less than 10% of the Group's consolidated profit before tax and revenue, segment information is not considered necessary.

(d) There are no differences from the latest annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

Inter-segment transfers or transactions are entered into at terms and conditions agreed upon by respective parties.

Eliminations comprise inter-segment trade and non-trade balances.

Pricing policy for inter-segment transactions is determined by reference to market prices.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, intangible assets, properties under development, completed properties held for sale, investment properties, receivables, contract assets and cash balances. Unallocated assets comprise deferred income tax assets, prepaid income taxes, financial assets at FVOCI and financial assets at FVPL. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise taxation, borrowings and financial liabilities at FVPL.

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets, investment properties and intangible assets.

(e) Assets recognised from incremental costs to obtain a contract

During the six months ended 30 June 2021, there was no significant incremental costs to obtain a contract (six months ended 30 June 2020: nil).

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

6 Property, plant and equipment, investment properties and right-of-use assets

	Property, Plant and equipment (note (a))	Right-of-use assets (note (b))	Investment properties (note (c))
Six months ended 30 June 2021 (unaudited)			
Opening net book amount as at 31 December 2020	**12,080,847**	**3,376,304**	**10,849,449**
Additions	**1,220,266**	**225,885**	**–**
Acquisition of subsidiaries (note 33)	**159,676**	**7,700**	**110,337**
Transfer (note 7)	**(221,875)**	**–**	**–**
Disposals	**(93,256)**	**–**	**–**
Fair value gains on investment properties (note 24)	**–**	**–**	**600**
Depreciation (note 27)	**(286,117)**	**–**	**–**
Amortisation			
— Capitalised in construction in progress	**–**	**(4,989)**	**–**
— Recognised as cost of sales and expenses (note 27)	**–**	**(163,487)**	**–**
Closing net book amount as at 30 June 2021	**12,859,541**	**3,441,413**	**10,960,386**
Six months ended 30 June 2020 (unaudited)			
Opening net book amount as at 31 December 2019	11,701,956	3,077,209	8,495,950
Additions	1,358,665	54,535	–
Transfer from completed properties held for sale	–	–	274,986
Acquisition of subsidiaries	101,156	13,622	–
Disposals	(23,132)	–	–
Transfer	25,000	–	(25,000)
Fair value gains on investment properties (note 24)	–	–	12,513
Depreciation (note 27)	(327,284)	–	–
Amortisation			
— Capitalised in construction in progress	–	(2,903)	–
— Recognised as cost of sales and expenses (note 27)	–	(107,183)	–
Impairment loss	(9,880)	–	–
Closing net book amount as at 30 June 2020	12,826,481	3,035,280	8,758,449

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

6 Property, plant and equipment, investment properties and right-of-use assets (Continued)

Notes:

(a) As at 30 June 2021, certain self-used properties with net carrying value of RMB3,177,225,000 (31 December 2020: RMB3,758,386,000) were pledged as collateral for the Group's borrowings (note 20(e)).

(b) Right-of-use assets comprise i) cost of acquiring usage rights of certain lands, which are located in the PRC, held on leases of over 40 years, and mainly for hotel properties or self-used properties; and ii) the value of leased property, plant and equipment, held on leases of 1 to 18 years.

As at 30 June 2021, land use rights of RMB2,501,730,000 (31 December 2020: RMB3,602,128,000) were pledged as collateral for the Group's borrowings (note 20(e)).

(c) The Group measures its investment properties at fair value. At 30 June 2021, the investment properties were revalued by Vigers Appraisal & Consulting Limited, Colliers International Limited and Worldunion Appraisal Co. Ltd, independent qualified valuers, who hold recognised relevant professional qualifications. During the six months ended 30 June 2021, the fair value gains of RMB600,000 have been recognised as "other gains, net" in the Group's consolidated financial statements (six months ended 30 June 2020: RMB12,513,000) (note 24).

Valuation techniques
Fair value measurements used significant unobservable inputs (level 3).

Fair values of completed commercial properties are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and the valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have made reference to the valuer's view of recent lettings, within the subject properties and other comparable properties.

Fair values of car parks are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

The main Level 3 inputs used by the Group are as follows:

- Term yields, revisionary yields, market rents, and market price

For completed investment properties, increase in term yield and revisionary yields may result in decrease of fair value. Increase in market rent may result in increase of fair value.

For car parks, increase in market price may result in increase of fair value.

There were no changes in valuation techniques during the period.

Investment properties pledged as securities
As at 30 June 2021, investment properties of RMB5,436,175,000 (31 December 2020: RMB5,436,175,000) and certain rights of receiving rental income were pledged as collateral for the Group's bank borrowings (note 20(e)).

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

7 Goodwill and other intangible assets

	Goodwill	Other intangible assets	Total
Six months ended 30 June 2021 (unaudited)			
Opening net book amount as at 1 January 2021	**4,264,614**	**3,576,350**	**7,840,964**
Acquisition of subsidiaries (note 33)	**443,668**	**339,699**	**783,367**
Additions	**–**	**138,093**	**138,093**
Transfer (note 6)	**–**	**221,875**	**221,875**
Disposals	**(86,086)**	**(56,888)**	**(142,974)**
Amortisation (note 27)	**–**	**(179,136)**	**(179,136)**
Closing net book amount as at 30 June 2021	**4,622,196**	**4,039,993**	**8,662,189**
Six months ended 30 June 2020 (unaudited)			
Opening net book amount as at 1 January 2020	3,897,055	1,578,192	5,475,247
Acquisition of subsidiaries	871,135	679,654	1,550,789
Additions	–	87,683	87,683
Disposals	–	(489)	(489)
Amortisation (note 27)	–	(96,151)	(96,151)
Closing net book amount as at 30 June 2020	4,768,190	2,248,889	7,017,079

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

8 Investments accounted for using the equity method

The directors of the Company consider that none of the associates and the joint ventures as at 30 June 2021 was significant to the Group and thus the individual financial information of the associates and the joint ventures was not disclosed. The major associates and joint venture are disclosed in note 37(a).

The movement of the interests in the associates and the joint ventures during the period is as follows:

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Balance as at 1 January	**18,179,155**	14,711,189
Additions	**8,975,778**	1,339,260
Addition through business combination	**–**	498,373
Transfer from subsidiaries (note 32 and (a))	**5,269,628**	1,564,268
Remeasurement gains on the investments in joint ventures (note 24)	**–**	825,314
Transfer to subsidiaries	**–**	(2,887,440)
Share of post-tax profits	**195,619**	491,115
Disposal (note (b))	**(10,746)**	(894,825)
Dividends received	**(681,735)**	(3,905)
Balance as at 30 June	**31,927,699**	15,643,349

Notes:

(a) During the six months ended 30 June 2021, the Group disposed of certain equity interests in several subsidiaries to independent third parties at the considerations of RMB4,837,716,000 in aggregate. Upon the completion of the disposal, the subsidiaries became the joint ventures of the Group, recognised according to the fair value of the remaining equity investments held by the Group with the disposal gains recognised in an amount of RMB4,137,174,000 (six months ended 30 June 2020: RMB1,812,304,000) (note 24 and 32).

(b) During the six months ended 30 June 2020, the Group disposed of certain joint ventures and an associate to independent third parties at the consideration of RMB935,621,000 in aggregate. Upon the completion of the disposal, the Group recognised the disposal gain in an amount of RMB40,796,000 (six months ended 30 June 2021: nil) (note 24).

As at 30 June 2021, the Group's shares of losses of certain associates and joint ventures exceeded its interests in the underlying entities, and the unrecognised share of losses amounted to RMB238,671,000 (31 December 2020: RMB186,555,000).

The contingent liabilities relating to the Group's investments accounted for using equity method are disclosed in note 34. There is no material commitment relating to the Group's investments accounted for using equity method.

9 Prepayments for acquisition of land use rights

The amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the balance sheet when the Group obtains contractual usage rights of the relevant lands.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

10 Properties under development

	30 June 2021 (unaudited)	31 December 2020 (audited)
Properties under development expected to be completed:		
— Within one operating cycle included under current assets	**80,925,093**	82,148,512
— Beyond one operating cycle included under non-current assets	**23,243,298**	30,973,623
	104,168,391	113,122,135
Properties under development comprise:		
— Land use rights	**72,912,178**	82,660,462
— Construction costs and capitalised expenditures	**24,248,635**	23,613,382
— Capitalised interest	**7,007,578**	6,848,291
	104,168,391	113,122,135

Most of the Group's properties under development are located in the PRC. The relevant land use rights in the PRC are on leases of 40 to 70 years.

The capitalisation rate of borrowings for the six months ended 30 June 2021 is 6.03% (the six months ended 30 June 2020: 7.26%).

As at 30 June 2021, the balance of provision in respect of write down of properties under development was amounted to RMB1,579,788,000 (31 December 2020: RMB1,363,526,000) (note 27).

As at 30 June 2021, properties under developments of approximately RMB36,778,703,000 (31 December 2020: RMB34,368,271,000) were pledged as collateral for the Group's borrowings (note 20(e)).

The amounts of RMB44,611,021,000 as at 30 June 2021 under normal operating cycle classified as current assets were expected to be completed and delivered beyond one year (31 December 2020: RMB45,423,065,000).

11 Completed properties held for sale

All completed properties held for sale are located in the PRC. The relevant land use rights in the PRC are on leases of 40 to 70 years.

As at 30 June 2021, the balance of provision in respect of write down of completed properties held for sale was amounted to RMB805,595,000 (31 December 2020: RMB697,314,000) (note 27).

As at 30 June 2021, completed properties held for sale of approximately RMB226,709,000 (31 December 2020: RMB194,511,000) were pledged as collateral for the Group's bank borrowings (note 20(e)).

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

12 Trade and other receivables

	30 June 2021 (unaudited)	31 December 2020 (audited)
Trade receivables due from (note (a))		
— Third parties	**15,919,996**	10,252,982
— Joint ventures (note 37(c))	**1,546,481**	1,518,844
— Associates (note 37(c))	**2,581**	36,620
Gross trade receivables	**17,469,058**	11,808,446
Less: allowance for impairment of trade receivables	**(535,941)**	(442,004)
Total trade receivables	**16,933,117**	11,366,442
Other receivables due from:		
— Third parties	**16,327,501**	17,897,815
— Joint ventures (note 37(c))	**16,326,092**	14,666,332
— Associates (note 37(c))	**1,265,504**	619,764
— Other related parties (note 37(c))	**506,913**	493,892
— Non-controlling interests	**2,506,902**	1,957,925
Loan and interest receivables due from related parties (note 37(c))	**3,977,726**	5,390,261
Prepaid value-added taxes and other taxes	**3,796,031**	3,668,692
Deposits for acquisition of land use rights	**2,141,503**	837,000
Prepayments	**1,226,611**	1,088,577
Gross other receivables	**48,074,783**	46,620,258
Less: allowance for impairment of other receivables	**(617,068)**	(456,572)
Total other receivables	**47,457,715**	46,163,686
Less: other receivables — non-current portion	**(8,579,305)**	(7,508,793)
Other receivables — current portion	**38,878,410**	38,654,893
Trade and other receivables — current portion	**55,811,527**	50,021,335

As at 30 June 2021 and 31 December 2020, the fair value of trade and other receivables approximated their carrying amounts.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

12 Trade and other receivables (Continued)

Notes:

(a) Trade receivables mainly arose from sales of properties, provision of property management, city sanitation and cleaning services, provision of ecological landscaping services and intelligent home and decoration services. Trade receivables are settled in accordance with the terms stipulated in respective sales and purchase agreements or services agreements. As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade receivables based on invoice date is as follows:

	30 June 2021 (unaudited)	31 December 2020 (audited)
Within 90 days	**11,740,899**	7,227,242
Over 90 days and within 365 days	**4,412,678**	3,225,970
Over 365 days	**1,315,481**	1,355,234
	17,469,058	11,808,446

As at 30 June 2021, trade receivables of approximately RMB1,579,476,000 (31 December 2020: RMB1,835,110,000) were pledged as collateral for the Group's bank borrowings (note 20(e)).

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2021, a provision of RMB535,941,000 was made against the gross amounts of trade receivables (31 December 2020: RMB442,004,000).

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

(b) The carrying amounts of trade and other receivables are mainly denominated in RMB.

13 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include the following:

	30 June 2021 (unaudited)	31 December 2020 (audited)
Current assets		
Wealth management products	**774,344**	635,923
Hong Kong listed equity securities and debt instruments	**157,073**	165,476
Unlisted equity securities	**484,193**	354,951
Others	**87,544**	91,469
	1,503,154	1,247,819

Notes:

(a) **Amounts recognised in profit or loss**
Decreases in fair value of financial assets at FVPL amounting to RMB419,000 are recorded as "other gains, net" in the interim consolidated income statements (for six months ended 30 June 2020: increases in fair value of RMB53,863,000) (note 24).

(b) **Fair value measurements**
The information about the methods and assumptions used in determining fair value is disclosed in note 4.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

14 Restricted cash

As at 30 June 2021 and 31 December 2020, the Group's restricted cash were mainly denominated in RMB. The conversion of the PRC group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

As at 30 June 2021 and 31 December 2020, restricted cash is mainly comprised of guarantee deposits for construction of pre-sold properties of RMB9,499,259,000 (31 December 2020: RMB7,441,773,000).

15 Cash and cash equivalents

	30 June 2021 (unaudited)	31 December 2020 (audited)
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	**40,912,959**	36,802,094
Short-term bank deposits	**5,599,163**	5,123,814
	46,512,122	41,925,908
Denominated in RMB (note (a))	**43,173,522**	40,199,996
Denominated in other currencies	**3,338,600**	1,725,912
	46,512,122	41,925,908

Note:

(a) The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

16 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised					
As at 30 June 2021 and 31 December 2020	10,000,000,000	1,000,000			
Issued and fully paid share capital					
At 30 June 2020 and 2021, and 31 December 2020	3,917,047,500	391,705	400,253	3,021,630	3,421,883

17 Share Award Scheme

On 10 December 2013, the Board of Directors of the Company adopted a Share Award Scheme, under which shares may be awarded to employees of the Company in accordance with the terms and conditions of the Share Award Scheme.

Pursuant to the rules of the Share Award Scheme, the Group has set up a trust ("**Employee Share Trust**"), for the purposes of administering the Share Award Scheme and holding Awarded Shares before they vest. On 10 February 2014, the Company allotted and issued 34,470,000 new shares to the trustee to hold on trust. On 3 January 2014, 32,750,000 of which has been granted to the 116 selected employees, subject to, among others, the performance conditions of both the Group and the awardees can be fulfilled and the awardees remain employed by the Group.

The award of first 30%, second 30% and remaining 40% Awarded Shares lapsed effective from 26 August 2015, 23 August 2016 and 28 August 2017 respectively. The lapsed shares held in Share Award Scheme will not be cancelled. As at 30 June 2021, the shares under the Share Award Scheme held by the Employee Share Trustee amounted to RMB156,588,000 (31 December 2020: RMB156,588,000), which was presented within equity in the interim consolidated balance sheet.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

18 Other reserves

	Merger reserve (note (a))	Statutory reserve and enterprise expansion fund (note (b))	Translation reserve	Others	Total
Six months ended 30 June 2021 (unaudited)					
Balance as at 1 January 2021	**442,395**	**4,389,670**	**5,360**	**(1,420,912)**	**3,416,513**
Transfer from retained earnings	**–**	**218,287**	**–**	**–**	**218,287**
Currency translation difference	**–**	**–**	**3,302**	**–**	**3,302**
Changes in the fair value of equity investments at FVOCI, net of tax	**–**	**–**	**–**	**(176,759)**	**(176,759)**
Capital injection from non-controlling interests	**–**	**–**	**–**	**1,102,816**	**1,102,816**
Balance as at 30 June 2021	**442,395**	**4,607,957**	**8,662**	**(494,855)**	**4,564,159**

	Merge reserve (note (a))	Statutory reserve and enterprise expansion fund (note (b))	Translation reserve	Others	Total
Six months ended 30 June 2020 (unaudited)					
Balance as at 1 January 2020	442,395	3,904,496	(3,174)	(1,412,450)	2,931,267
Transfer from retained earnings	–	172,571	–	–	172,571
Currency translation difference	–	–	3,728	–	3,728
Changes in the fair value of equity investments at FVOCI, net of tax	–	–	–	(14,285)	(14,285)
Acquisition of additional interest in subsidiaries	–	–	–	(177,239)	(177,239)
Other transaction with non-controlling interests	–	–	–	1,590	1,590
Balance as at 30 June 2020	442,395	4,077,067	554	(1,602,384)	2,917,632

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

18 Other reserves (Continued)

Notes:

(a) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the shares of the Company issued in exchange pursuant to the Group reorganisation undertaken for listing of Company on Hong Kong Stock Exchange.

(b) Pursuant to the relevant rules and regulations concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in the form of bonus issue.

The appropriation to the enterprise expansion fund is solely determined by the board of directors of the subsidiaries.

19 Perpetual Capital Securities

Movements of the Perpetual Capital Securities are as follows:

	Principal	Distribution	Total
Six months ended 30 June 2021 (unaudited)			
Balance as at 1 January 2021	**13,429,012**	**208,481**	**13,637,493**
Profit attributable to holders of Perpetual Capital Securities	**–**	**507,533**	**507,533**
Distribution made to holders of Perpetual Capital Securities	**–**	**(504,314)**	**(504,314)**
Redemption of Perpetual Capital Securities	**(626,902)**	**–**	**(626,902)**
Balance as at 30 June 2021	**12,802,110**	**211,700**	**13,013,810**
Six months ended 30 June 2020 (unaudited)			
Balance as at 1 January 2020	13,429,012	137,855	13,566,867
Profit attributable to holders of Perpetual Capital Securities	–	549,386	549,386
Distribution made to holders of Perpetual Capital Securities	–	(482,835)	(482,835)
Balance as at 30 June 2020	13,429,012	204,406	13,633,418

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

19 Perpetual Capital Securities (Continued)

On 27 March 2018, the Company issued senior perpetual capital securities (the "**2018 Perpetual Capital Securities I**") with the aggregate principal amount of US$500,000,000. Net proceeds after deducting the issuance cost amounted to US$491,539,000 (equivalent to approximately RMB3,107,957,000).

On 21 June 2018, the Company issued senior perpetual capital securities (the "**2018 Perpetual Capital Securities II**") with the principal amount of US$100,000,000. Net proceeds after deducting the issuance cost amounted to US$98,005,000 (equivalent to approximately RMB627,151,000). On 28 June 2021, the Company redeemed the outstanding 2018 Perpetual Capital Securities II at a redemption price of US$100,000,000 (equivalent to approximately RMB645,780,000). No redemption premium was recognised in the consolidated income statement. The difference of RMB18,878,000 between the redemption price and the principal of the redeemed Perpetual Capital Securities was mainly attributable to exchange difference and debited to retained earnings.

On 4 June 2019, the Company issued senior perpetual capital securities (the "**2019 Perpetual Capital Securities I**") with the principal amount of US$700,000,000. Net proceeds after deducting the issuance cost amounted to US$693,792,000 (equivalent to approximately RMB4,779,956,000).

On 31 October 2019, the Company issued senior perpetual capital securities (the "**2019 Perpetual Capital Securities II**") with the principal amount of US$500,000,000. Net proceeds after deducting the issuance cost amounted to US$496,558,000 (equivalent to approximately RMB3,497,619,000).

On 25 November 2019, the Company issued senior perpetual capital securities (the "**2019 Perpetual Capital Securities III**") with the principal amount of US$200,000,000. Net proceeds after deducting the issuance cost amounted to US$198,730,000 (equivalent to approximately RMB1,399,798,000).

The Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of Perpetual Capital Securities at the distribution rate as defined in the subscription agreement.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

20 Borrowings

	30 June 2021 (unaudited)	31 December 2020 (audited)
Borrowings included in non-current liabilities:		
Senior notes (note (a))		
— Senior notes issued in 2017 ("**2017 Senior Notes**") (note (a)(i))	**1,286,782**	1,296,740
— Senior notes issued in 2018 ("**2018 Senior Notes**") (note(a)(ii))	**3,877,260**	3,907,389
— Senior notes issued in 2019 ("**2019 Senior Notes**") (note(a)(iii))	**3,223,836**	3,249,826
— Senior notes issued in 2020 ("**2020 Senior Notes**") (note (a)(iv))	**6,319,736**	6,376,999
— Senior notes issued in 2021 ("**2021 Senior Notes**") (note (a)(v))	**2,881,169**	–
PRC corporate bonds (note (b))	**7,442,137**	7,593,944
Commercial Mortgage Backed Securities (note (c))	**4,079,603**	4,094,763
Asset-backed securities (note (d))	**948,820**	1,154,394
Long-term syndicated loans		
— secured (note (e))	**16,031,810**	14,882,424
— unsecured (note (f))	**720,412**	1,155,245
Long-term bank borrowings		
— secured (note (e))	**27,895,817**	27,043,308
— unsecured (note (f))	**8,036,979**	8,927,955
Other borrowings		
— secured (note (e))	**7,686,478**	8,153,706
— unsecured (note (f))	**631,019**	1,720,885
Less: current portion of non-current borrowings	**(32,648,980)**	(30,313,830)
	58,412,878	59,243,748
Borrowings included in current liabilities:		
Short-term bank borrowings		
— secured (note (e))	**1,921,690**	591,905
— unsecured (note (f))	**634,800**	2,248,359
Short-term other borrowings		
— secured (note (e))	**2,026,861**	3,129,000
— unsecured (note (f))	**2,254,292**	2,285,924
Current portion of non-current borrowings	**32,648,980**	30,313,830
	39,486,623	38,569,018
Total borrowings	**97,899,501**	97,812,766

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

20 Borrowings (Continued)

Notes:

(a) Senior notes

The senior notes are jointly guaranteed by certain subsidiaries of the Group and are secured by pledges of the shares of these subsidiaries. The net assets of these subsidiaries were approximately RMB2,520,960,000 as at 30 June 2021 (31 December 2020: RMB2,956,918,000).

(i) 2017 Senior Notes

On 14 August 2017, the Company issued 5.125% senior notes with an aggregated nominal value of US$200,000,000 (equivalent to approximately RMB1,332,020,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$196,125,000 (equivalent to approximately RMB1,306,210,000). The 2017 Senior Notes will mature on 14 August 2022. The Company, at its option, can redeem all or a portion of the 2017 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(ii) 2018 Senior Notes

On 18 July 2018, the Company issued 8.5% senior notes with an aggregated nominal value of US$600,000,000 (equivalent to approximately RMB4,040,064,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$593,557,000 (equivalent to approximately RMB3,997,108,000). The 2018 Senior Notes will mature on 18 July 2021. The Company, at its option, can redeem all or a portion of the 2018 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(iii) 2019 Senior Notes

On 7 March 2019, the Company issued 6.7% senior notes with an aggregated nominal value of US$500,000,000 (equivalent to approximately RMB3,355,500,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$495,429,000 (equivalent to approximately RMB3,324,823,000). The 2019 Senior Notes will mature on 7 March 2022. The Company, at its option, can redeem all or a portion of 2019 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(iv) 2020 Senior notes

On 3 July 2020, the Company issued 5.75% senior notes with an aggregated nominal value of US$500,000,000 (equivalent to approximately RMB3,531,900,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$497,109,000 (equivalent to approximately RMB3,511,482,000). The notes will mature in July 2025.

On 13 October 2020, the Company issued 6.05% senior notes with an aggregated nominal value of US$483,000,000 (equivalent to approximately RMB3,232,868,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$480,039,000 (equivalent to approximately RMB3,212,904,000). The notes will mature in October 2025.

The Company, at its option, can redeem all or a portion of the 2020 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(v) 2021 Senior notes

On 17 May 2021, the Company issued 5.5% senior notes with an aggregated nominal value of US$450,000,000 (equivalent to approximately RMB2,890,050,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$445,710,000 (equivalent to approximately RMB2,862,351,000). The notes will mature in May 2026.The Company, at its option, can redeem all or a portion of 2021 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

20 Borrowings (Continued)

Notes: (Continued)

(b) PRC Corporate Bonds

On 11 October 2016, the Company issued 4.6% corporate bonds with an aggregate amount of RMB1,800,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,787,250,000. On 11 October 2019, the Issuer redeemed the bond in an aggregate principal amount of RMB570,000,000 as the investors exercised the right to sell back. The bonds have been resold to the new investors, and the bonds will mature on 11 October 2021 at the coupon rate of 5.3%.

On 11 October 2016, the Company issued 5.7% corporate bonds with an aggregate amount of RMB1,200,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,192,500,000. The bonds will mature on 11 October 2023. The Company shall be entitled to adjust the coupon rate at the end of the fifth year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On 13 July 2020, a PRC subsidiary of the Company issued 6.2% non-public corporate bonds with an aggregate amount of RMB1,500,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,495,500,000. The bonds will mature on 13 July 2022.

On 19 October 2020, a PRC subsidiary of the Company issued 6.2% non-public corporate bonds with an aggregate amount of RMB1,500,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,498,440,000. The bonds will mature on 19 October 2022.

On 9 April 2021, a PRC subsidiary of the Company issued 5.9% corporate bonds with an aggregate amount of RMB1,450,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,445,650,000. The bonds will mature on 9 April 2024.The Company shall be entitled to adjust the coupon rate at the end of the first year whereas the investors shall be entitled to sell back in whole or in part the bonds.

(c) Commercial Mortgage Backed Securities

A PRC subsidiary of the Company engaged in commercial property operation entered into Commercial Mortgage Backed Securities ("**CMBS**"), at the coupon rate of 5.85%, arrangement with an assets management company by pledging of the receivables for certain properties under its operation as well as the self-used properties, the land use rights and the investment properties. On 10 April 2018, the CMBS was formally established with an aggregate nominal value of RMB4,600,000,000, with a 18-year maturity, amongst which RMB500,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the CMBS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB4,066,700,000. The Issuer redeemed the CMBS in an aggregate principal amount of RMB1,200,000,000 on 21 January 2021 as the investors exercised the right to sell back. The CMBS has been resold to the new investors at the coupon rate of 5.1%, and the CMBS will be mature on 21 January 2024.

(d) Asset-backed securities

A PRC subsidiary of the Company engaged in property development entered into an asset-backed securities ("**Panyu ABS**") arrangement with an assets management company by pledging of the trade receivables for certain properties under its management. On 31 October 2020, the Panyu ABS was formally established with an aggregate nominal value of RMB1,000,000,000, with a 2-year maturity amongst which RMB50,000,000 was purchased by the PRC subsidiary as original holder. The investors shall be entitled to sell back in whole or in part the ABS at the end of the second year. The net proceeds from the Panyu ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB948,245,000. As at 30 June 2021, there was Panyu ABS in an aggregate principal amount of RMB950,000,000 outstanding.

(e) As at 30 June 2021, the Group's borrowings were secured by certain of its cash, land use rights, self-used properties, trade receivables, completed properties held for sale, properties under development, investment properties and the shares of certain subsidiaries and equity interests of a joint venture.

(f) As at 30 June 2021, the Group's unsecured borrowings of RMB12,277,502,000 were jointly guaranteed by certain subsidiaries of the Group.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

20 Borrowings (Continued)

Notes: (Continued)

(g) Movements of borrowings are analysed as follows:

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Opening amount as at 1 January	**97,812,766**	96,669,702
Additions	**25,458,906**	27,235,259
Addition from acquisition of subsidiaries (note 33)	**71,078**	3,449,472
Repayments	**(22,236,091)**	(28,215,624)
Derecognition due to disposal of subsidiaries	**(2,776,500)**	(995,000)
Issuance costs	**(238,539)**	(130,261)
Amortisation of issuance costs	**214,591**	186,977
Exchange (gains)/losses (note 28)	**(388,012)**	749,955
Currency translation differences	**(18,698)**	(11,709)
Closing amount as at 30 June	**97,899,501**	98,938,771

(h) The Group has the following undrawn borrowing facilities:

	30 June 2021	31 December 2020
	(unaudited)	(audited)
Floating rate		
— expiring beyond one year	**5,984,000**	4,141,000

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

21 Trade and other payables

	30 June 2021 (unaudited)	31 December 2020 (audited)
Trade payables (note (a))	**29,380,565**	24,819,387
Other payables due to:		
— Third parties (note (b) and note (d))	**22,020,429**	20,327,349
— Related parties (note 37(c))	**13,398,740**	12,914,816
— Non-controlling interests (note (d))	**3,928,546**	5,445,480
Staff welfare benefit payable	**884,776**	1,588,807
Accruals	**1,634,452**	1,441,036
Advances from disposal of subsidiaries	**–**	7,050,760
Other taxes payable (note (c))	**6,738,049**	5,926,507
Total trade and other payables	**77,985,557**	79,514,142
Less: other payables — non-current portion	**(4,670,829)**	(4,284,452)
Trade and other payables — current portion	**73,314,728**	75,229,690

Notes:

(a) The ageing analysis of trade payables of the Group based on invoice date as at 30 June 2021 and 31 December 2020 is as follows:

	30 June 2021 (unaudited)	31 December 2020 (audited)
Within 90 days	**18,637,211**	15,796,936
Over 90 days and within 180 days	**8,879,240**	7,400,392
Over 180 days and within 365 days	**1,124,104**	982,715
Over 365 days	**740,010**	639,344
	29,380,565	24,819,387

(b) The other payables to third parties mainly include: (i) the deposits received from third parties for potential equity cooperation in certain property development projects; and (ii) quality guarantee and bidding deposit from constructors. The deposits are unsecured and repayable according to terms and conditions mutually agreed with the counter parties.

(c) Amount included RMB3,426,731,000 represented value added tax payable of advanced proceeds received from customers (2020: RMB3,874,957,000).

(d) Amounts included current cash advances of approximately RMB3,051,645,000 with interest bearing among 7% to 19% per annum and the non-current cash advances of approximately RMB1,602,573,000 with interest bearing among 8% to 10% per annum.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

22 Financial liabilities at fair value through profit or loss

As at 30 June 2021 and 31 December 2020, the Group had the following financial liabilities at fair value through profit or loss:

	30 June 2021 (unaudited)	31 December 2020 (audited)
Non-current portion:		
— Put options	**6,611**	75,233
— Derivative financial instruments	**–**	26,002
	6,611	101,235
Current portion:		
— Put options	**93,434**	19,542
— Derivative financial instruments	**353,675**	984,881
	447,109	1,004,423

The notional principal amounts of the outstanding forward foreign exchange contracts as at 30 June 2021 were US$800,000,000, equivalent to RMB5,169,680,000 in total (31 December 2020: US$2,400,000,000, equivalent to RMB15,659,760,000 in total).

For the six months ended 30 June 2021, losses derived from changes in fair value of derivative financial instruments of RMB98,351,000 (for six months ended 30 June 2020: gains of RMB396,894,000) have been recorded in "finance costs, net" in the interim consolidated income statement (note 28).

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

23 Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	30 June 2021 (unaudited)	31 December 2020 (audited)
Contract liabilities		
— Related parties (note 37(c))	**413,597**	314,942
— Third parties	**41,916,066**	36,066,412
	42,329,663	36,381,354

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

(i) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to brought-forward contract liabilities.

	As at 1 January 2021	As at 1 January 2020
Revenue recognised that was included at the beginning of the period		
Sales of properties	**21,755,124**	19,886,345
Property management and value-added services	**460,419**	394,153
	22,215,543	20,280,498

(ii) Unsatisfied performance obligations

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities at of 30 June 2021 and 31 December 2020.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

24 Other gains, net

	Six months ended 30 June 2021 (unaudited)	2020 (unaudited)
Gains from disposal of subsidiaries (note 32)	**4,137,174**	1,812,304
Remeasurement gains resulting from joint ventures transferred to subsidiaries (note 8)	**–**	825,314
Gains on disposal of financial assets at FVPL	**56,044**	24,908
Fair value (losses)/gains on financial assets at FVPL (note 13(a))	**(419)**	53,863
Fair value gains on put option written on non-controlling interests	**1,974**	–
Fair value gains on investment properties (note 6)	**600**	12,513
Gains on disposal of property, plant and equipment and investment properties	**144**	67,306
Gains from disposal of joint ventures	**–**	40,796
Exchange gains/(losses), net (note (a))	**28,792**	(32,804)
Miscellaneous	**28,771**	27,759
	4,253,080	2,831,959

Note:

(a) Amounts mainly represent the losses or gains of translation of financial assets and liabilities, which are denominated in foreign currency into RMB at the prevailing period-end exchange rate. It does not include the exchange gains or losses related to borrowings which are included in the "finance costs, net" (note 28).

25 Other income

	Six months ended 30 June 2021 (unaudited)	2020 (unaudited)
Interest income (note (a))	**384,023**	455,827
Interest income from related parties (note 37(b))	**261,065**	184,916
Government grants	**92,193**	99,624
Miscellaneous	**50,293**	37,217
	787,574	777,584

Note:

(a) Interest income was mainly derived from bank deposit.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

26 Other expenses

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Charitable donations	**46,946**	48,388
Miscellaneous	**65,752**	79,920
	112,698	128,308

27 Expenses by nature

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Cost of completed properties sold	**21,927,177**	17,893,803
Employee benefit expenses — including directors' emoluments	**3,841,455**	3,128,156
— Property management	**2,332,188**	1,600,084
— Property development	**1,130,028**	1,205,263
— Others	**379,239**	322,809
Cost of inventories consumed by environmental protection and property management services	**793,649**	352,464
Commission fee	**697,801**	363,206
Security charges	**523,632**	275,230
Cleaning expenses	**654,663**	412,130
Advertising costs	**437,265**	365,642
Amortisation (note 6 and note 7)	**342,623**	203,334
Write-down of completed properties held for sale and properties under development (note 10 and note 11)	**324,543**	306,704
Depreciation (note 6)	**286,117**	327,284
Maintenance costs	**201,951**	159,465
Consulting fees	**189,821**	156,440
Travelling and entertainment expenses	**165,165**	103,128
Utilities	**157,475**	94,280
Business taxes and other levies on sales of properties	**121,620**	162,681
Auditors' remuneration	**5,600**	5,492
Others	**241,550**	363,121
Total cost of sales, selling and marketing costs and administrative expenses	**30,912,107**	24,672,560

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

28 Finance costs, net

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Interest expense:		
— Bank borrowings, syndicated loans and other borrowings	**2,686,902**	2,555,520
— Senior notes	**530,835**	616,687
— PRC corporate bonds, ABS and CMBS	**338,237**	428,033
— Lease liabilities	**11,678**	12,709
Less: interest and exchange losses capitalised	**(2,038,686)**	(2,623,775)
Exchange (gains)/losses from borrowings	**(388,012)**	749,955
Changes in fair value of derivative financial instruments (note 22)	**98,351**	(396,894)
	1,239,305	1,342,235

29 Income tax expenses

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Current income tax		
— PRC corporate income tax	**2,477,503**	2,356,433
— PRC land appreciation tax	**2,094,097**	1,859,747
— PRC withholding income tax	**201,000**	200,116
Deferred income tax		
— PRC corporate income tax	**118,483**	631,307
	4,891,083	5,047,603

Income tax expenses recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six month ended to 30 June 2021 is 28.0% (six months ended to 30 June 2020: 31.2%).

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

29 Income tax expenses (Continued)

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the Group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the PRC (the "**CIT Law**") effective on 1 January 2008.

Certain subsidiaries of the Group obtained the Certificate of High-New Technical Enterprise. According to the CIT Law of the PRC, corporations which obtain the Certificate of High-New Technical Enterprise are entitled to enjoy additional tax deduction for research and development costs and a preferential corporate income tax rate of 15%. The tax rate applicable to these companies during six months ended 30 June 2021 was 15% (six months ended 30 June 2020: 15%).

A subsidiary of the Group has enjoyed a preferential policy in Zhuhai Hengqin (Free Trade Area) with an enterprise income tax rate of 15% during the period ended 30 June 2021. Certain subsidiaries of the Group in the PRC are located in western cities, and they are subject to a preferential income tax rate of 15% in certain years (six months ended 30 June 2020: 15%).

Certain subsidiaries of the Group in the PRC providing environmental protection services and these companies enjoy the policy of "Three exemption and three half corporate income tax". Certain subsidiaries of the Group in the PRC are located in Hainan Free Trade Port and subject to a preferential income tax rate of 15% in certain years (six months ended 30 June 2020:15%).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights and expenditures directly related to property development activities.

PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

During the six months ended 30 June 2021, certain immediate holding companies of the PRC subsidiaries of the Group are qualified as Hong Kong resident enterprises and fulfil the requirements under the tax treaty arrangements between the PRC and Hong Kong. Therefore 5% withholding tax rate has been applied.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

29 Income tax expenses (Continued)

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Group entities in the British Virgin Islands were incorporated either under the BVI Business Companies Act or were automatically re-registered under the same act on 1 January 2007 and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

Except for the fair value gains and the disposal gains of financial assets at fair value through profit or loss which is subject to the income tax rate of 16.5%, no other provision for Hong Kong profits tax has been made in the consolidated financial statements. The remaining profit of the Group entities in Hong Kong is mainly derived from dividend income and interest income of bank deposits, which are not subject to Hong Kong profits tax.

30 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period less shares held for Share Award Scheme.

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Profit attributable to shareholders of the Company	**5,290,297**	5,127,482
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	**3,882,578**	3,882,578
Basic earnings per share (RMB per share)	**1.363**	1.321

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the six months ended 30 June 2021 and 30 June 2020, there was no diluted potential ordinary share. Thus diluted earnings per share equalled basic earnings per share.

31 Dividends

A final dividend in respect of 2020 of HK$0.60 per ordinary share, approximately HK$2,350,229,000 (equivalent to RMB1,963,028,000) was declared at the Annual General Meeting of the Company on 12 May 2021, of which HK$20,682,000 (equivalent to RMB17,299,000) was declared for shares held by Share Award Scheme. The final dividend has been distributed out of the Company's retained earnings.

An interim dividend in respect of the six months ended 30 June 2021 of HK$0.50 per ordinary share, approximately HK$1,958,524,000 (equivalent to RMB1,629,218,000) was declared by the Board of Directors of the Company (six months ended 30 June 2020: RMB1,750,626,000).

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

32 Disposal of subsidiaries

During the six months ended 30 June 2021, the Group disposed of certain equity interests in several subsidiaries (the "**Disposed Projects**") to independent third parties at considerations of RMB4,872,296,000 in total. The Group lost control over the Disposed Projects and according to the shareholders agreements, the Group is eligible to exercise joint control over the Disposed Projects together with relevant buyers. The Group accounted for the Disposed Projects as joint ventures and recorded disposal gain of RMB4,137,174,000 during the six months ended 30 June 2021. Details of the disposal transactions are as follows:

	RMB'000
Disposal considerations	
— Cash received	4,837,716
— Remaining unpaid acquisition consideration of a subsidiary disposed of	29,580
— Consideration receivable	5,000
— Fair value of remaining equity interests in the Disposed Projects (note 8)	5,269,628
	10,141,924
Less:	
— total net assets of the subsidiaries disposed of	(6,004,750)
Gains from disposal of subsidiaries	4,137,174
Cash proceeds from disposal, net of cash disposed of:	
Cash consideration received	4,837,716
Less:	
— cash and cash equivalents in the subsidiaries disposed of	(1,527,777)
— advances from disposal of the subsidiaries received in prior years	(4,687,716)
Net cash outflow on disposals	(1,377,777)

33 Business combinations

During the six months ended 30 June 2021, the Group completed several acquisitions of equity interests in certain companies, mainly included city sanitation and cleaning services companies, at consideration of RMB603,667,000 in aggregate. Goodwill of RMB443,668,000 and identifiable net assets of RMB159,999,000 were recognised. The directors of the Company consider that none of these subsidiaries acquired during the period was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date is not disclosed.

(All amounts in RMB thousands unless otherwise stated)

33 Business combinations (Continued)

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	Total
Total consideration	
Total cash considerations	603,667
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	205,854
Financial assets at FVPL	24,350
Financial assets at FVOCI	5,025
Property, plant and equipment	159,676
Investment properties	110,337
Other intangible assets	339,699
Right-of-use assets	7,700
Inventories	1,890
Trade and other receivables	853,968
Trade and other payables	(885,882)
Contract liabilities	(101,156)
Lease liabilities	(7,756)
Borrowings	(71,078)
Current income tax liabilities	(27,889)
Deferred income tax assets	22,301
Deferred income tax liabilities	(104,570)
Total identifiable net assets	532,469
Less: non-controlling interests	(372,470)
Identifiable net assets attributable to the Company	159,999
Goodwill (note 7)	443,668

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

33 Business combinations (Continued)

Net cash outflow in relation to the acquisitions during the six months ended 30 June 2021:

	Total
Net cash outflow in relation to the acquisition during six months ended 30 June 2021:	
Cash and cash equivalents in the subsidiaries acquired	205,854
Less: total cash considerations	(603,667)
Add: cash considerations payable as at 30 June 2021	184,755
Add: cash considerations paid in prior year	103,275
Cash outflow in the period	(109,783)

The acquired businesses contributed revenues of RMB476,990,000 and net profits of RMB47,952,000 to the Group for the period from the respective acquisition dates to 30 June 2021.

If the acquisitions had occurred on 1 January 2021, the Group's consolidated pro-forma revenue and net profit for six months ended 30 June 2021 would have been RMB39,075,870,000 and RMB6,486,582,000, respectively.

No contingent liability has been recognised for the business combination.

34 Financial guarantees

	30 June 2021 (unaudited)	31 December 2020 (audited)
Guarantees in respect of mortgage facilities for certain purchasers (note (a))	**47,653,484**	51,377,753
Guarantees in respect of borrowings of associates (note (b) and note 37(b))	**1,231,501**	1,108,608
Guarantees in respect of borrowings of joint ventures (note (c) and note 37(b))	**8,101,229**	5,111,404
Guarantees in respect of borrowings of third parties (note (d))	**2,189,503**	1,677,116
	59,175,717	59,274,881

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

34 Financial guarantees (Continued)

Notes:

(a) The Group has cooperated with certain financial institutions to arrange mortgage loan facility for its purchasers of properties and provided guarantees to secure obligations of such purchasers for repayments. As at 30 June 2021, the outstanding guarantees amounted to RMB47,653,484,000 (31 December 2020: RMB51,377,753,000). Such guarantees will be discharged upon earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year after the purchasers take possession of the relevant properties; and (ii) the satisfaction of relevant mortgage loan by the purchasers.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with any accrued interests and penalties owed by the defaulted purchasers to the banks, and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantees start from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as the management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of default in payments.

(b) As at 30 June 2021, several subsidiaries of the Group and associate counter parties provided certain guarantees in proportion of their shareholdings in certain associates in respect of loan facilities amounting to RMB2,563,866,000 (31 December 2020: RMB2,242,750,000). The Group's share of the guarantees amounted to RMB1,231,501,000 (31 December 2020: RMB1,108,608,000).

(c) As at 30 June 2021, several subsidiaries of the Group and joint venture counter parties provided certain guarantees in proportion of their shareholdings in certain joint ventures in respect of loan facilities amounting to RMB13,303,778,000 (31 December 2020: RMB10,389,523,000). The Group's share of the guarantees amounted to RMB8,101,229,000 (31 December 2020: RMB5,111,404,000).

(d) As at 30 June 2021, the Company provided certain guarantees to certain independent third parties in respect of loan facilities amounting to RMB2,189,503,000 (31 December 2020: RMB1,677,116,000).

35 Commitments

	30 June 2021	31 December 2020
Contracted but not provided for		
— Property development activities	**29,473,630**	23,313,880
— Acquisition of land use rights	**6,078,738**	8,244,205
— Property, plant and equipment	**688,895**	829,206
	36,241,263	32,387,291

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

36 Future minimum rental payments receivable

The Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	30 June 2021	31 December 2020
No later than one year	**179,117**	119,813
Later than one year and not later than five years	**319,583**	315,876
Over five years	**135,205**	216,109
	633,905	651,798

37 Related party transactions

(a) Name and relationship with related parties

Name	Relationship
Full Choice Investments Limited	The ultimate holding Company of the Group
Top Coast Investment Limited	The intermediate holding Company of the Group
The Founding Shareholders, including Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Madam. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei, and Mr. Chan Cheuk Nam (the "**Founding Shareholders**")	The Founding Shareholders are also the directors of the Company
Zhongshan Changjiang Golf Course (note (ii)) 中山長江高爾夫球場	Controlled by the Founding Shareholders
Zhongshan Agile Changjiang Hotel Co., Ltd. (note (ii)) 中山雅居樂長江酒店有限公司	Controlled by the Founding Shareholders
Foshan Changzhong Real Estate Development Co., Ltd. (note (ii)) 佛山市昌重房地產開發有限公司	Associate of the Group
Foshanshi Sanshuiqu Qingmei Real Estate Co., Ltd. (note (ii)) 佛山市三水區擎美房地產有限公司	Associate of the Group
Foshan Yaxu Real Estate Development Co., Ltd. (note (ii)) 佛山雅旭房地產開發有限公司	Associate of the Group
Fuzhou Shengquan Real Estate Development Co., Ltd. (note (ii)) 福州盛全房地產開發有限公司	Associate of the Group
Xinxingxian Country Garden Real Estate Development Co., Ltd. (note (ii)) 新興縣碧桂園房地產開發有限公司	Associate of the Group
Sichuan Yacan Real Estate Development Co., Ltd. (note (ii)) 四川雅燦房地產開發有限公司	Associate of the Group
Jinzhongshi Jinhong Yubao Real Estate Development Co., Ltd. (note (ii)) 晉中市錦洪裕寶房地產開發有限責任公司	Associate of the Group

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

37 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Haimen Xinya Real Estate Development Co., Ltd. (note (ii)) 海門新雅房地產開發有限公司	Associate of the Group
Sichuan Yaheng Real Estate Development Co., Ltd. (note (ii)) 四川雅恒房地產開發有限公司	Associate of the Group
Nantongshi Tongzhouqu Dongju Land Co., Ltd. (note (ii)) 南通市通州區東居置業有限公司	Associate of the Group
Dali Meizhao Real Estate Development Co., Ltd. (note (ii)) 大理美詔房地產開發有限公司	Associate of the Group
Handan Yurong Real Estate Development Co., Ltd. (note (ii)) 邯鄲裕榮房地產開發有限公司	Associate of the Group
Wuxi Yahui Real Estate Development Co., Ltd. (note (ii)) 無錫雅輝房地產開發有限公司	Associate of the Group
Huizhou Meiteng Project Management Co., Ltd. (note (ii)) 惠州美騰項目管理有限公司	Associate of the Group
Chengdu Xueling Corporation Management Co., Ltd. (note (ii)) 成都雪瓴企業管理有限公司	Associate of the Group
Kunming Yaxin Real Estate Development Co., Ltd. (note (ii)) 昆明雅欣房地產開發有限公司	Associate of the Group
Guangzhou Yajing Investment Co., Ltd. (note (ii)) 廣州雅景投資有限公司	Associate of the Group
Zhejiang lvlong Eco Technology Co., Ltd. (note (ii)) 浙江綠龍生態科技有限公司	Associate of the Group
Guangzhou Yahong Real Estate Development Co., Ltd. (note (ii)) 廣州雅宏房地產開發有限公司	Associate of the Group
Guangzhou Haiya Investments Co., Ltd. (note (ii)) 廣州海雅投資有限公司	Associate of the Group
Tianjin Zhuosen Commercial Management Co., LTD. Guangzhou branch (note (ii)) 天津卓森商業管理有限公司廣州分公司	Associate of the Group
Guangzhou Zhongjian Longyuetai Real Estate Co., LTD (note (i) and note (ii)) 廣州中建瓏悦台置業有限公司	Associate of the Group
Changzhou Jingya Real Estate Development Co., Ltd. (note (ii)) 常州勁雅房地產開發有限公司	Associate of the Group
Hefei Hailun Shanzhu Land Investment Co., Ltd. (note (ii)) 合肥海倫善築置業投資有限公司	Associate of the Group
Xuzhou Dexin Xuyun Land Co., Ltd. (note (ii)) 徐州德信徐運置業有限公司	Associate of the Group
Jinzhong Jintian Heyi Real Estate Development Co., Ltd. (note (ii)) 晉中錦添合意房地產開發有限公司	Associate of the Group

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

37 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Guangzhou Lihe Real Estate Property Development Co., Ltd. (note (ii)) 廣州利合房地產開發有限公司	Joint venture of the Group
Tianjin Jinnan Xincheng Real Estate Development Co., Limited (note (ii)) 天津津南新城房地產開發有限公司	Joint venture of the Group
Zhongshan Yahong Real Estate Development Co., Ltd. (note (ii)) 中山市雅鴻房地產開發有限公司	Joint venture of the Group
Guangzhou Huadu Yazhan Realty Development Co., Ltd. (note (ii)) 廣州花都雅展房地產開發有限公司	Joint venture of the Group
Changsha Shangcheng Land Co., Ltd. (note (ii)) 長沙上城置業有限公司	Joint venture of the Group
Guangxi Fuya Investments Co., Ltd. (note (ii)) 廣西富雅投資有限公司	Joint venture of the Group
Foshan Yazhan Property Development Co., Ltd. (note (ii)) 佛山雅展房地產開發有限公司	Joint venture of the Group
Zhongshan Zhili Land Co., Ltd. (note (ii)) 中山市志力置業有限公司	Joint venture of the Group
Zhongshan Minsen Real Estate Development Co., Ltd. (note (ii)) 中山市民森房地產發展有限公司	Joint venture of the Group
Hainan Yahong Travel Property Co., Ltd. (note (ii)) 海南雅宏旅遊置業有限公司	Joint venture of the Group
Zhongshan Yingxuan Real Estate Development Co., Ltd. (note (ii)) 中山市盈軒房地產開發有限公司	Joint venture of the Group
Beijing Zhonggang International Real Estate Development Co., Ltd. (note (ii)) 北京中港國際房地產開發有限公司	Joint venture of the Group
Foshan Zhongjiao Real Estate Development Co., Ltd. (note (ii)) 佛山中交房地產開發有限公司	Joint venture of the Group
Foshan Xiangsong Land Co., Ltd. (note (ii)) 佛山香頌置業有限公司	Joint venture of the Group
Hefei Changzhe Real Estate Development Co., Ltd. (note (ii)) 合肥昌哲房地產開發有限公司	Joint venture of the Group
Jinan Yajun Real Estate Development Co., Ltd. (note (ii)) 濟南雅雋房地產開發有限公司	Joint venture of the Group
Zhongshan Haide Real Estate Development Co., Ltd. (note (i) and note (ii)) 中山市海德房地產開發有限公司	Joint venture of the Group
Zhuhai Yahan Real Estate Development Co., Ltd. (note (ii)) 珠海市雅瀚房地產開發有限公司	Joint venture of the Group
Zhuhai Yahao Real Estate Development Co., Ltd. (note (ii)) 珠海市雅灝房地產開發有限公司	Joint venture of the Group

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

37 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Gongyi Agile Land Co., Ltd. (note (i) and note (ii)) 鞏義雅居樂置業有限公司	Joint venture of the Group
Weihai Yalan Investments Development Co., Ltd. (note (ii)) 威海雅藍投資開發有限公司	Joint venture of the Group
Yangzhou Yahao Business Management Co., Ltd. (note (i) and note (ii)) 揚州雅昊商務管理有限公司	Joint venture of the Group
Hainan Yihai Rongsheng Real Estate Development Co., Ltd. (note (i) and note (ii)) 海南伊海榮盛房地產開發有限公司	Joint venture of the Group
Beihai Yaguang Real Estate Development Co., Ltd. (note (ii)) 北海雅廣房地產開發有限公司	Joint venture of the Group
Beihai Yazheng Real Estate Development Co., Ltd. (note (ii)) 北海雅正房地產開發有限公司	Joint venture of the Group
Huizhou Bailuhu Tour Enterprise Development Co., Ltd. (note (ii)) 惠州白鷺湖旅遊實業開發有限公司	Joint venture of the Group
Tongxiang Anyue Land Co., Ltd. (note (ii)) 桐鄉市安悅置業有限公司	Joint venture of the Group
Meixian Jinhaimao Real Estate Development Co., Ltd (note (ii)) 眉縣金海茂房地產開發有限公司	Joint venture of the Group
Xiamen Yazhan Property Development Co., Ltd. (note (ii)) 廈門雅展房地產開發有限公司	Joint venture of the Group
Huizhou Zhongyuan Enterprise Co., Ltd. (note (i) and note (ii)) 惠州市仲元實業有限公司	Joint venture of the Group
Guangzhou Baiquan Construction Engineering Co., Ltd. (note (ii)) 廣州佰全建築工程有限公司	Joint venture of the Group
Lianyungangshi Ganglong Land Co., Ltd. (note (ii)) 連雲港市港龍置業有限公司	Joint venture of the Group
Jinan Yaheng Real Estate Development Co., Ltd. (note (ii)) 濟南雅恒房地產開發有限公司	Joint venture of the Group
Xuzhou Chuanda Real Estate Development Co., Ltd. (note (ii)) 徐州川達房地產開發有限公司	Joint venture of the Group
Jiangmenshi Meishun Real Estate Development Co., Ltd. (note (ii)) 江門市美順房地產開發有限公司	Joint venture of the Group
Kaifeng Guokong Songdu Land Co., Ltd. (note (ii)) 開封國控宋都置業有限公司	Joint venture of the Group
Jiaxing Xingya Real Estate Development Co., Ltd. (note (ii)) 嘉興興雅房地產開發有限公司	Joint venture of the Group
Xuzhou Yafeng Real Estate Development Co., Ltd. (note (ii)) 徐州雅豐房地產開發有限公司	Joint venture of the Group

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

37 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Xingyang Agile City Construction Co., Ltd. (note (ii)) 滎陽雅居樂城市建設有限公司	Joint venture of the Group
Xingyang Agile Enterprise Co., Ltd. (note (ii)) 滎陽市雅居樂實業有限公司	Joint venture of the Group
Meizhou Zhongnan Yusheng Real Estate Development Co., Ltd. (note (ii)) 梅州中南昱晟房地產開發有限公司	Joint venture of the Group
Jiangxi Jianda Investment Co., Ltd. (note (ii)) 江西建大投資有限公司	Joint venture of the Group
Fujian Chuxin Eco Technology Co., Ltd. (note (ii)) 福建省儲鑫環保科技有限公司	Joint venture of the Group
Jinzhong Xiya Real Estate Development Co., Ltd. (note (ii)) 晉中熙雅房地產開發有限公司	Joint venture of the Group
Wuhu Yaxu Real Estate Development Co., Ltd. (note (ii)) 蕪湖雅旭房地產開發有限公司	Joint venture of the Group
Chenzhou Agile Real Estate Development Co., Ltd. (note (ii)) 郴州雅居樂房地產開發有限公司	Joint venture of the Group
Suzhou Meiju Real Estate Development Co., Ltd. (note (ii)) 蘇州美居房地產開發有限公司	Joint venture of the Group
Kaifeng Fenghui Land Co., Ltd. (note (ii)) 開封豐輝置業有限公司	Joint venture of the Group
Shenyang Agile Enterprise Management Consultation Co., Ltd. (note (ii)) 瀋陽雅居樂企業管理諮詢有限公司	Joint venture of the Group
Huizhou Huiyang Agile Real Estate Development Co., Ltd. (note (ii)) 惠州市惠陽雅居樂房地產開發有限公司	Joint venture of the Group
Tianjin Ruiya Real Estate Development Co., Ltd. (note (ii)) 天津瑞雅房地產開發有限公司	Joint venture of the Group
Chongqing Huayu Yefeng Enterprise Development Co., Ltd. (note (ii)) 重慶華宇業豐實業有限公司	Joint venture of the Group
Guangzhou Hongsheng Hengju Investment Partnership Enterprises (Limited Partnership) (note (ii)) 廣州鴻晟恒鉅投資合夥企業(有限合夥)	Joint venture of the Group
Xingyang Yaheng Land Co., Ltd. (note (ii)) 滎陽市雅恒置業有限公司	Joint venture of the Group

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

37 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Henry Fischer Real Estate Co., Limited. (note (ii)) 亨利世家置業有限公司	Joint venture of the Group
Nanjing Qiya Land Co., Ltd. (note (ii)) 南京奇雅置業有限公司	Joint venture of the Group
Guangzhou Zhenmei Construction Design Co., Ltd. (note (ii)) 廣州臻美建築設計有限公司	Joint venture of the Group
Guangzhou Zhixin Engineering Cost Consultancy Co., Ltd. (note (ii)) 廣州至信工程造價諮詢有限公司	Joint venture of the Group
Ferris Mind Limited	Joint venture of the Group
Qidong Hilme Trading Co., Ltd. (note (i) and note (ii)) 啟東希爾美貿易有限公司	Joint venture of the Group
Qidong Bolme Trading Co., Ltd. (note (i) and note (ii)) 啟東博爾美貿易有限公司	Joint venture of the Group
Guangdong Xinmeiju Real Estate Development Co., Ltd. (note (i) and note (ii)) 廣東新美居房地產發展有限公司	Joint venture of the Group
Yangzhou Yayue Real Estate Development Co., Ltd. (note (i) and note (ii)) 揚州雅悦房地產開發有限公司	Joint venture of the Group
Xi'an Agile Enterprise Development Co., Ltd. (note (ii)) 西安雅居樂實業發展有限公司	Joint venture of the Group
Tianjin Yayi Real Estate Development Co., Ltd (note (i) and note (ii)) 天津雅逸房地產開發有限公司	Joint venture of the Group
Shaoxing Xiangya Real Estate Development Co., LTD (note (i) and note (ii)) 紹興祥雅房地產開發有限公司	Joint venture of the Group
Jinan Junsheng Real Estate Development Co., LTD (note (ii)) 濟南雋盛房地產開發有限公司	Joint venture of the Group
Henan Yafu Land Co., Ltd. (note (ii)) 河南雅福置業有限公司	Joint venture of the Group
Shangqiu Chuanda Real Estate Development Co., Ltd. (note (ii)) 商丘川達房地產開發有限公司	Joint venture of the Group
Shijiazhuang Qingda Real Estate Development Co. LTD (note (ii)) 石家莊青達房地產開發有限公司	Joint venture of the Group
Changzhou Jiahong Nancheng Land Development Co., Ltd (note (ii)) 常州嘉宏南城置業發展有限公司	Joint venture of the Group
Wuxi Yaxiang Real Estate Development Co., Ltd. (note (ii)) 無錫雅祥房地產開發有限公司	Joint venture of the Group

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

37 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Wuxi Yayuan Real Estate Development Co., Ltd. (note (ii)) 無錫雅遠房地產開發有限公司	Joint venture of the Group
Beihai Yagang Real Estate Development Co., Ltd. (note (ii)) 北海雅港房地產開發有限公司	Joint venture of the Group
Zhongshan Yachen Real Estate Development Operation Co., Ltd. (note (ii)) 中山市雅琛房地產開發經營有限公司	Joint venture of the Group
Huizhou Yachuang Real Estate Development Co., Ltd. (note (ii)) 惠州市雅創房地產開發有限公司	Joint venture of the Group
Guangxi Yashun Real Estate Development Co., Ltd. (note (ii)) 廣西雅順房地產開發有限公司	Joint venture of the Group
Guangxi Yakai Real Estate Development Co., Ltd. (note (ii)) 廣西雅凱房地產開發有限公司	Joint venture of the Group
Nanjing Bijie Real Estate Development Co., Ltd. (note (i) and note (ii)) 南京碧捷房地產開發有限公司	Joint venture of the Group
Xuzhou Jiale Real Estate Development Co., Ltd. (note (ii)) 徐州佳樂房地產開發有限公司	Joint venture of the Group
Qidong Yahong Real Estate Development Co., LTD (note (ii)) 啟東市雅宏房地產開發有限公司	Joint venture of the Group
Haimen Xinya Real Estate Development Co., Ltd. (note (ii)) 海門市信雅房地產開發有限公司	Joint venture of the Group
Jianyang Hexu Real Estate Development Co., Ltd. (note (i) and note (ii)) 簡陽合煦房地產開發有限公司	Joint venture of the Group
Chongqing Meinan Land Co., Ltd. (note (i) and note (ii)) 重慶美南置業有限公司	Joint venture of the Group
Zhongshan Yachen Corporation Management Co., Ltd. (note (i) and note (ii)) 中山雅辰企業管理有限公司	Joint venture of the Group
Guangzhou Quanhui Enterprise Services Co., Ltd. (note (ii)) 廣州全慧企業服務有限公司	Joint venture of the Group
Chongqing Beijia Corporation Co., Ltd. (note (i) and note (ii)) 重慶碚家企業管理有限公司	Joint venture of the Group
Nanjing Yinyan Real Estate Development Co., Ltd. (note (ii)) 南京銀雁房地產開發有限公司	Joint venture of the Group
Hangzhou Dongliang Enterprise Management Co., LTD (note (i) and note (ii)) 杭州東良企業管理有限公司	Joint venture of the Group

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

37 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Tianjin Hean Investment Co., LTD (note (ii)) 天津和安投資有限公司	Joint venture of the Group
Shenyang Yasong Real Estate Development Co., LTD (note (ii)) 瀋陽雅頌房地產開發有限公司	Joint venture of the Group
Gongqing-Aliving Investment Management Partnership (note (ii)) 共青城雅生活投資管理合夥企業(有限合夥)	Controlled by key management personnels of the Group
Beautiful Development Limited 錦繡前程有限公司	Controlled by a key management personnel of the Group
Atlas (China) Co., Ltd. ("**Atlas (China)**") (note (ii)) 寰圖(中國)有限公司	Significantly influenced by the close family member of the Founding Shareholders
Atlas (Beijing) Business Development Co., Ltd (note (ii)) 寰圖(北京)商務發展有限公司	Significantly influenced by the close family member of the Founding Shareholders
Atlas (Shanghai) Business Services Co., Ltd (note (ii)) 寰圖(上海)商務服務有限公司	Significantly influenced by the close family member of the Founding Shareholders
Atlas (Guangzhou) Business Development Co., Ltd (note (ii)) 寰圖(廣州)商務發展有限公司	Significantly influenced by the close family member of the Founding Shareholders
Atlas (Xi'an) Business Services Co., Ltd (note (ii)) 寰圖(西安)商務服務有限公司	Significantly influenced by the close family member of the Founding Shareholders

Notes:

(i) The additional companies represent the new investment in associates and joint ventures of the Group during the period.

(ii) The names of the companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

37 Related party transactions (Continued)

(b) Transactions with related parties

(i) For the six months ended 30 June 2021 and 2020, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business:

	Six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
Office service fee charged by Atlas (China) (note a)	**87,676**	83,995
Golf facilities service fees charged by Zhongshan Changjiang Golf Course (note a)	**6,557**	6,040
Restaurant and hotel service fees charged by Zhongshan Agile Changjiang Hotel Co., Ltd. (note a)	**965**	1,154
	95,198	91,189

	Six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
Rental income from Atlas (China)	**18,170**	24,134

	Six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
Loan to related parties		
— Joint ventures	**44,442**	448,883
— Associates	**632,963**	14,700
	677,405	463,583

	Six months ended 30 June	
	2021 (unaudited)	2020 (unaudited)
Repayment of loans to related parties		
— Joint ventures	**392,377**	345,971
— Associates	**199,694**	286,866
	592,071	632,837

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

37 Related party transactions (Continued)

(b) Transactions with related parties (Continued)

(i) For the six months ended 30 June 2021 and 2020, the Group had the following significant transactions with related parties, which are carried out in the normal course of the Group's business: (Continued)

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Interest income from (note b)		
— Joint ventures	**54,932**	152,988
— Associates	**206,133**	31,928
	261,065	184,916

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Provision of construction services to		
— Joint ventures	**773,208**	547,822
— Associates	**18,649**	59,406
	791,857	607,228

Key management compensation

Key management includes executive directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
— Salaries and other short-term employee benefits	**14,231**	14,293
— Retirement scheme contributions	**87**	35
	14,318	14,328

Notes:

a. Office service fee, golf facilities service fees, restaurant and hotel service fees and rental fees were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

b. Interest income were charged in accordance with the terms of the loan contracts.

(ii) The Group provided guarantees for borrowings of certain joint ventures and associates of RMB9,332,730,000 as at 30 June 2021 (31 December 2020: RMB6,220,012,000).

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

37 Related party transactions (Continued)

(c) Balances with related parties

(i) As at 30 June 2021 and 31 December 2020, the Group had the following significant non-trade balances with related parties:

	30 June 2021 (unaudited)	31 December 2020 (audited)
Receivables due from (note a)		
— Joint ventures	**17,872,573**	16,185,176
— Associates	**1,268,085**	656,384
— Other related parties	**506,913**	493,892
	19,647,571	17,335,452
Loan and interest receivables due from (note b)		
— Joint ventures	**1,079,464**	2,811,982
— Associates	**2,898,262**	2,578,279
	3,977,726	5,390,261

	30 June 2021 (unaudited)	31 December 2020 (audited)
Payables due to (note a)		
— Joint ventures	**11,115,963**	10,984,608
— Associates	**2,179,025**	1,828,029
— Other related parties	**103,752**	102,179
	13,398,740	12,914,816
Contract liabilities		
— Joint ventures	**411,236**	304,284
— Associates	**2,350**	10,648
— Zhongshan Changjiang Golf Course	**11**	10
	413,597	314,942

Notes:

a. The balances are cash advances in nature, which are unsecured and interest free.

b. The balances are loan receivables and interest from associates and joint ventures, which are unsecured and interest bearing. The effective interest rate ranges from 4.35% to 15% per annum.

Notes to the Interim Financial Information (Continued)

(All amounts in RMB thousands unless otherwise stated)

38 Events after the Balance Sheet Date

(a) On 15 July 2021, the Company issued senior notes at 5.5% due 2025 with an aggregate nominal value of US$314,000,000 (equivalent to approximately RMB2,035,819,000) at face value. The net proceeds, deducting the issuance costs, of approximately US$311,000,000 (equivalent to approximately RMB2,018,530,000). The senior notes will mature on 21 April 2025.

(b) On 19 July 2021, the Company redeemed all the outstanding 2018 Senior Notes at a redemption price of US$600,000,000 (equivalent to approximately RMB3,882,540,000).

(c) On 15 July 2021, Farsail Goldman International Limited("**Farsail Goldman**"), an indirect wholly-owned subsidiary of the Company, and Shenzhen Lvjin Enterprise Management Co., Ltd.("**Shenzhen Lvjin**"), an indirect wholly-owned subsidiary of Greenland Holdings Group Company Limited, entered into a share transfer agreement, pursuant to which Farsail Goldman agreed to purchase, and Shenzhen Lvjin agreed to sell, an aggregate of 50,000,000 overseas listed shares of A-Living, the subsidiary of the company at HK$32 per share, for a total consideration of HK$1.6 billion (the "**Purchase**"). Following completion of the Purchase, the Company is interested in 771,256,750 overseas listed shares of A-Living, representing approximately 54.31% of the total issued share capital of A-Living.

pwc 羅兵咸永道

To the Shareholders of Agile Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Agile Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 114 to 236, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit and our audit procedures performed to address these key audit matters are set out as below:

Key Audit Matters	How our audit addressed the Key Audit Matters
Assessment of provisions for impairment of properties under development and completed properties held for sale Refer to notes 4.1(a), 12 and 13 to the consolidated financial statements. Properties under development and completed properties held for sale amounted to RMB132,214,806,000 as at 31 December 2020, accounting for 42% of the Group's total assets. Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The net realisable values were assessed taking into account of costs to completion of properties under development, variable selling expenses based on past experience and selling price based on prevailing market conditions. Based on management's assessment, a provision of RMB1,363,526,000 for properties under development and a provision of RMB697,314,000 for completed properties held for sale were made as at 31 December 2020. We focused on auditing the provisions for impairment of properties under development and completed properties held for sale because the estimation of net realisable values is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of properties under development and completed properties held for sale is considered significant due to significant judgements and estimates involved in determination of net realisable values.	We have performed the following procedures to address this key audit matter: (i) We obtained an understanding of management's internal control and assessment process of the provisions for impairment of properties under development and completed properties held for sale and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; (ii) We evaluated the outcome of prior period assessment of impairment of properties under development and completed properties held for sale to assess the effectiveness of management's estimation process; (iii) We evaluated and tested the key controls relating to management's assessment on the impairment of properties under development and completed properties held for sale, including the identification of properties with impairment indicators, the quantification and recording of impairment provisions; (iv) We assessed the Group's estimates of the anticipated costs to completion for properties under development by reconciling the anticipated costs to completion to the approved budgets. We compared the major cost compositions contained in these budgets with the actual cost compositions of similar type of properties in similar location. We performed analysis on management's material cost adjustments;

Key Audit Matters	How our audit addressed the Key Audit Matters
	(v) We challenged and assessed the reasonableness of management's assumptions when determining the net sales value based on prevailing market conditions by: • Researching the selling prices from the public available resources and comparing the estimated selling price to the most recent selling price for the properties under presales or the prevailing market price of the same type of properties in the same location; • Analysing the historical selling expenses to selling price ratio, assessing whether management's estimated selling expenses were within such range. (vi) We assessed the adequacy of the disclosures related to impairment of properties under development and completed properties held for sale in the context of the applicable financial reporting framework; and (vii) We also considered whether the judgements made in selecting the methodology and the key assumptions would give rise to indicators of possible management bias. Based on the above, we found that the significant judgements and estimates made by management in relation to the impairment assessment of properties under development and completed properties held for sale were supported by available evidence.

Key Audit Matters

Valuations of investment properties

Refer to notes 4.1(b) and 7 to the consolidated financial statements.

The Group's investment properties were measured at fair value of RMB10,849,449,000 as at 31 December 2020, with revaluation gains of RMB196,906,000 recorded as "other gains, net" in the consolidated income statement for the year then ended.

Independent external valuations were performed for all of investment properties in order to support management's estimates. Fair values of completed investment properties are derived using income capitalisation approach or the direct comparison approach, where applicable. The fair values of investment properties under construction are prepared under residual approach.

We focused on auditing the valuations of investment properties because the estimation of term yields and reversionary yields, market rents, market prices and estimated costs to completion is subject to high degree of estimation uncertainty. The inherent risk in relation to the valuations of investment properties is considered significant due to significant judgements and estimates involved in determination of fair value.

How our audit addressed the Key Audit Matters

We have performed the following procedures to address this key audit matter:

(i) We obtained an understanding of the management's internal control and assessment process of the valuations of investment properties and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud;

(ii) We evaluated the competency, capabilities and objectivity of the external valuers;

(iii) We checked, on a sample basis, accuracy and relevance of the input data used in the valuation and checked the mathematical accuracy of the valuations;

(iv) We involved our internal valuation specialist in assessing the appropriateness of methodologies used and the reasonableness of the key assumptions applied in the valuations, including term yields and reversionary yields, fair market rents and fair market prices. We agreed the term yields, reversionary yields, market rents and market prices used in the valuations to our internally developed benchmarks, which are based on our recent experience and market research in the locations and segments of the Group's investment properties. We have also conducted a sensitivity analysis over the key assumptions;

Key Audit Matters	How our audit addressed the Key Audit Matters
	(v) For investment properties under construction, we challenged and assessed the reasonableness of management's estimates of costs to complete by checking the total budgeted construction costs against the signed contracts with vendors and actual construction costs of similar properties and tested the actual costs incurred up to date; (vi) We assessed the adequacy of the disclosures related to valuation of investment properties in the context of the applicable financial reporting framework; and (vii) We also considered whether the judgements made in selecting the methodology and the key assumptions would give rise to indicators of possible management bias. Based on the above, we found that the significant judgements and estimates made by management in relation to the valuations of investment properties were supported by available evidence.

Key Audit Matters	How our audit addressed the Key Audit Matters
Assessment of goodwill impairment Refer to notes 4.1(c) and 9 to the consolidated financial statements. As at 31 December 2020, the Group had goodwill of RMB4,264,614,000 primarily in relation to the Group's acquisition of property management services groups, environmental protection groups and construction groups (the "Acquirees"). A provision of RMB723,802,000 was made for goodwill arising from certain Acquirees. Goodwill is tested for impairment annually or when there are events or changes in circumstances indicate that it might be impaired. For the purpose of impairment assessment, goodwill was allocated to respective groups of cash generating units of the Acquirees. Management assessed the recoverable amount of major Acquirees with the assistance of independent external valuers (the "External Valuers") and determined based on a value-in-use ("VIU") calculation using cash flow projections based on financial budgets approved by management. The key assumptions considered primarily include (i) compound annual growth rate of revenue, (ii) earnings before interest, tax, depreciation and amortisation ("EBITDA") margin, (iii) long-term growth rate, and (iv) pre-tax discount rate. We focused on auditing the impairment of goodwill because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to the complexity of the impairment models and subjectivity of significant assumptions used.	We have performed the following procedures to address this key audit matter: (i) We obtained an understanding of the management's internal control and assessment process of goodwill impairment and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud; (ii) We evaluated the outcome of prior period assessment of impairment of goodwill to assess the effectiveness of management's estimation process; (iii) We evaluated the competency, capabilities and objectivity of the External Valuers; (iv) We challenged and assessed the appropriateness of the methodology and the reasonableness of key assumptions adopted with the involvement of our internal valuation specialists; (v) We assessed the reasonableness of the key assumptions adopted by management by (i) evaluating the historical estimation accuracy of the cash flow forecast by, for example, comparing the forecast used in the prior year to the actual performance of the business in the current year; (ii) assessed the pre-tax discount rates with reference to comparable listed companies; (iii) evaluating the reasonableness of the key assumptions used in the cash flow forecast, including compound annual revenue growth rates and EBITDA margins, taking into account the approved budgets, historical financial data and plans of the Acquirees; (iv) for the long-term growth rate, we assessed it with reference to the long-term expected inflation rate;

Key Audit Matters	How our audit addressed the Key Audit Matters
	(vi) We tested source data to supporting evidence on a sample basis, such as approved budgets and available market data; (vii) We performed sensitivity analysis on the key assumptions adopted in the impairment assessment so as to assess the potential implication on the results of the impairment assessment if these key assumptions are to be changed within a reasonable range; (viii) We assessed the adequacy of the disclosures related to impairment assessment of goodwill in the context of the applicable financial reporting framework; and (ix) We also considered whether the judgements made in selecting the methodology and the key assumptions would give rise to indicators of possible management bias. Based on the above, we found that the significant management's judgements and key assumptions adopted in the goodwill impairment assessment were supported by available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and The Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Au Chi Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2021

CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2020	2019
Assets			
Non-current assets			
Property, plant and equipment	6	**12,080,847**	11,701,956
Investment properties	7	**10,849,449**	8,495,950
Right-of-use assets	8	**3,376,304**	3,077,209
Goodwill	9	**4,264,614**	3,897,055
Other intangible assets	9	**3,576,350**	1,578,192
Investments accounted for using the equity method	10	**18,179,155**	14,711,189
Prepayments for acquisition of equity interests		**523,321**	468,000
Prepayments for acquisition of land use rights	11	**34,285**	–
Properties under development	12	**30,973,623**	31,742,993
Other receivables	16	**7,508,793**	5,182,026
Financial assets at fair value through other comprehensive income	15	**510,639**	262,036
Deferred income tax assets	28	**1,392,281**	1,350,770
		93,269,661	82,467,376
Current assets			
Completed properties held for sale	13	**19,092,671**	13,447,730
Inventories		**248,325**	343,029
Prepayments for acquisition of land use rights	11	**8,311,775**	10,669,360
Contract assets	5	**3,204,597**	1,379,556
Properties under development	12	**82,148,512**	79,622,115
Trade and other receivables	16	**50,021,335**	35,360,168
Prepaid income taxes		**5,355,663**	6,077,471
Financial assets at fair value through profit or loss	17	**1,247,819**	1,008,031
Assets held for sale		**–**	302,108
Restricted cash	18	**8,938,792**	9,003,578
Cash and cash equivalents	19	**41,925,908**	33,551,303
		220,495,397	190,764,449
Total assets		**313,765,058**	273,231,825

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2020	2019
Equity			
Capital and reserves attributable to the shareholders of the Company			
Share capital and premium	20	3,421,883	3,421,883
Shares held for Share Award Scheme	21	(156,588)	(156,588)
Other reserves	22	3,416,513	2,931,267
Retained earnings		44,133,820	38,277,061
		50,815,628	44,473,623
Perpetual Capital Securities	23	13,637,493	13,566,867
Non-controlling interests		12,516,601	7,295,986
Total equity		76,969,722	65,336,476
Liabilities			
Non-current liabilities			
Borrowings	24	59,243,748	54,372,620
Other payables	25	4,284,452	2,201,976
Financial liabilities at fair value through profit or loss	26	101,235	83,092
Contract liabilities	27	75,271	–
Lease liabilities	8	392,927	390,326
Deferred income tax liabilities	28	4,087,131	3,179,780
		68,184,764	60,227,794
Current liabilities			
Borrowings	24	38,569,018	42,297,082
Trade and other payables	25	75,229,690	53,917,720
Financial liabilities at fair value through profit or loss	26	1,004,423	53,684
Contract liabilities	27	36,306,083	33,653,950
Lease liabilities	8	244,011	182,411
Current income tax liabilities		17,257,347	17,562,708
		168,610,572	147,667,555
Total liabilities		236,795,336	207,895,349
Total equity and liabilities		313,765,058	273,231,825

The notes on pages 122 to 236 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 114 to 121 were approved by the Board of Directors on 23 March 2021 and were signed on its behalf by:

Chen Zhuo Lin **Chan Cheuk Hung**

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Operation			
Revenue	5	80,245,252	60,239,097
Cost of sales	32	(56,142,868)	(41,881,111)
Gross profit		24,102,384	18,357,986
Selling and marketing costs	32	(2,384,710)	(2,026,178)
Administrative expenses	32	(5,234,723)	(3,998,883)
Net impairment losses on financial and contract assets	3.1(c)	(566,679)	(149,574)
Other gains, net	29	3,740,426	4,802,164
Other income	30	1,669,854	1,282,537
Other expenses	31	(400,044)	(228,300)
Operating profit		20,926,508	18,039,752
Finance costs, net	34	(1,040,210)	(2,529,824)
Share of post-tax profits of investments accounted for using the equity method	10	1,585,630	1,086,246
Profit before income tax		21,471,928	16,596,174
Income tax expenses	35	(9,223,051)	(7,362,928)
Profit for the year		12,248,877	9,233,246
Profit attributable to:			
Shareholders of the Company		9,474,597	7,511,794
Holders of Perpetual Capital Securities	23	1,083,780	850,225
Non-controlling interests		1,690,500	871,227
		12,248,877	9,233,246
Earnings per share from continuing operations attributable to shareholders of the Company for the year (expressed in Renminbi per share)			
— Basic	36	2.440	1.935
— Diluted	36	2.440	1.935

The notes on pages 122 to 236 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Profit for the year		**12,248,877**	9,233,246
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
— Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax		**110,369**	21,857
— Revaluation gains arising from property, plant and equipment transferred to investment properties, net of tax	6	**5,651**	–
Items that may be reclassified to profit or loss			
— Currency translation differences		**(9,342)**	1,147
Other comprehensive income for the year, net of tax		**106,678**	23,004
Total comprehensive income for the year		**12,355,555**	9,256,250
Attributable to:			
— Shareholders of the Company		**9,598,779**	7,532,534
— Holders of Perpetual Capital Securities		**1,083,780**	850,225
— Non-controlling interests		**1,672,996**	873,491
		12,355,555	9,256,250

The notes on pages 122 to 236 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB thousands unless otherwise stated)

	Attributable to owners of the Company							
	Share capital and premium (note 20)	Shares held for Share Award Scheme (note 21)	Other reserves (note 22)	Retained earnings	Total	Perpetual Capital Securities (note 23)	Non-controlling interests	Total equity
Balance at 1 January 2020	3,421,883	(156,588)	2,931,267	38,277,061	44,473,623	13,566,867	7,295,986	65,336,476
Comprehensive income								
Profit for the year	–	–	–	9,474,597	9,474,597	1,083,780	1,690,500	12,248,877
Other comprehensive income								
Currency translation differences	–	–	8,534	–	8,534	–	(17,876)	(9,342)
Revaluation gain on property, plant and equipment, net of tax	–	–	5,651	–	5,651	–	–	5,651
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	109,997	–	109,997	–	372	110,369
Total comprehensive income	–	–	124,182	9,474,597	9,598,779	1,083,780	1,672,996	12,355,555
Total transactions with shareholders, recognised directly in equity								
Transfer to statutory reserve and enterprise expansion funds (note 22)	–	–	485,174	(485,174)	–	–	–	–
Distribution to holders of Perpetual Capital Securities (note 23)	–	–	–	–	–	(1,013,154)	–	(1,013,154)
Capital injection by non-controlling interests	–	–	–	–	–	–	1,592,340	1,592,340
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	2,316,359	2,316,359
Acquisition of additional interests in subsidiaries	–	–	(208,480)	–	(208,480)	–	(58,478)	(266,958)
Dividends distribution to non-controlling interests	–	–	–	–	–	–	(501,722)	(501,722)
Other transaction with non-controlling interests	–	–	84,370	–	84,370	–	199,120	283,490
Dividends (note 37)	–	–	–	(3,132,664)	(3,132,664)	–	–	(3,132,664)
Total transactions with owners, recognised directly in equity	–	–	361,064	(3,617,838)	(3,256,774)	(1,013,154)	3,547,619	(722,309)
Balance at 31 December 2020	3,421,883	(156,588)	3,416,513	44,133,820	50,815,628	13,637,493	12,516,601	76,969,722

(All amounts in RMB thousands unless otherwise stated)

	Attributable to owners of the Company							
	Share capital and premium (note 20)	Shares held for Share Award Scheme (note 21)	Other reserves (note 22)	Retained earnings	Total	Perpetual Capital Securities (note 23)	Non-controlling interests	Total equity
Balance at 1 January 2019	3,421,883	(156,588)	2,604,982	35,368,931	41,239,208	8,334,875	5,406,850	54,980,933
Comprehensive income								
Profit for the year	–	–	–	7,511,794	7,511,794	850,225	871,227	9,233,246
Other comprehensive Income								
Currency translation differences	–	–	(1,117)	–	(1,117)	–	2,264	1,147
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	21,857	–	21,857	–	–	21,857
Total comprehensive income	–	–	20,740	7,511,794	7,532,534	850,225	873,491	9,256,250
Total transactions with shareholders, recognised directly in equity								
Transfer to statutory reserve and enterprise expansion funds (note 22)	–	–	753,986	(753,986)	–	–	–	–
Distribution to holders of Perpetual Capital Securities (note 23)	–	–	–	–	–	(990,199)	–	(990,199)
Redemption of Perpetual Capital Securities (note 23)	–	–	(427,512)	(77,201)	(504,713)	(4,305,407)	–	(4,810,120)
Capital injection by non-controlling interests	–	–	–	–	–	–	668,576	668,576
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	838,218	838,218
Acquisition of additional interests in subsidiaries	–	–	41,250	–	41,250	–	(140,050)	(98,800)
Dividends distribution to non-controlling interests	–	–	–	–	–	–	(351,099)	(351,099)
Issuance of Perpetual Capital Securities (note 23)	–	–	–	–	–	9,677,373	–	9,677,373
Dividends (note 37)	–	–	–	(3,772,477)	(3,772,477)	–	–	(3,772,477)
Put options granted during the acquisition of subsidiaries	–	–	(62,179)	–	(62,179)	–	–	(62,179)
Total transactions with owners, recognised directly in equity	–	–	305,545	(4,603,664)	(4,298,119)	4,381,767	1,015,645	1,099,293
Balance at 31 December 2019	3,421,883	(156,588)	2,931,267	38,277,061	44,473,623	13,566,867	7,295,986	65,336,476

The notes on page 122 to 236 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Cash flows from operating activities			
Cash generated from operations	39(a)	**18,226,652**	1,007,183
Interest paid		**(6,441,954)**	(6,282,614)
PRC income tax paid		**(8,477,444)**	(9,275,848)
Net cash generated from/(used in) operating activities		**3,307,254**	(14,551,279)
Cash flows from investing activities			
Advance consideration received from disposal of equity interests in certain subsidiaries		**7,050,760**	2,681,106
Proceeds from/(payments made to) disposal of subsidiaries	38	**496,772**	(235,495)
Payments of construction cost of investment properties		**–**	(52,430)
Investments in associates and joint ventures		**(1,641,611)**	(2,103,494)
Prepayment for acquisitions of equity interests		**(313,298)**	(468,000)
Purchases of property, plant and equipment and self-used land use rights		**(3,121,670)**	(2,118,509)
Purchases of intangible assets		**(487,518)**	(14,586)
Proceed received from disposal of investment properties, land use rights and property, plant and equipment		**314,480**	309,003
Cash paid for acquisition of subsidiaries through business combination	40	**(93,478)**	(2,536,405)
Cash advances made to joint ventures, associates and other related parties		**(7,300,726)**	(5,668,240)
Repayment of cash advances from joint ventures, associates and other related parties		**4,133,347**	10,156,482
Repayment of cash advances from non-controlling interests		**1,578,850**	846,842
Cash advance made to non-controlling interests		**(1,288,014)**	(1,207,507)
(Payments)/proceeds received to settle derivative financial instruments		**(704,112)**	253,216
Payment for acquisition of financial assets at fair value through other comprehensive income		**(105,966)**	(218,114)
Purchase of wealth management products		**(20,797,253)**	(35,215,944)
Redemption of wealth management products		**20,840,723**	34,845,212
Payment for acquisition of other financial assets at fair value through profit or loss		**(3,306)**	(1,331,425)
Proceeds from settlement of other financial assets at fair value through profit or loss		**10,914**	4,877,567
Disposal of financial assets at fair value through other comprehensive income		**700**	–
Proceeds from disposal of joint ventures and an associate		**735,180**	–
Interest and dividend income received		**1,471,368**	1,081,625
Net cash generated from investing activities		**776,142**	3,880,904

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Cash flows from financing activities			
Proceeds from issuance of Perpetual Capital Securities		–	9,753,310
Issuance cost of Perpetual Capital Securities		–	(75,937)
Redemption of Perpetual Capital Securities		–	(4,810,120)
Net proceeds from borrowings		61,861,169	48,248,554
Repayments of borrowings		(61,293,771)	(42,799,664)
Decrease in guarantee deposit for borrowings		310,125	219,798
Cash advances from related parties		5,720,870	3,636,493
Repayments of cash advances made to related parties		(1,143,007)	(495,538)
Cash advance from non-controlling interests		4,492,935	1,898,876
Repayments of cash advances from non-controlling interests		(2,248,177)	(2,295,002)
Capital contribution by non-controlling interests		1,592,340	668,576
Principal elements of lease payments		(274,422)	(285,477)
Non-controlling interest from acquisition of additional interests in subsidiaries		(266,958)	(98,800)
Other transaction with non-controlling interests		283,490	–
Distribution to holders of Perpetual Capital Securities		(1,013,154)	(990,199)
Dividends paid to shareholders of the Group		(3,132,658)	(3,772,477)
Dividends paid to non-controlling interests		(448,602)	(351,099)
Net cash generated from financing activities		4,440,180	8,451,294
Net increase/(decrease) in cash and cash equivalents		8,523,576	(2,219,081)
Cash and cash equivalents at beginning of the year		33,551,303	35,776,231
Exchange losses on cash and cash equivalents		(148,971)	(5,847)
Cash and cash equivalents at end of the year	19	41,925,908	33,551,303

The notes on pages 122 to 236 form an integral part of these consolidated financial statements.

1 General information

Agile Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 14 July 2005 and is principally engaged in investment holding. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (the "Group") are principally engaged in property development in the People's Republic of China (the "PRC").

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 15 December 2005.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 23 March 2021.

The outbreak of the 2019 Novel Coronavirus ("COVID-19") had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental revenue and occupancy rate of investment properties, allowance for expected credit losses on trade and other receivables, fair value of investment properties and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial statements is authorised for issue, COVID-19 doesn't have any material adverse impact on the financial position and operating result of the Group.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the "HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and , financial assets at fair value through other comprehensive income which are carried at fair value.

The preparation of consolidated financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material — amendments to HKAS 1 and HKAS 8
- Definition of a Business — amendments to HKFRS 3
- Interest Rate Benchmark Reform — amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting
- Annual Improvements to HKFRS Standards 2018-2020 Cycle.
- Lease — COVID-19 Related Rent Concessions — amendments to HKFRS 16

The amendments listed above did not have significant impact on the amounts recognised in the current or prior periods and is not likely to affect future periods.

(b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2020 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Presentation of financial statements — classification of liabilities	1 January 2023
Amendments to HKFRS 3	Business combinations	1 January 2022
Amendments to HKAS 16	Property, plant and equipment	1 January 2022
Amendments to HKAS 37	Provisions, contingent liabilities and contingent assets	1 January 2022
Annual improvements to HKFRS 9	Financial instruments	1 January 2022
HKFRS 17	Insurance contract	1 January 2023
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations, and not expected to have a material impact on the entity in the current or future reporting period.

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.3).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.2.2 Investments accounted for using the equity method

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

2 Summary of significant accounting policies (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.2 Investments accounted for using the equity method (Continued)

Equity method (Continued)

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.11.

2.2.3 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the consolidated income statement where appropriate.

2 Summary of significant accounting policies (Continued)

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in the consolidated income statement as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated income statement.

2 Summary of significant accounting policies (Continued)

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions of the Group.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in consolidated income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within "finance costs, net". All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

2 Summary of significant accounting policies (Continued)

2.6 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

When there is a change of use from an investment property to an owner-occupied property, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

2 Summary of significant accounting policies (Continued)

2.7 Property, plant and equipment (Continued)

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives , as follows:

Buildings	10-60 years
Office equipment	5-10 years
Transportation equipment	4-10 years
Machinery	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains, net" in the consolidated income statement.

Construction in progress

Construction in progress represents property under construction and is stated at cost less accumulated impairment loss, if any. Cost includes the costs of construction of buildings and interest charges arising from borrowings used to finance these assets during the period of construction, if any. No provision for depreciation is made on construction in progress until such times as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.8 Investment property

Investment property, principally comprising land use rights and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded as "other gains, net" in the consolidated income statement.

2 Summary of significant accounting policies (Continued)

2.8 Investment property (Continued)

When an owner-occupied property becomes an investment property carried at fair value, the Group applies HKAS 16 up to the date of change in use. The Group treats any difference at that date between the carrying amount of the property in and its fair value in as a revaluation in accordance with HKAS 16. In other words, any resulting increase in the carrying amount is treated as follows:

(i) to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in the consolidated income statement.

(ii) any remaining part of the increase is recognised in other comprehensive income and increases the revaluation surplus within equity.

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generation units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trademarks and licences

Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisations. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 5 to 20 years.

(c) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisations. Amortisation is calculated using the straight-line method over the expected life of 6~10 years for the customer relationships.

2 Summary of significant accounting policies (Continued)

2.9 Intangible assets (Continued)

(d) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 10 years.

(e) Operating concessions

Operating concessions are capitalised on the basis of the costs incurred to build and operating water waste treatment plants and refuse-burning power plant. These costs are amortised over their estimated useful lives of 3 to 28 years.

2.10 Service concession arrangements

(a) Service concession arrangements under financial asset model

A financial asset (receivables under a service concession arrangement) is recognized to the extent that the Group has an unconditional right to receive cash or another financial asset from the grantor for the construction services rendered. This right arises where the grantor has little or no discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group specified or determinable amounts or the shortfall, if any, between amounts received from the users of the public service and the specified or determinable amounts. The financial asset (receivable under a service concession arrangement) is accounted for in accordance with the policy set out for financial assets measured at amortized cost.

During the construction periods, the Group recognizes a contract asset and accounts for the significant financing component in the arrangement. When the construction services are completed, the contract asset would be classified and measured as receivables under a service concession arrangement accordingly. The considerations for construction obligations performed will be accounted for as non-current assets during the construction period, except for the portion that are expected to be settled in the following year of operation period which will be reclassified as current contract assets.

When the Group receives a payment during the concession period, it will apportion such payment between (i) a repayment of the financial asset (if any), which will be used to reduce the carrying amount of financial receivables on the consolidated balance sheet, (ii) interest income, will be recognized as revenue in profit or loss and (iii) revenue from infrastructure operation service in the profit or loss. Revenue from operating service is calculated based on cost plus a profit margin.

2 Summary of significant accounting policies (Continued)

2.10 Service concession arrangements (Continued)

(b) Service concession arrangements under intangible asset model

An intangible asset (operating concession) is recognised to the extent that the Group receives a right to charge users of public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses and service. The intangible asset (operating concession) is accounted for in accordance with the policy set out for "intangible assets" in note 2.9 above, which is amortised on a straight-line basis over the Service Concession Period.

(c) Construction services

The fair value of the construction service under the concession arrangement is calculated as the estimated total construction cost plus a profit margin. The profit margins are valued by management of the Group, based on prevailing market rate applicable to similar construction services rendered in similar location at date of agreement.

2.11 Impairment of non-financial assets

Goodwill that has an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.12 Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the consolidated income statement or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (the "FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 Summary of significant accounting policies (Continued)

2.12 Investments and other financial assets (Continued)

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement and presented in other gains, net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated income statement and recognised in other gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains, net and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the consolidated income statement and presented net within other gains, net in the period in which it arises.

2 Summary of significant accounting policies (Continued)

2.12 Investments and other financial assets (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains, net in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

2.14 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- The amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

2 Summary of significant accounting policies (Continued)

2.14 Financial guarantee contracts (Continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.15 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

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

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.16 Inventories

Raw materials

Raw materials are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 12 months and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 16 for further information about the Group’s accounting for trade and other receivables and note 3.1(c) for a description of the Group’s impairment policies.

2 Summary of significant accounting policies (Continued)

2.18 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.19 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.20 Perpetual Capital Securities

Perpetual Capital Securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity, as described in note 23.

2.21 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.22 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2 Summary of significant accounting policies (Continued)

2.22 Borrowings (Continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

Borrowing costs include interest expense, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.23 Current and deferred income tax

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

(a) Current income tax

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

2 Summary of significant accounting policies (Continued)

2.23 Current and deferred income tax (Continued)

(b) Deferred income tax

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

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

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

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

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (Continued)

2.24 Employee benefits

(a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK$1,500. The assets of this MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for shares of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

2 Summary of significant accounting policies (Continued)

2.24 Employee benefits (Continued)

(c) Equity-settled share-based payment transactions (Continued)

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, if any, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

2.25 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Revenue is shown net of discount and after eliminating revenue made with the Group companies. The Group recognises revenue of each activities as described below.

(a) Sales of properties

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

- provides all of the benefits received and consumed simultaneously by the purchaser;
- creates and enhances an asset that the purchaser controls as the Group performs;
- 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.

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

(a) Sales of properties (Continued)

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

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

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(b) Property management services and value-added services

Revenue from property management services (including property management services under commission basis or lump sum basis) and value-added services (including pre-delivery services, household assistance services, property agency services and other services) is recognised when services are rendered.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group entitles to revenue at the value of property management services fee received or receivable by the properties and recognises all related property management costs as its cost of services. For property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner and is arranging and monitoring the services as provided by other suppliers to the property owners, the Group entitles revenue at a pre-determined percentage of the property management fee received or receivable by the properties.

(c) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary are recognised in the accounting period in which the services are rendered.

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

(d) Rental income

Rental income from investment properties under operating leases is recognised in the consolidated income statement on a straight-line basis over the term of lease.

(e) Interest income

Interest income from financial assets at FVPL is included in the fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in "other income".

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(f) Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in the consolidated income statement when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in other comprehensive income if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

(g) Environmental protection income

Revenue arising from environmental protection is recognised in the accounting period in which environmental protection services are rendered.

(h) Construction income

Revenue from construction contracts satisfies the performance obligation over time, for the performance of construction contracts creates or enhances an asset that the customer controls as the asset is created or enhanced. The Group recognizes revenue over time by reference to the progress towards complete satisfaction of that performance obligation. For the contracts being able to obtain direct measurement of the value or units delivered of work performed, the customers will provide a final statement when the whole project is completed and may have adjustments on accumulated confirmation according to the actual construction quantity until the day of completion. For other contracts measuring completion progress based on the Group's efforts or inputs to the satisfaction of the performance obligation, the Group calculated the cost allocation based on specific contracts. (note 2.10)

2 Summary of significant accounting policies (Continued)

2.26 Revenue recognition (Continued)

(i) Design service and project management service income

Revenue from design service and project management services is recognised progressively over time based on direct measurements of the value of services delivered or surveys of work performed.

(j) Financing components

Except for the significant financing component under the service concession arrangements and certain construction contracts, the Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.27 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

2 Summary of significant accounting policies (Continued)

2.27 Leases (Continued)

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases, which does not have recent third-party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The Group leases various land use rights, offices, transportation equipment and other equipment. Rental contracts are typically made for fixed periods of 3 months to 28 years. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise staff dormitory and small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised as income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2 Summary of significant accounting policies (Continued)

2.28 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.29 Insurance contracts

An insurance contract is a contract under which one party (the "insurer") accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder if a specified uncertain future event (the "insured event") adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the consolidated income statement.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers as insurance contracts.

2.30 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

2.31 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2 Summary of significant accounting policies (Continued)

2.31 Earnings per share (Continued)

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC. The Group finances its operations from shareholders' fund, sales of properties, issuance of senior notes, bank and other borrowings and perpetual capital securities. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

(a) Currency risk

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from sales of properties, financial assets at FVPL, senior notes, bank borrowings and syndicated loans are in other currencies. As at 31 December 2020, major non-RMB assets and liabilities are cash and cash equivalents, senior notes, bank borrowings and syndicated loans denominated in HK dollar ("HK$"), US dollar ("US$") and Macao Pataca ("MOP"). Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group has entered into several forward exchange contracts to limit its exposure to foreign exchange risk during the year ended 31 December 2020.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	Group	
	2020	2019
Monetary assets		
— HK$	2,094,550	3,202,132
— US$	1,537,627	4,059,171
	3,632,177	7,261,303
Monetary liabilities		
— HK$	18,837,369	21,999,374
— US$	25,003,606	19,220,080
— MOP	1,493,695	1,599,195
	45,334,670	42,818,649

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/(decrease) in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	Group	
	2020	2019
5% increase in RMB against HK$	838,857	940,720
5% decrease in RMB against HK$	(838,857)	(940,720)
5% increase in RMB against US$	1,177,040	761,140
5% decrease in RMB against US$	(1,177,040)	(761,140)
5% increase in RMB against MOP	74,685	79,960
5% decrease in RMB against MOP	(74,685)	(79,960)

(b) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its borrowings with variable rates expose the Group to cash flow interest-rate risk. Borrowings with fixed rate, mainly included senior notes, bonds and other borrowings, expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(b) Interest rate risk (Continued)

As at 31 December 2020 and 2019, if interest rates on borrowings had been 100 basis points higher or lower with all other variables held constant, interest charges for the years ended 31 December 2020 and 2019 would increase or decrease by RMB504,026,000 and RMB502,957,000 respectively, mainly as a result of higher or lower interest expense on floating rate borrowings.

(c) Credit risk

The Group is exposed to credit risk in relation to its contract asset, trade and other receivables and cash deposits with banks. The carrying amounts of contract assets, trade and other receivables, restricted cash, cash and cash equivalents, financial guarantees provided to related companies and guarantees on mortgage facilities represent the Group's maximum exposure to credit risk in relation to financial assets.

For contract assets and trade and other receivables, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counter parties.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(i) *A summary of the assumptions underpinning the Group's expected credit loss model is as follows:*

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(ii) *Contract assets and trade and other receivables (excluding prepayments and prepaid value added taxes)*

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contract assets and trade receivables. To measure the expected credit losses, contract assets and trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(ii) Contract assets and trade and other receivables (excluding prepayments and prepaid value added taxes) (Continued)

Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators of insolvencies include, amongst others, the failure of a debtor engage in a repayment plan with the Group, and a failure to make contractual payments. Trade receivables without known insolvencies are assessed on a collective basis based on shared credit risk characteristics.

Trade and other receivables and contract assets have been assessed for impairment on a collective basis based on different credit risk characteristics. The cost and loss allowance provision for trade receivables and contract assets are categorised as follows for assessment purpose:

Individual: Trade receivables with known insolvencies
Collective: Other trade receivables and contract assets

	2020		2019	
	Cost	Loss allowance	Cost	Loss allowance
Individual:				
— trade receivables with known insolvencies	152,754	(152,754)	–	–
Collective:				
— other trade receivables	11,655,692	(289,250)	7,802,037	(73,440)
— contract assets	3,206,231	(1,634)	1,380,727	(1,171)
	15,014,677	(443,638)	9,182,764	(74,611)

As at 31 December 2020, the Group has assessed that the expected loss rate for other receivables from related parties was immaterial considering the good finance position and credit history of the related parties. Thus no significant increase of loss allowance provision for other receivables from related parties was recognised.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(ii) Contract assets and trade and other receivables (excluding prepayments and prepaid value added taxes) (Continued)

The Group uses the expected credit loss model to determine the expected loss provision for other receivables (excluding prepayments and prepaid value added taxes). As at 31 December 2020, the Group has assessed that there is no significant increase of credit risk for other receivables. Thus the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

On that basis, as at 31 December 2020, the loss allowance provision for the trade receivables and contract assets under collective basis was determined as follow. The expected credit losses below also incorporated forward looking information.

	Current	Up to 3 months	3 months to 1 year	1 to 2 years	Over 2 years	Total
At 31 December 2020						
Expected loss rate	–	0.10%–5%	1%–7%	5%–26%	10%–70%	–
Gross carrying amount — trade receivables (under collective basis)	5,446,645	1,780,485	3,196,546	733,820	498,196	11,655,692
Gross carrying amount — contract assets	2,932,113	145,119	128,999	–	–	3,206,231
Loss allowance — trade receivables	–	34,430	76,984	92,950	84,886	289,250
Loss allowance — contract assets	–	87	1,547	–	–	1,634
At 31 December 2019						
Expected loss rate	–	0.10%–1%	1%–2%	5%–10%	10%–50%	–
Gross carrying amount — trade receivables	5,024,488	1,642,589	725,843	253,731	155,386	7,802,037
Gross carrying amount — contract assets	1,262,681	62,494	55,552	–	–	1,380,727
Loss allowance — trade receivables	–	7,721	13,563	18,183	33,973	73,440
Loss allowance — contract assets	–	62	1,109	–	–	1,171

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(ii) Contract assets and trade and other receivables (excluding prepayments and prepaid value added taxes) (Continued)

As at 31 December 2020 the loss allowance provision for trade and other receivables (excluding prepayments and prepaid value added taxes) reconciles to the opening loss allowance for that provision as follows:

	Contract assets and trade receivables	Other receivables (excluding prepayments and prepaid value added taxes)	Total
At 1 January 2020	74,611	218,579	293,190
Impact of acquisition of subsidiaries	28,821	11,520	40,341
Provision for loss allowance recognised in profit or loss	367,128	232,391	599,519
Unused amounts reversed	(26,922)	(5,918)	(32,840)
At 31 December 2020	443,638	456,572	900,210

As at 31 December 2020, the gross carrying amount of contract assets and trade and other receivables (excluding prepayments and prepaid value added taxes) was RMB33,539,469,000 and thus the maximum exposure to loss was RMB32,639,259,000. During the year ended 31 December 2020, the Group provided certain guarantees to certain third parties in respect of their loan facilities. As at 31 December 2020, save for the amounts disclosed in Note 41, there was no other outstanding guarantee.

(d) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities and short-term and long-term borrowings to meet its construction commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing etc. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities maturity profile and derivative financial instruments at the balance sheet date. The amounts disclosed thereon are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the balance sheets, as the impact of discount should not be significant.

Contractual maturities of financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2020					
Non-derivatives					
Borrowings	41,542,465	32,507,477	28,624,658	4,822,506	107,497,106
Trade and other payables (*)	60,663,616	3,181,454	1,102,998	–	64,948,068
Lease liabilities	255,683	233,284	186,236	35,765	710,968
Total non-derivatives	102,461,764	35,922,215	29,913,892	4,858,271	173,156,142
Derivatives					
Gross settled (forward foreign exchange contracts)					
— (inflow)	(246,883)	(119,473)	–	–	(366,356)
— outflow	1,231,764	145,475	–	–	1,377,239
	984,881	26,002	–	–	1,010,883
At 31 December 2019					
Non-derivatives					
Borrowings	46,897,886	31,348,066	24,681,720	4,800,165	107,727,837
Trade and other payables (*)	45,838,189	2,201,976	–	–	48,040,165
Lease liabilities	195,529	150,060	283,770	46,601	675,960
Total non-derivatives	92,931,604	33,700,102	24,965,490	4,846,766	156,443,962
Derivatives					
Gross settled (forward foreign exchange contracts)					
— (inflow)	(52,862)	(3,418)	–	–	(56,280)
— outflow	106,546	16,074	–	–	122,620
	53,684	12,656	–	–	66,340

* Excluding staff welfare benefit payable, other taxes payable and advance from disposal of equity interests.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(e) Price risk

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated balance sheet as financial assets at FVPL.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Sensitivity

The table below summarises the impact of increases/(decreases) of price of the stocks, which the Group purchased, on the Group's post-tax profit for the period. The analysis is based on that the stock price increased by 5% and 10% respectively or decreased by 5% and 10% with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

	Impact on post-tax profit	
	2020	2019
Price of each stock — increase by 5%	**8,274**	9,085
Price of each stock — decrease by 5%	**(8,274)**	(9,085)
Price of each stock — increase by 10%	**16,548**	18,170
Price of each stock — decrease by 10%	**(16,548)**	(18,170)

Post-tax profit for the year would increase/(decrease) as a result of gains/(losses) on equity securities classified as financial assets at FVPL.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.2 Capital risk management

The Group's objectives of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the unnecessary cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of any returns to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital structure on a basis of gearing ratio. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheet. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less total of cash and cash equivalents and restricted cash.

	2020	2019
Total borrowings (note 24)	97,812,766	96,669,702
Less: cash and cash equivalents (note 19)	(41,925,908)	(33,551,303)
restricted cash (note 18)	(8,938,792)	(9,003,578)
Net borrowings	46,948,066	54,114,821
Total equity	76,969,722	65,336,476
Gearing ratio	61.0%	82.8%

The decrease in the gearing ratio during the year ended 31 December 2020 was primarily resulted from the increase in cash and cash equivalents and total equity.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.3 Fair value estimation

(a) Fair value hierarchy

At 31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVPL				
— Hong Kong listed equity securities and debt instruments	165,476	–	–	165,476
— Unlisted equity securities	–	–	354,951	354,951
— Wealth management products	–	–	635,923	635,923
— Others	–	–	91,469	91,469
Financial assets at FVOCI				
— Hong Kong listed equity securities	462,017	–	–	462,017
— Unlisted equity securities	–	–	48,622	48,622
Total financial assets	627,493	–	1,130,965	1,758,458
Financial liabilities				
Financial liabilities at FVPL				
— Derivative financial instruments	–	1,010,883	–	1,010,883
— Put options	–	–	94,775	94,775
Total financial liabilities	–	1,010,883	94,775	1,105,658

At 31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVPL				
— Hong Kong listed equity securities and debt instruments	181,691	–	–	181,691
— Unlisted equity securities	–	–	326,084	326,084
— Wealth management products	–	–	430,083	430,083
— Others	–	–	70,173	70,173
Financial assets at FVOCI				
— Hong Kong listed equity securities	262,036	–	–	262,036
Total financial assets	443,727	–	826,340	1,270,067
Financial liabilities				
Financial liabilities at FVPL				
— Derivative financial instruments	–	66,340	–	66,340
— Put options	–	–	70,436	70,436
Total financial liabilities	–	66,340	70,436	136,776

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2020.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over — the — counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and wealth management products.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of foreign currency forwards is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 1 and 2 except for unlisted equity securities and wealth management products explained in (c) below.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the years ended 31 December 2020 and 2019:

	Financial assets	Financial liabilities
Balance as at 31 December 2019	826,340	(70,436)
Additions	20,816,753	–
Gains recognised in other gains, net	58,812	(8,214)
Gains recognised in other comprehensive income	1,241	–
Finance costs	–	(16,125)
Disposal	(700)	–
Addition through business combinations (note 40)	266,852	–
Addition through Acquisition of associates	2,390	–
Redemption of wealth management products	(20,840,723)	–
Balance as at 31 December 2020	1,130,965	(94,775)

	Financial assets	Financial liabilities
Balance as at 31 December 2018	479,721	–
Additions	35,215,944	(62,179)
Gains recognised in other gains, net	98,664	–
Finance costs	–	(8,257)
Disposal	(139,188)	–
Addition through business combinations	16,411	–
Redemption of wealth management products	(34,845,212)	–
Balance as at 31 December 2019	826,340	(70,436)

3 Financial risk management (Continued)

3.3 Fair value estimation (Continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (Continued)

Valuation processes

The finance department of the Group includes a team that performs the valuations of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation methodologies to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments included the unlisted equity securities and wealth management products and others (note 17). As the investments are not traded in an active market, their fair value have been determined by discounted cash flows. The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined using capital asset pricing models to calculate the pre-tax rates that reflect current market assessments of the time values of money and the risk specific to the assets.

- Earnings growth factor for unlisted equity securities and wealth management products: these are estimated based on market information for similar types of companies and products.

- Expected cash inflows: these are estimated based on the terms of the sale contracts, the entity's knowledge of the business and how the current economic environment is likely to impact them.

(d) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable and payable is either close to current market rates or the instruments are short-term in nature.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held for hotel segment are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amount, taking into account for costs to completion based on past experience and net sales value based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operation have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

As at 31 December 2020, a provision for completed properties held for sale of RMB697,314,000 (2019: RMB706,290,000), a provision for properties under development of RMB1,363,526,000 (2019: RMB1,561,682,000) and a provision for long-term asset held for hotel operation of RMB9,511,000 were made (31 December 2019: RMB154,376,000).

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(b) Fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and

(iv) estimated costs to completion and expected developer's profit margin, derived from the construction budget and historical information of similar properties.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer.

The fair value gains from completed investment properties and investment properties under construction are disclosed in Note 7.

(c) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in notes 2.9 and 2.11, where the recoverable amounts of the CGU is determined based on value-in-use calculations. These calculations require the use of estimates. Details of impairment assessment, key assumptions and impact of possible changes in key assumptions are disclosed in note 9.

As at 31 December 2020, a impairment for goodwill of RMB723,802,000 (note 9) were made (31 December 2019: nil).

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(d) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(e) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities for certain projects. Accordingly, judgement is required in determining the amount of land appreciation and its related taxes payable. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

(f) Recoverability of contract assets and trade and other receivables

The management assesses on a forward looking basis the expected credit losses associated with its contract assets and trade and other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The allowance are applied to these contract assets and receivables where the expectation is different from the original estimate, such difference will impact the carrying amount of contract assets and trade and other receivables and impairment charge in the periods in which such estimate has been changed.

As at 31 December 2020, the provision for impairment of contract asset and trade and other receivables is RMB900,210,000 (31 December 2019: RMB293,190,000).

(All amounts in RMB thousands unless otherwise stated)

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (Continued)

(g) Estimation of the amount payable under residual value guarantees

The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically, the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the Group does not expect to pay anything under the guarantees.

At the end of each reporting period, the expected residual values are reviewed to reflect actual residual values achieved on comparable assets and expectations about future prices.

5 Segment information

(a) Description of segments and principal activities

The executive directors of the Company, which are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategy decision.

The Group is organised into four business segments: property development, property management, commercial management and environmental protection. The associates and joint ventures of the Group are principally engaged in property development, property management and environmental protection and are included in the property development, property management and environmental protection segment respectively. As the executive directors of the Company consider most of the Group's consolidated revenue and results are attributable from the market in the PRC. Most of the non-current assets are located in the PRC, and less than 10% of the Group's consolidated assets are located outside the PRC, geographical segment information is not considered necessary.

The executive directors of the Company assess the performance of the operating segments based on a measure of segment results, being profit before income tax before deducting finance costs.

The Group has a large number of customers, none of whom contributed 5% or more of the Group's revenue.

Analysis of revenue from external customers by the category for the years ended 31 December 2020 and 2019 is as follows:

	2020	2019
Sales of developed properties	69,547,382	54,177,160
Property management services	7,852,687	3,577,311
Commercial management	555,980	974,372
Environmental protection services	2,289,203	1,510,254
	80,245,252	60,239,097

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (Continued)

Segment information provided to the executive directors of the Company for the reporting segments for the years ended 31 December 2020 and 2019 are as follows:

Year ended 31 December 2020

	Property development (note (c))	Property management (note (d))	Commercial management	Environmental protection	Group
Gross segment sales	69,547,382	10,026,147	555,980	2,289,203	82,418,712
Inter-segment sales	–	(2,173,460)	–	–	(2,173,460)
Sales to external customers	69,547,382	7,852,687	555,980	2,289,203	80,245,252
Timing of revenue recognition					
— At a point in time	63,478,904	123,478	–	647,718	64,250,100
— Over time	6,068,478	7,729,209	555,980	1,641,485	15,995,152
Fair value gains on investment properties (note 7)	–	–	196,906	–	196,906
Operating profit/(loss)	19,234,425	1,841,720	244,456	(394,093)	20,926,508
Share of post-tax profits of investments accounted for using the equity method (note 10)	1,520,383	62,261	–	2,986	1,585,630
Segment result	20,754,808	1,903,981	244,456	(391,107)	22,512,138
Finance costs, net (note 34)					(1,040,210)
Profit before income tax					21,471,928
Income tax expenses (note 35)					(9,223,051)
Profit for the year					12,248,877
Depreciation	390,370	66,257	270,343	213,101	940,071
Amortisation	161,134	115,088	763	95,572	372,557
Write-down of properties under development, completed properties held for sale and property, plant and equipment	423,124	–	9,511	32,727	465,362
Impairment of goodwill	–	–	–	723,802	723,802

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (Continued)

Year ended 31 December 2019

	Property development (note (c))	Property management (note (d))	Commercial management	Environmental protection	Group
Gross segment sales	54,177,160	5,127,293	974,372	1,510,254	61,789,079
Inter-segment sales	–	(1,549,982)	–	–	(1,549,982)
Sales to external customers	54,177,160	3,577,311	974,372	1,510,254	60,239,097
Timing of revenue recognition					
— At a point in time	50,808,866	11,179	–	33,406	50,853,451
— Over time	3,368,294	3,566,132	974,372	1,476,848	9,385,646
Fair value gains on investment properties (note 7)	–	–	117,070	–	117,070
Operating profit/(loss)	16,491,288	1,385,038	(171,357)	334,783	18,039,752
Share of post-tax profits of investments accounted for using the equity method (note 10)	1,053,637	22,635	–	9,974	1,086,246
Segment result	17,544,925	1,407,673	(171,357)	344,757	19,125,998
Finance costs, net (note 34)					(2,529,824)
Profit before income tax					16,596,174
Income tax expenses (note 35)					(7,362,928)
Profit for the year					9,233,246
Depreciation	336,392	37,899	306,130	90,340	770,761
Amortisation	12,294	48,433	880	33,998	95,605
Write-down of properties under development, completed properties held for sale and property, plant and equipment	325,505	–	154,376	–	479,881

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (Continued)

Segment assets and liabilities and capital expenditure as at 31 December 2020 are as follow:

	Property development (note (c))	Property management (note (d))	Commercial management	Environmental protection	Elimination	Group
Segment assets	259,712,640	13,651,068	18,813,021	17,586,114	(4,504,187)	305,258,656
Unallocated assets						8,506,402
Total assets						313,765,058
Segment assets include:						
Investments accounted for using the equity method (note 10)	16,863,326	1,102,792	–	213,037	–	18,179,155
Segment liabilities	100,480,715	4,710,237	4,066,954	11,778,715	(4,504,187)	116,532,434
Unallocated liabilities						120,262,902
Total liabilities						236,795,336
Capital expenditure	609,384	902,356	7,308	4,475,499	–	5,994,547

Segment assets and liabilities and capital expenditure as at 31 December 2019 are as follow:

	Property development (note (c))	Property management (note (d))	Commercial management	Environmental protection	Elimination	Group
Segment assets	224,299,039	8,618,143	19,971,275	17,433,296	(5,788,236)	264,533,517
Unallocated assets						8,698,308
Total assets						273,231,825
Segment assets include:						
Investments accounted for using the equity method (note 10)	13,907,604	583,634	–	219,951	–	14,711,189
Segment liabilities	75,791,172	2,479,562	4,076,883	13,787,002	(5,788,236)	90,346,383
Unallocated liabilities						117,548,966
Total liabilities						207,895,349
Capital expenditure	1,007,291	718,523	420,580	4,218,372	–	6,364,766

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (Continued)

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2020 as follows:

	Assets	Liabilities
Segment assets/liabilities	305,258,656	116,532,434
Unallocated:		
Deferred income taxes	1,392,281	4,087,131
Prepaid income taxes	5,355,663	–
Financial assets at FVPL	1,247,819	–
Financial asset at FVOCI	510,639	–
Financial liabilities at FVPL	–	1,105,658
Current income tax liabilities	–	17,257,347
Current borrowings	–	39,449,018
Non-current borrowings	–	58,363,748
Total	313,765,058	236,795,336

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2019 as follows:

	Assets	Liabilities
Segment assets/liabilities	264,533,517	90,346,383
Unallocated:		
Deferred income taxes	1,350,770	3,179,780
Prepaid income taxes	6,077,471	–
Financial assets at FVPL	1,008,031	–
Financial assets at FVOCI	262,036	–
Financial liabilities at FVPL	–	136,776
Current income tax liabilities	–	17,562,708
Current borrowings	–	42,297,082
Non-current borrowings	–	54,372,620
Total	273,231,825	207,895,349

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(b) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December 2020	As at 31 December 2019
Contract assets relating to properties sale contracts	**221,415**	583,676
Contract assets relating to construction contracts	**2,984,816**	797,051
Loss allowance	**(1,634)**	(1,171)
Total contract assets	**3,204,597**	1,379,556

Inter-segment transfers or transactions are entered into at terms and conditions agreed upon by respective parties.

Eliminations comprise inter-segment trade and non-trade balances.

Pricing policy for inter-segment transactions is determined by reference to market price.

Segment assets consist primarily of property, plant and equipment, right-of-use assets, intangible assets, properties under development, completed properties held for sale, investment properties, receivables, contract assets and cash balances. Unallocated assets comprise deferred income tax assets, prepaid income taxes, financial assets at FVOCI and financial assets at FVPL. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise taxation, borrowings and financial liabilities at FVPL.

Capital expenditure comprises additions to property, plant and equipment, right-of-use assets, investment properties and intangible assets.

(c) Property development segment mainly comprises the business units involved in development and sales of properties, provision of property construction services and provision of real estate construction management services.

(d) Property management segment mainly comprises the business units involved in property management business operated by A-Living Smart City Services Co., Ltd.

(e) Assets recognised from incremental costs to obtain a contract

During the year ended 31 December 2020, there was no significant incremental costs to obtain a contract (2019: nil).

(All amounts in RMB thousands unless otherwise stated)

6 Property, plant and equipment

	Buildings	Transportation equipment	Office equipment	Machinery	Construction in progress	Total
At 31 December 2018						
Cost	7,659,764	403,640	186,691	327,396	2,682,558	11,260,049
Accumulated depreciation	(2,079,440)	(158,340)	(119,196)	(149,546)	–	(2,506,522)
Net book amount	5,580,324	245,300	67,495	177,850	2,682,558	8,753,527
Year ended 31 December 2019						
Opening net book amount	5,580,324	245,300	67,495	177,850	2,682,558	8,753,527
Additions	96,096	28,731	71,997	108,534	1,607,965	1,913,323
Acquisition of subsidiaries	481,829	22,344	7,848	299,252	1,065,535	1,876,808
Transfer from completed construction projects	486,338	–	449	120,429	(607,216)	–
Transfer from investment properties (note 7)	420,000	–	–	–	–	420,000
Transfer to properties under development	(25,783)	–	–	–	–	(25,783)
Transfer to assets held for sale	–	–	–	–	(276,021)	(276,021)
Disposals	(23,856)	(205,091)	(2,765)	(3,806)	(893)	(236,411)
Depreciation	(463,126)	(21,304)	(31,276)	(53,405)	–	(569,111)
Impairment loss	(154,376)	–	–	–	–	(154,376)
Closing net book amount	6,397,446	69,980	113,748	648,854	4,471,928	11,701,956
At 31 December 2019						
Cost	9,114,760	234,779	259,237	868,112	4,471,928	14,948,816
Accumulated depreciation	(2,562,938)	(164,799)	(145,489)	(219,258)	–	(3,092,484)
Impairment loss	(154,376)	–	–	–	–	(154,376)
Net book amount	6,397,446	69,980	113,748	648,854	4,471,928	11,701,956
Year ended 31 December 2020						
Opening net book amount	6,397,446	69,980	113,748	648,854	4,471,928	11,701,956
Additions	84,794	58,293	8,653	125,178	2,477,340	2,754,258
Revaluation surplus	7,534	–	–	–	–	7,534
Acquisition of subsidiaries (note 40)	49,386	47,276	9,540	14,449	30,702	151,353
Transfer from completed construction projects	1,491,521	–	–	480,071	(1,971,592)	–
Transfer from investment properties (note 7)	25,000	–	–	–	–	25,000
Transfer to investment properties (note 7)	(1,546,331)	–	–	–	(295,414)	(1,841,745)
Disposals	(64,318)	(8,368)	(2,880)	(14,557)	–	(90,123)
Depreciation	(479,339)	(46,778)	(35,738)	(96,024)	–	(657,879)
Reversal of impairment loss	72,731	–	–	–	–	72,731
Impairment loss	(9,511)	–	–	–	(32,727)	(42,238)
Closing net book amount	6,028,913	120,403	93,323	1,157,971	4,680,237	12,080,847
At 31 December 2020						
Cost	7,784,861	316,479	256,218	1,457,406	4,712,964	14,527,928
Accumulated depreciation	(1,755,948)	(196,076)	(162,895)	(299,435)	–	(2,414,354)
Impairment loss	–	–	–	–	(32,727)	(32,727)
Net book amount	6,028,913	120,403	93,323	1,157,971	4,680,237	12,080,847

(All amounts in RMB thousands unless otherwise stated)

6 Property, plant and equipment (Continued)

Depreciation expenses were charged to the following categories in the consolidated income statement:

	2020	2019
Cost of sales	368,582	343,614
Selling and marketing costs	41,952	38,901
Administrative expenses	247,345	186,596
	657,879	569,111

Notes:

(a) As at 31 December 2020, buildings of RMB3,758,386,000 (31 December 2019: RMB2,347,883,000) were pledged as collateral for the Group's borrowings (note 24).

(b) During the year ended 31 December 2020, the Group has capitalised borrowing costs amounting to RMB247,800,000 (2019: RMB128,196,000) on property, plant and equipment.

(c) During the year ended 31 December 2020, several hotel buildings of RMB1,841,745,000 and relevant land use rights of RMB88,255,000 were transferred to investment property on the inception of operating lease. After reversing the previous impairment loss of certain hotel buildings of RMB72,731,000, a revaluation surplus of RMB7,534,000 on the date transferred has arisen, among which the corresponding revaluation surplus net of tax of RMB5,651,000 were recorded in other comprehensive income and deferred tax liabilities of RMB1,883,000 were recorded in the consolidated balance sheet respectively.

(d) Buildings mainly represent the office buildings and hotel buildings. Constructions in progress mainly represent construction costs and other costs incurred for the construction of environmental factories and equipment.

(All amounts in RMB thousands unless otherwise stated)

7 Investment properties

	2020	2019
Opening net book amount	8,495,950	8,804,220
Capitalised subsequent expenditure	–	52,430
Transfer from completed properties held for sale (note (h))	284,593	–
Transfer from property, plant and equipment (note 6(c))	1,841,745	–
Transfer from land use rights	88,255	–
Transfer to property, plant and equipment (note (i))	(25,000)	(420,000)
Revaluation gains recognised in the consolidated income statement (note 29)	196,906	117,070
Disposals	(33,000)	(57,770)
Closing net book amount	10,849,449	8,495,950
Investment properties:		
— Completed investment properties	9,542,549	7,205,050
— Investment properties under construction	1,306,900	1,290,900
	10,849,449	8,495,950

Notes:

(a) The investment properties are located in the PRC and are held on lease of between 40 to 70 years.

(b) Amounts recognised in the consolidated income statement for investment properties:

	2020	2019
Rental income	209,924	172,630
Direct operating expenses of investment properties that generated rental income	(100,041)	(91,954)
Direct operating expenses of investment properties that did not generate rental income	(19,801)	(17,690)
	90,082	62,986

As at 31 December 2020, the Group had no unprovided contractual obligations for future repairs and maintenance (31 December 2019: nil).

(c) Fair value hierarchy

As at 31 December 2020 and 2019, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year (2019: nil).

7 Investment properties (Continued)

Notes: (Continued)

(d) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2020 by independent professionally qualified valuers, including Vigers Appraisal & Consulting Limited, Colliers International Limited and Worldunion Appraisal Co. Ltd, who hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuers for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and the valuers at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuers.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the executive directors and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Valuation techniques

Fair values of completed commercial properties and commercial properties under development are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers, view of recent lettings, within the subject properties and other comparable properties.

Fair values of car parks are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

(All amounts in RMB thousands unless otherwise stated)

7 Investment properties (Continued)

Notes: (Continued)

(e) Valuation techniques

	Description	Location	Fair value as at 31 December 2020	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office, hotel and retail shop	PRC	9,293,349	Income capitalisation	Term yields	4%
					Reversionary yields	4%–7%
					Market rents (RMB/square meter/month)	21–998
	Car park	PRC	249,200	Direct comparison method	Market price (RMB/square meter)	3,327–8,407
Investment properties under construction	Retail shop	PRC	1,306,900	Income capitalisation	Budgeted construction costs to be incurred (RMB/square meter)	1,211
					Market rents (RMB/square meter/month)	41–201
					Reversionary yields	5%
					Discount rate	6%

	Description	Location	Fair value as at 31 December 2019	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office and retail shop	PRC	6,955,850	Income capitalisation	Term yields	4%
					Reversionary yields	4%–7%
					Market rents (RMB/square meter/month)	30–998
	Car park	PRC	249,200	Direct comparison method	Market price (RMB/square meter)	3,327–8,407
Investment properties under construction	Retail shop	PRC	1,290,900	Income capitalisation	Budgeted construction costs to be incurred (RMB/square meter)	1,211
					Market rents (RMB/square meter/month)	41–199
					Reversionary yields	5%
					Discount rate	6%

7 Investment properties (Continued)

Notes: (Continued)

(e) Valuation techniques (Continued)

There are inter-relationships between unobservable inputs.

For office, hotel and retail shop, increase in term yields and reversionary yields may result in decrease of fair value. Increase in market rent may result in increase of fair value.

For car park, increase in market price may result in increase in fair value.

For investment properties under construction, increase in budgeted construction costs to be incurred may result in decrease in fair value. Increase in reversionary yields and discount rate may result in decrease of fair value. Increase in market rent may result in increase of fair value.

There are no changes to the valuation technique during the year ended 31 December 2020.

(f) Investment properties pledged as security

As at 31 December 2020, investment properties of RMB5,436,175,000 (31 December 2019: RMB5,388,000,000) and certain rights of receiving rental income were pledged as collateral for the Group's bank borrowings (note 24).

(g) Leasing arrangements

Certain investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are disclosed in note 43.

The period of leases whereby the Group leases out its investment properties under operating leases ranged from 1 year to 19 years.

(h) During the year ended 31 December 2020, certain retail shops were transferred from the completed properties held for sale to investment properties (2019: nil).

(i) During the year ended 31 December 2020 and 2019, certain floor areas of office buildings were transferred from investment properties to property, plant and equipment as the Group started to occupy such areas as office.

(All amounts in RMB thousands unless otherwise stated)

8 Lease

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet

	31 December 2020	31 December 2019
Right-of-use assets		
Land use rights (note (i))	2,640,079	2,411,264
Property, plant and equipment	736,225	665,945
	3,376,304	3,077,209
Lease liabilities		
Current	244,011	182,411
Non-current	392,927	390,326
	636,938	572,737

Notes:

(i) The Group has land lease arrangement with mainland China government. Such land use rights are held for self use.

(ii) Additions to the right-of-use assets during the year end 31 December 2020 were RMB697,607,000 (2019: RMB1,107,398,000).

(iii) As at 31 December 2020, land use rights of RMB3,602,128,000 (31 December 2019: RMB1,299,379,000) were pledged as collateral for the Group's borrowings (note 24).

(All amounts in RMB thousands unless otherwise stated)

8 Lease (Continued)

(b) Amount recognised in the consolidated income statement.

The consolidated income statement shows the following amounts relating to leases.

	2020	2019
Depreciation charge of right-of-use assets		
Land use rights	67,745	66,580
Buildings and equipment	214,298	135,057
Others	149	13
	282,192	201,650
Interest expense (included in finance cost) (note 34)	39,426	37,006
Expense relating to short-term leases and leases of low-value assets (included in cost of goods sold and administrative expenses) (note 32)	156,442	48,020

The total cash outflow for leases during the year ended 31 December 2020 was RMB431,335,000 (2019: RMB333,497,000).

(c) The Group's leasing activities and how these are accounted for

The Group leases various land use rights, offices, transportation equipment and other equipment. Rental contracts are typically made for fixed periods of 3 months to 70 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes except for those with land use right certification.

(All amounts in RMB thousands unless otherwise stated)

9 Intangible assets

	Other intangible assets						
	Computer software	Trademarks and licences	Operating concessions	Customer relationship	Subtotal	Goodwill (note b)	Total
At 31 December 2018							
Cost	153,417	70,081	–	143,860	367,358	1,841,613	2,208,971
Accumulated amortisation	(80,821)	(6,093)	–	(21,454)	(108,368)	–	(108,368)
Net book amount	72,596	63,988	–	122,406	258,990	1,841,613	2,100,603
Year ended 31 December 2019							
Opening net book amount	72,596	63,988	–	122,406	258,990	1,841,613	2,100,603
Additions	14,586	–	360,230	–	374,816	–	374,816
Acquisition of subsidiaries (note(c))	8,663	59,825	625,266	346,237	1,039,991	2,055,442	3,095,433
Amortisation charge (note(a))	(15,794)	(15,834)	(13,465)	(50,512)	(95,605)	–	(95,605)
Closing net book amount	80,051	107,979	972,031	418,131	1,578,192	3,897,055	5,475,247
At 31 December 2019							
Cost	176,666	129,906	985,496	490,097	1,782,165	3,897,055	5,679,220
Accumulated amortisation	(96,615)	(21,927)	(13,465)	(71,966)	(203,973)	–	(203,973)
Net book amount	80,051	107,979	972,031	418,131	1,578,192	3,897,055	5,475,247
Year ended 31 December 2020							
Opening net book amount	**80,051**	**107,979**	**972,031**	**418,131**	**1,578,192**	**3,897,055**	**5,475,247**
Additions	**19,418**	**–**	**432,167**	**47,589**	**499,174**	**–**	**499,174**
Acquisition of subsidiaries (note(c), note 40)	**20,926**	**–**	**1,169,410**	**701,819**	**1,892,155**	**1,109,714**	**3,007,165**
Amortisation charge (note(a))	**(22,011)**	**(18,793)**	**(184,606)**	**(147,147)**	**(372,557)**	**–**	**(372,557)**
Disposal	**(220)**	**–**	**–**	**(20,394)**	**(20,614)**	**(18,353)**	**(38,967)**
Impairment charge (note(d))	**–**	**–**	**–**	**–**	**–**	**(723,802)**	**(723,802)**
Closing net book amount	**98,164**	**89,186**	**2,389,002**	**999,998**	**3,576,350**	**4,264,614**	**7,846,260**
At 31 December 2020							
Cost	**217,075**	**129,906**	**2,587,073**	**1,246,061**	**4,180,115**	**4,988,416**	**9,173,827**
Accumulated amortisation	**(118,911)**	**(40,720)**	**(198,071)**	**(246,063)**	**(603,765)**	**–**	**(603,765)**
Impairment loss	**–**	**–**	**–**	**–**	**–**	**(723,802)**	**(723,802)**
Net book amount	**98,164**	**89,186**	**2,389,002**	**999,998**	**3,576,350**	**4,264,614**	**7,846,260**

(All amounts in RMB thousands unless otherwise stated)

9 Intangible assets (Continued)

Notes:

(a) Amortisation expenses were charged to the following categories in the consolidated income statement:

	2020	2019
Cost of sales	342,511	75,457
Selling and marketing costs	989	628
Administrative expenses	29,057	19,520
	372,557	95,605

(b) The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill as at 31 December 2020 was comprised of the followings:

	2020	2019
Goodwill arising from acquisition of property management companies	2,181,967	1,370,927
Goodwill arising from acquisition of environmental protection companies	1,846,756	2,366,306
Goodwill arising from acquisition of construction companies	235,891	159,822
	4,264,614	3,897,055

(c) Intangible assets through acquisition of subsidiaries

An independent valuation was performed by independent valuers to determine the amount of the trademarks and licences, customer relationship and operating concessions. Methods and key assumptions in determining the fair value of trademarks, customer relationship and operating concessions as at acquisition date are disclosed as follows:

	Valuation technique	Discount rate	Expected life of the intangible assets as at 31 December 2020
Trademarks and licences	Discounted cash flow	16.6–19.8%	5–20 years
Customer relationship	Discounted cash flow	16.0–19.8%	5–10 years
Operating concessions	Discounted cash flow	11.0–12.0%	3–28 years

(All amounts in RMB thousands unless otherwise stated)

9 Intangible assets (Continued)

Notes: (Continued)

(d) Impairment test for goodwill

The Group performed an impairment assessment on the goodwill as at 31 December 2020. The recoverable amount of the property management, environmental protection and construction businesses operated by the acquired subsidiaries have been assessed by independent valuers or the management and determined based on value-in-use calculations. The calculations used cash flow projections based on financial budgets covering a five-year period approved by management.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as at 31 December 2020 and 2019:

	Property management companies	Environmental protection companies	Construction companies
As at 31 December 2020			
Compound annual growth rate of revenue during the projection period	2%–41%	0%–33%	5%–22%
EBITDA margin during the projection period	8%–21%	21%–82%	9%–21%
Long term growth rate	3%	0%	3%
Pre-tax discount rate	19%–22%	11%–13%	18%–21%
As at 31 December 2019			
Compound annual growth rate of revenue during the projection period	3%–41%	3%–77%	3%–17%
EBITDA margin during the projection period	9%–20%	9%–87%	8%–21%
Long term growth rate	3%	3%	3%
Pre-tax discount rate	20%–23%	18%	17%–25%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Compound annual growth rate of revenue	Based on past performance and management's expectations of market development. For Greenland Property Services, year-on-year increment in projected revenue is mainly attributable to the estimated incremental gross floor area committed by Greenland Holdings according to the investment cooperation framework agreement.
EBITDA margin	Based on past performance and management's expectations for the future.
Long term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period.
Pre-tax discount rate	Reflect specific risks relating to the relevant cash-generating units

(All amounts in RMB thousands unless otherwise stated)

9 Intangible assets (Continued)

Notes: (Continued)

(d) Impairment test for goodwill (Continued)

(i) Property management companies

As at 31 December 2020, goodwill of RMB2,181,967,000 (31 December 2019:RMB1,370,928,000) has been allocated to each cash-generating units of the CGUs acquired for impairment testing. Goodwill of RMB918,967,000 and RMB757,271,000 (31 December 2019: RMB918,967,000 and nil) was allocated to the property management business operated by Greenland Property Services and CMIG PM, respectively.

Management has undertaken sensitivity analysis on the impairment test of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment test and the changes taken in isolation in the VIU calculations for Greenland and CMIG PM that would remove the remaining headroom respectively as at 31 December 2020:

	Possible changes to the key assumptions	
	CMIG PM	Greenland Property Services
Compound annual growth rate of revenue	-3.57%	-5.28%
EBITDA margin	-1.07%	-1.86%
Average trade receivables turnover days	21 days	34 days
Long term growth rate	-3.11%	-3.20%
Pre-tax discount rate	2.50%	2.33%

Management considered there is no reasonably possible change in key parameters would cause the carrying amount of each CGU to exceed its recoverable amount.

By reference to the recoverable amount assessed by the independent valuer or the management as at 31 December 2020, the directors of the Company determined that no impairment provision on goodwill arising from acquisition of property management companies was required as at 31 December 2020 (31 December 2019: nil).

(ii) Environmental protection companies

As at 31 December 2020, the recoverable amount of RMB2,901,620,000 of certain acquired companies calculated based on VIU calculation was below their carrying value and amount of RMB723,802,000 was made to impairment of goodwill.

For remaining goodwill arising from acquisition of environmental protection companies, the individual amount is not significant and accordingly, the sensitivity analysis for the unimpaired goodwill is not presented.

By reference to the recoverable amount assessed by the independent valuer or the management as at 31 December 2020, the directors of the Company determined that an impairment provision of RMB723,802,000 on goodwill arising from acquisition of environmental protection companies, was required as at 31 December 2020 (31 December 2019: nil).

(iii) Construction companies

By reference to the recoverable amount assessed by the independent valuer or the management as at 31 December 2020, the directors of the Company determined that no impairment provision on goodwill arising from acquisition of construction companies was required as at 31 December 2020 (31 December 2019: nil).

(All amounts in RMB thousands unless otherwise stated)

10 Investments accounted for using equity method

The directors of the Group consider that none of the associates and the joint ventures as at 31 December 2020 and 31 December 2019 was significant to the Group and thus the individual financial information of the associates and the joint ventures was not disclosed. The summarised financial information of individually immaterial associates and joint ventures on an aggregate basis is as follows:

The movement of the interests in the associates and the joint ventures during the year is as follows:

	2020	2019
Balance as at 1 January	14,711,189	10,088,353
Additions	2,804,936	2,103,494
Addition through business combination (note 40)	498,373	9,915
Transfer from subsidiaries (note (a) and note 38)	2,018,250	2,706,776
Transfer to subsidiaries (note (b) and note 40)	(2,931,576)	(1,834,305)
Remeasurement gains on the investment in joint ventures (note (b) and note 29)	819,891	579,449
Share of post-tax profits	1,585,630	1,086,246
Disposal (note (c))	(1,082,339)	–
Dividends received	(245,199)	(28,739)
Balance as at 31 December	18,179,155	14,711,189

Notes:

(a) During the year ended 31 December 2020, the Group disposed of certain equity interests in several subsidiaries to independent third parties at the considerations of RMB1,945,152,000 in aggregate. Upon the completion of the disposal, the subsidiaries became the joint ventures and associates of the Group, recognised according to the fair value of the remaining equity investments held by the Group with the disposal gains recognised in amount of RMB2,425,511,000 (2019: RMB2,988,981,000) (note 29 and note 38).

(b) During the year ended 31 December 2020, the Group acquired additional equity interests in certain joint ventures from the other independent shareholders of the joint ventures at the considerations of RMB1,697,793,000 in aggregate. Upon the completion of the acquisitions, the joint ventures became the subsidiaries of the Group with remeasurement gains on the investments in joint ventures recognised in an amount of RMB819,891,000 (2019: RMB579,449,000) and transferred to subsidiaries in amount of RMB2,931,576,000 (note 29 and 40).

(c) During the year ended 31 December 2020, the Group disposed of certain joint ventures and associates to independent third parties at the consideration of RMB1,135,283,000 in aggregate. Upon the completion of the disposals, the Group recognised the disposal gain in amount of RMB226,314,000 (2019: nil) (note 29).

(All amounts in RMB thousands unless otherwise stated)

10 Investments accounted for using equity method (Continued)

As at 31 December 2020, the Group's shares of losses of certain investment companies exceeds its interests in the underlying entities, and the unrecognised share of losses of the associates amounted to RMB186,555,000 (31 December 2019: RMB169,828,000).

The contingent liabilities relating to the Group's investments accounted for using equity method are disclosed in note 41. There is no material commitment relating to the Group's investments accounted for using equity method.

11 Prepayments for acquisition of land use rights

Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the consolidated balance sheet when the Group obtains contractual usage rights of the relevant lands.

12 Properties under development

	2020	2019
Properties under development expected to be completed:		
— Within one operating cycle included under current assets	82,148,512	79,622,115
— Beyond one operating cycle included under non-current assets	30,973,623	31,742,993
	113,122,135	111,365,108
Properties under development comprise:		
— Construction costs and capitalised expenditures	23,613,382	22,578,415
— Capitalised interests	6,848,291	6,488,257
— Land use rights	82,660,462	82,298,436
	113,122,135	111,365,108

Most of the Group's properties under development are located in the PRC. The relevant land use rights in the PRC are on leases of 40 to 70 years.

The capitalisation rate of borrowings is 6.71% for the year ended 31 December 2020 (2019: 7.54%).

As at 31 December 2020, a provision of RMB1,363,526,000 was made to write down the properties under development (31 December 2019: RMB1,561,682,000).

As at 31 December 2020, land use rights included in the properties under development with net book value of RMB34,368,271,000 (31 December 2019: RMB41,031,375,000) were pledged as collateral for the Group's borrowings (note 24).

The amounts of RMB45,423,065,000 as at 31 December 2020 under normal operating cycle classified as current assets were expected to be completed and delivered beyond one year (31 December 2019: RMB47,157,971,000).

(All amounts in RMB thousands unless otherwise stated)

13 Completed properties held for sale

All completed properties held for sale are located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2020, a provision of RMB697,314,000 was made to write down the completed properties held for sale (31 December 2019: RMB706,290,000).

As at 31 December 2020, completed properties held for sale of approximately RMB194,511,000 (31 December 2019: RMB116,563,000) were pledged as collateral for the Group's borrowings (note 24).

14 Financial instruments by category

Assets as per consolidated balance sheet

Financial assets	2020	2019
Financial assets at amortised cost		
— Trade and other receivables excluding prepaid value added taxes and other taxes and prepayments	52,772,859	36,665,090
— Restricted cash	8,938,792	9,003,578
— Cash and cash equivalents	41,925,908	33,551,303
Financial assets at FVPL	1,247,819	1,008,031
Financial assets at FVOCI	510,639	262,036
	105,396,017	80,490,038

Liabilities as per consolidated balance sheet

Financial liabilities	2020	2019
Financial liabilities at amortised cost		
— Borrowings	97,812,766	96,669,702
— Trade and other payables (excluding staff welfare benefit payable, other taxes payable and advances from disposal of equity interests)	64,948,068	48,040,165
— Lease liabilities	636,938	572,737
Financial liabilities at FVPL	1,105,658	136,776
	164,503,430	145,419,380

(All amounts in RMB thousands unless otherwise stated)

15 Financial assets at fair value through other comprehensive income

Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in financial assets at FVOCI. These are strategic investments and the Group considers this classification to be more relevant.

(a) Equity investments at fair value through other comprehensive income

Equity investments at FVOCI comprise the following individual investments:

Non-current assets	2020	2019
Hong Kong listed equity securities	462,017	262,036
Unlisted equity securities	48,622	–
	510,639	262,036

(b) Amounts recognised in other comprehensive income

	2020	2019
Gains recognised in other comprehensive income		
— Related to equity investments	132,304	26,177

	2020	2019
As at beginning of the year	262,036	–
Additions	88,418	235,859
Acquisition of subsidiaries (Note 40)	28,581	–
Gains recognised in other comprehensive income	132,304	26,177
Disposal	(700)	–
As at end of the year	510,639	262,036

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

(All amounts in RMB thousands unless otherwise stated)

16 Trade and other receivables

	2020	2019
Trade receivables (note(a))		
— Third parties	10,252,982	7,211,910
— Joint ventures (note 44(c))	1,518,844	548,298
— Associates (note 44(c))	36,620	41,829
Gross trade receivables	11,808,446	7,802,037
Less: allowance for impairment of trade receivables (note 3.1(c))	(442,004)	(73,440)
Total trade receivables	11,366,442	7,728,597
Other receivables due from:		
— Third parties	17,897,815	12,173,705
— Joint ventures (note 44(c))	14,666,332	9,793,586
— Associates (note 44(c))	619,764	1,284,290
— Other related parties (note 44(c))	493,892	193,728
— Non-controlling interests	1,957,925	1,633,207
Loan and interest receivables due from related parties (note 44(c))	5,390,261	3,232,359
Prepaid value added taxes and other taxes	3,668,692	2,843,320
Deposits for acquisition of land use rights	837,000	844,197
Prepayments	1,088,577	1,033,784
Gross other receivables	46,620,258	33,032,176
Less: allowance for impairment of other receivables (note 3.1(c))	(456,572)	(218,579)
Total other receivables	46,163,686	32,813,597
Less: other receivables — non-current portion	(7,508,793)	(5,182,026)
Other receivables — current portion	38,654,893	27,631,571
Trade and other receivables-current portion	50,021,335	35,360,168

As at 31 December 2020, the fair value of remaining trade and other receivables approximated their carrying amounts.

(All amounts in RMB thousands unless otherwise stated)

16 Trade and other receivables (Continued)

Notes:

(a) Trade receivables mainly arose from sales of properties, provision of property management services, provision of construction services and provision of environmental protection services. Trade receivables are settled in accordance with the terms stipulated respective in the property sale and purchase agreements or service agreements. As at 31 December 2020 and 2019, the ageing analysis of the trade receivables based on invoice date is as follows:

	2020	2019
Within 90 days	7,227,242	4,803,143
Over 90 days and within 365 days	3,225,970	2,283,793
Over 365 days	1,355,234	715,101
	11,808,446	7,802,037

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2020, a provision of RMB442,004,000 was made against the gross amounts of trade receivables (31 December 2019: RMB73,440,000) (note 3.1(c)).

As at 31 December 2020, trade receivables of approximately RMB1,835,110,000 (31 December 2019: RMB1,275,993,000) were pledged as collateral for Group's borrowings (note 24(c, d)).

(b) The carrying amounts of trade and other receivables are mainly denominated in RMB.

17 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include the following:

	2020	2019
Wealth management products	635,923	430,083
Hong Kong listed equity securities and debt instruments	165,476	181,691
Unlisted equity securities	354,951	326,084
Others	91,469	70,173
	1,247,819	1,008,031

Notes:

(a) Amounts recognised in profit or loss

Decreases in fair values of financial assets at FVPL amounting to RMB4,981,000 are recorded as "other gains, net" (note 29) in the consolidated income statements.

(b) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in note 3.1(e). For information about the methods and assumptions used in determining fair value, please refer to note 3.3.

(All amounts in RMB thousands unless otherwise stated)

18 Restricted cash

As at 31 December 2020 and 2019, the Group's restricted cash were mainly denominated in RMB. The conversion of the PRC Group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

As at 31 December 2020 and 2019, restricted cash is mainly comprised of guarantee deposits for mortgage loans, guarantee deposits for construction of pre-sold properties, deposits for accident compensation and collateral for borrowings.

19 Cash and cash equivalents

	2020	2019
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	36,802,094	30,055,563
Short-term bank deposits	5,123,814	3,495,740
	41,925,908	33,551,303
Denominated in RMB (note (a))	40,199,996	26,066,124
Denominated in other currencies	1,725,912	7,485,179
	41,925,908	33,551,303

Note:

(a) The conversion of the PRC Group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

20 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised					
As at 31 December 2020 and 2019	10,000,000,000	1,000,000			
Issued and fully paid share capital					
As at 31 December 2020 and 2019	3,917,047,500	391,705	400,253	3,021,630	3,421,883

21 Share Award Scheme

On 10 December 2013, the Board of Directors of the Company adopted a Share Award Scheme, under which shares may be awarded to employees of the Company in accordance with the terms and conditions of the Share Award Scheme.

Pursuant to the rules of the Share Award Scheme, the Group has set up a trust ("Employee Share Trust"), for the purposes of administering the Share Award Scheme and holding Awarded Shares before they vest. On 10 February 2014, the Company allotted and issued 34,470,000 new shares to the trustee to hold on trust. On 3 January 2014, 32,750,000 of which has been granted to the 116 selected employees, subject to, among others, the performance conditions of both the Group and the awardees can be fulfilled and the awardees remain employed by the Group.

The award of first 30% and second 30% Awarded Shares lapsed effective from 26 August 2015 and 23 August 2016 respectively. Following the confirmation that relevant vesting conditions have not been satisfied on 20 June 2017, the Board resolved in its meeting held on 28 August 2017 that the award of the remaining 40% Awarded Shares lapsed effective from 28 August 2017. The lapsed shares hold in Share Award Scheme will not be cancelled. As at 31 December 2020, the shares under the Share Award Scheme held by the Employee Share Trustee amounted to RMB156,588,000 (31 December 2019: RMB156,588,000), which was presented within equity in the consolidated balance sheet. For the year ended 31 December 2020, no expenses in relation to the Share Award Scheme were recognised in the consolidated income statement as the performance condition were not fulfilled and no awarded shares were vested (2019: nil).

(All amounts in RMB thousands unless otherwise stated)

22 Other reserves

	Merger reserve (note (a))	Statutory reserve and enterprise expansion fund (note (b))	Translation reserve	Others	Total
Balance as at 1 January 2020	**442,395**	**3,904,496**	**(3,174)**	**(1,412,450)**	**2,931,267**
Transfer from retained earnings	–	485,174	–	–	485,174
Currency translation difference	–	–	8,534	–	8,534
Revaluation gain on property, plant and equipment, net of tax	–	–	–	5,651	5,651
Changes in the fair value of equity investments at FVOCI, net of tax	–	–	–	109,997	109,997
Acquisition of additional interests in subsidiaries	–	–	–	(208,480)	(208,480)
Other transaction with non-controlling interests	–	–	–	84,370	84,370
Balance as at 31 December 2020	**442,395**	**4,389,670**	**5,360**	**(1,420,912)**	**3,416,513**
Balance as at 1 January 2019	442,395	3,150,510	(2,057)	(985,866)	2,604,982
Transfer from retained earnings	–	753,986	–	–	753,986
Currency translation difference	–	–	(1,117)	–	(1,117)
Redemption of Perpetual Capital Securities	–	–	–	(427,512)	(427,512)
Changes in the fair value of equity investments at FVOCI, net of tax	–	–	–	21,857	21,857
Acquisition of additional interests in subsidiaries	–	–	–	41,250	41,250
Put options granted during the acquisition of subsidiaries	–	–	–	(62,179)	(62,179)
Balance as at 31 December 2019	442,395	3,904,496	(3,174)	(1,412,450)	2,931,267

Notes:

(a) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the shares of the Company issued in exchange pursuant to the Group reorganisation undertaken for listing of Company on Hong Kong Stock Exchange.

(b) Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

The appropriation to the enterprise expansion fund is solely determined by the board of directors of the PRC subsidiaries.

(All amounts in RMB thousands unless otherwise stated)

23 Perpetual Capital Securities

Movement of the Perpetual Capital Securities are as follows:

	Principal	Distribution	Total
Balance as at 1 January 2019	8,057,046	277,829	8,334,875
Issuance of Perpetual Capital Securities	9,677,373	–	9,677,373
Profit attributable to holders of Perpetual Capital Securities	–	850,225	850,225
Distribution made to holders of Perpetual Capital Securities	–	(990,199)	(990,199)
Redemption of Perpetual Capital Securities	(4,305,407)	–	(4,305,407)
Balance as at 31 December 2019	13,429,012	137,855	13,566,867
Balance as at 1 January 2020	**13,429,012**	**137,855**	**13,566,867**
Profit attributable to holders of Perpetual Capital Securities	–	**1,083,780**	**1,083,780**
Distribution made to holders of Perpetual Capital Securities	–	**(1,013,154)**	**(1,013,154)**
Balance as at 31 December 2020	**13,429,012**	**208,481**	**13,637,493**

On 27 March 2018, the Company issued senior perpetual capital securities (the "2018 Perpetual Capital Securities I") with the aggregate principal amount of US$500,000,000. Net proceeds after deducting the issuance cost amounted to US$491,539,000 (equivalent to approximately RMB3,107,957,000).

On 21 June 2018, the Company issued senior perpetual capital securities (the "2018 Perpetual Capital Securities II") with the principal amount of US$100,000,000. Net proceeds after deducting the issuance cost amounted to US$98,005,000 (equivalent to approximately RMB627,151,000).

On 4 June 2019, the Company issued senior perpetual capital securities (the "2019 Perpetual Capital Securities I") with the principal amount of US$700,000,000. Net proceeds after deducting the issuance cost amounted to US$693,792,000 (equivalent to approximately RMB4,779,956,000).

On 31 October 2019, the Company issued senior perpetual capital securities (the "2019 Perpetual Capital Securities II") with the principal amount of US$500,000,000. Net proceeds after deducting the issuance cost amounted to US$496,558,000 (equivalent to approximately RMB3,497,619,000).

On 25 November 2019, the Company issued senior perpetual capital securities (the "2019 Perpetual Capital Securities III") with the principal amount of US$200,000,000. Net proceeds after deducting the issuance cost amounted to US$198,730,000 (equivalent to approximately RMB1,399,798,000).

The Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of Perpetual Capital Securities at the distribution rate as defined in the subscription agreement.

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings

	2020	2019
Borrowings included in non-current liabilities:		
Senior notes (note(a))		
— Senior notes issued in 2015 (“2015 Senior notes”)	–	3,468,738
— Senior notes issued in 2017 (“2017 Senior notes”) (note (a)(i))	1,296,740	1,381,795
— Senior notes issued in 2018 (“2018 Senior notes”) (note (a)(ii))	3,907,389	6,937,180
— Senior notes issued in 2019 (“2019 Senior notes”) (note (a)(iii))	3,249,826	3,464,656
— Senior notes issued in 2020 (“2020 Senior notes”) (note (a)(iv))	6,376,999	–
PRC corporate bonds (note (b))	7,593,944	8,567,219
Commercial mortgage backed securities (note (c))	4,094,763	4,084,182
Asset-backed securities (note (d))	1,154,394	904,408
Long-term syndicated loans		
— secured (note (e))	14,882,424	15,302,192
— unsecured (note (f))	1,155,245	1,513,829
Long-term bank borrowings		
— secured (note (e))	27,043,308	22,550,460
— unsecured (note (f))	8,927,955	9,123,273
Other borrowings		
— secured (note (e))	8,153,706	8,598,962
— unsecured (note (f))	1,720,885	1,189,710
Less: current portion of non-current borrowings	(30,313,830)	(32,713,984)
	59,243,748	54,372,620
Borrowings included in current liabilities:		
Short-term bank borrowings		
— secured (note (e))	591,905	2,495,166
— unsecured (note (f))	2,248,359	1,854,931
Short-term other borrowings		
— secured (note (e))	3,129,000	4,983,001
— unsecured (note (f))	2,285,924	250,000
Current portion of non-current borrowings	30,313,830	32,713,984
	38,569,018	42,297,082
Total borrowings	97,812,766	96,669,702

24 Borrowings (Continued)

Notes:

(a) Senior Notes

The senior notes are jointly guaranteed by certain subsidiaries of the Group and are secured by pledges of the shares of these subsidiaries. The net assets of these subsidiaries are approximately RMB2,956,918,000 as at 31 December 2020 (31 December 2019: RMB4,393,620,000).

(i) 2017 Senior Notes

On 14 August 2017, the Company issued 5.125% senior notes with an aggregated nominal value of US$200,000,000 (equivalent to approximately RMB1,332,020,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$196,125,000 (equivalent to approximately RMB1,306,210,000). The 2017 Senior Notes will mature on 14 August 2022. The Company, at its option, can redeem all or a portion of the 2017 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(ii) 2018 Senior Notes

On 18 July 2018, the Company issued 8.5% senior notes with an aggregated nominal value of US$600,000,000 (equivalent to approximately RMB4,040,064,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$593,557,000 (equivalent to approximately RMB3,997,108,000). The 2018 Senior Notes will mature on 18 July 2021. The Company, at its option, can redeem all or a portion of the 2018 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(iii) 2019 Senior Notes

On 7 March 2019, the Company issued 6.7% senior notes with an aggregated nominal value of US$500,000,000 (equivalent to approximately RMB3,355,500,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$495,429,000 (equivalent to approximately RMB3,324,823,000). The 2019 Senior Notes will mature on 7 March 2022. The Company, at its option, can redeem all or a portion of 2019 Senior Notes at any time prior to the maturity date at the redemption prices plus accured accrued and unpaid interest up to the redemption date.

(iv) 2020 Senior notes

On 3 July 2020, the Company issued 5.750% senior notes with an aggregated nominal value of US$500,000,000 (equivalent to approximately RMB3,531,900,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$497,109,000 (equivalent to approximately RMB3,511,482,000). The notes will mature in July 2025.

On 13 October 2020, the Company issued 6.050% senior notes with an aggregated nominal value of US$483,000,000 (equivalent to approximately RMB3,232,868,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$480,039,000 (equivalent to approximately RMB3,212,904,000). The notes will mature in October 2025.

The Company, at its option, can redeem all or a portion of the 2020 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(b) PRC Corporate Bonds

On 11 January 2016, a PRC subsidiary (the "Issuer") of the Company issued 4.7% corporate bonds with an aggregate amount of RMB1,600,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,584,080,000. On 14 January 2019, the Issuer redeemed the bond in an aggregate principal amount of RMB12,228,000 as the investors exercised the right to sell back. The bonds has been resold to the new investors, and the bonds will mature on 11 January 2021 at the coupon rate of 6.95%.

On 29 July 2016, the Company issued 4.98% corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,970,000,000. The bonds will mature on 29 July 2020. The Company shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds. On 30 July 2018, the Company completed the repurchase and cancellation of 20,300,000 the non-public Domestic Corporate Bonds in an aggregate principal amount of RMB2,030,000,000. On 29 July 2020, the Issuer redeemed the outstanding corporate bond in full at a redemption price equal to 100% of the principal amount of the corporate bonds and the accrued and unpaid interest as of the Redemption Date.

24 Borrowings (Continued)

Notes: (Continued)

(b) PRC Corporate Bonds (Continued)

On 11 October 2016, the Company issued 4.6% corporate bonds with an aggregate amount of RMB1,800,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,787,250,000. On 11 October 2019, the Issuer redeemed the bond in an aggregate principal amount of RMB570,000,000 as the investors exercised the right to sell back. On 12 October 2020, the Issuer redeemed the bond in an aggregate principal amount of RMB608,000,000 as the investors exercised the right to sell back. The bonds has been resold to the new investors, and the bonds will mature on 11 October 2021 at the coupon rate of 5.30%.

On 11 October 2016, the Company issued 5.7% corporate bonds with an aggregate amount of RMB1,200,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,192,500,000. The bonds will mature on 11 October 2023. The Company shall be entitled to adjust the coupon rate at the end of the fifth year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On 12 July 2017, the Company issued 6.98% corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,976,735,000. On 12 July 2019, the Company redeemed the bond in an aggregate principal amount of RMB351,000,000 as the investors exercised the right to sell back. The bonds has been resold to the new investors, and the bonds will mature on 12 July 2020 at the coupon rate of 6.60%. On 13 July 2020 ("the Redemption Date"), the Company redeemed the outstanding corporate bond in full at a redemption price equal to 100% of the principal amount of the corporate bonds and the accrued and unpaid interest as of the Redemption Date.

On 13 July 2020, the Issuer of the Company issued 6.20% non-public corporate bonds with an aggregate amount of RMB1,500,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,495,500,000. The bonds will mature on 13 July 2022.

On 19 October 2020, the Issuer of the Company issued 6.20% non-public corporate bonds with an aggregate amount of RMB1,500,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,498,440,000. The bonds will mature on 19 October 2022.

(c) Commercial Mortgage Backed Securities

A PRC subsidiary of the Company engaged in commercial property operation entered into Commercial Mortgage Backed Securities ("CMBS") arrangement with an assets management company by pledging of the receivables for certain properties under its operation as well as the building, the land use right and the investment property. On 10 April 2018, the CMBS was formally established with an aggregate nominal value of RMB4,600,000,000, with an 18-year maturity, amongst which RMB500,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the CMBS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB4,066,700,000. The Issuer redeemed the CMBS in an aggregate principal amount of RMB1,200,000,000 on 21 January 2021 as the investors exercised the right to sell back. The CMBS has been resold to the new investors, and the CMBS will be mature on 10 April 2024.

(d) Asset-backed securities

A PRC subsidiary of the Company engaged in property development entered into Panyu asset-backed securities (the "Panyu ABS") arrangement with an assets management company by pledging of the receivables for certain properties under its management. On 31 October 2020, the Panyu ABS was formally established with an aggregate nominal value of RMB1,000,000,000, with a 2-year maturity amongst which RMB50,000,000 was purchased by the PRC subsidiary as original holder. The investors shall be entitled to sell back in whole or in part the ABS at the end of the second year. The net proceeds from the Panyu ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB948,245,000.

One of the newly acquired PRC subsidiaries of the Company entered into an asset-backed securities (the "Acquired ABS") arrangement with an assets management company by pledging of the receivables for certain property management contracts in respect of certain properties under the PRC subsidiary's management, and supported by a guarantee provided by the original shareholder before being acquired by the Group. The Acquired ABS will mature in July 2021. As at 31 December 2020, there was Acquired ABS in an aggregate principal amount of RMB206,000,000 outstanding.

(e) As at 31 December 2020, the Group's borrowings were secured by certain of its cash, land use rights, self-used properties, trade receivables, completed properties held for sale, properties under development, investment properties and the shares of certain subsidiaries and equity interests of a joint venture.

(f) As at 31 December 2020, the Group's unsecured borrowings of RMB14,075,291,000 were jointly guaranteed by certain subsidiaries of the Group.

24 Borrowings (Continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	2020	2019
6 months or less	**27,468,076**	37,252,232
6–12 months	**24,121,806**	18,219,867
1–5 years	**46,222,884**	41,197,603
	97,812,766	96,669,702

The carrying amounts of the borrowings with the respective effective interest rates:

	2020		2019	
	RMB'000	**Effective interest rate**	RMB'000	Effective interest rate
Senior notes	**14,830,954**	**8.05%**	15,252,369	8.55%
Borrowings excluding Senior notes	**82,981,812**	**6.31%**	81,417,333	6.85%
	97,812,766		96,669,702	

The carrying amounts and fair value of the non-current borrowings are as follows:

	2020		2019	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Senior notes (note (i))	**14,830,954**	**15,286,699**	15,252,369	15,872,250
PRC public corporate bonds (note (ii))	**1,599,997**	**1,600,901**	1,599,885	1,628,160
PRC non-public corporate bonds (note (iii))	**2,995,109**	**2,995,109**	–	–
Bank borrowings, syndicated loans and other borrowings (note (iii))	**39,817,688**	**39,817,688**	37,520,366	37,520,366
	59,243,748	**59,700,397**	54,372,620	55,020,776

Notes:

(i) The fair value of senior notes is determined directly by references to the price quotations published by the Singapore Exchange Limited and The Stock Exchange of Hong Kong Limited on 31 December 2020, the last dealing date of 2020 and is within level 1 of the fair value hierarchy.

(ii) The fair value of RMB1,600,901,000 PRC public corporate bond is determined directly by references to the price quotations published by the China Securities Index Co., Ltd on 31 December 2020, the last dealing date of 2020 and is within level 1 of the fair value hierarchy.

(iii) The fair values of PRC non-public corporate bonds, non-current bank borrowings, syndicated loans, other borrowings approximate their carrying amount as the impact of discounting is not significant. The fair values are based on cash flows discounted at the average borrowing rate of 6.31% (2019: 6.85%), and are within level 2 of the fair value hierarchy.

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings (Continued)

At 31 December 2020, the Group's borrowings were repayable as follows:

	2020	2019
Within 1 year	38,569,018	42,297,082
Between 1 and 2 years	29,228,594	29,572,885
Between 2 and 5 years	26,237,042	21,117,672
Over 5 years	3,778,112	3,682,063
	97,812,766	96,669,702

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2020	2019
RMB	57,737,426	55,092,913
HK dollar	18,534,946	21,017,348
US dollar	19,574,067	18,523,302
MYR	472,632	436,944
MOP	1,493,695	1,599,195
	97,812,766	96,669,702

The Group has the following undrawn borrowing facilities:

	2020	2019
Floating rate:		
— Expiring beyond one year	4,141,000	6,404,000

(All amounts in RMB thousands unless otherwise stated)

25 Trade and other payables

	2020	2019
Trade payables (note (a))	**24,819,387**	21,276,425
Other payables due to:		
— Third parties (note (b) and note (e))	**20,327,349**	13,935,941
— Related parties (note 44(c))	**12,914,816**	8,193,454
— Non-controlling interests (note (e))	**5,445,480**	3,200,722
Staff welfare benefit payable	**1,588,807**	1,073,575
Accruals	**1,441,036**	1,433,623
Advances from disposal of equity interests (note (c))	**7,050,760**	2,681,106
Other taxes payable (note (d))	**5,926,507**	4,324,850
Total trade and other payables	**79,514,142**	56,119,696
Less: other payables — non-current portion	**(4,284,452)**	(2,201,976)
Trade and other payable — current portion	**75,229,690**	53,917,720

Notes:

(a) The ageing analysis of the trade payables of the Group based on invoice date as at 31 December 2020 and 2019 is as follows:

	2020	2019
Within 90 days	**15,796,936**	13,440,152
Over 90 days and within 180 days	**7,400,392**	6,265,677
Over 180 days and within 365 days	**982,715**	966,394
Over 365 days	**639,344**	604,202
	24,819,387	21,276,425

(b) The other payables to third parties mainly include: (i) the deposits received from third parties for potential equity cooperation in certain property development projects; and (ii) quality guarantee and bidding deposit from constructors. The deposits are unsecured and repayable according to terms and conditions mutually agreed with the counter parties.

(c) Amounts of RMB7,050,760,000 represented advances from disposal of certain equity interests according to respective agreements with an independent third party (note 48).

(d) Amount included RMB3,874,957,000 represented value added tax payable of advanced proceeds received from customers (2019: RMB3,437,000,000).

(e) Amounts included current cash advances of approximately RMB884,200,000 with interest bearing among 7% to 7.5% per annum and the non-current cash advances of approximately RMB1,108,174,000 with interest bearing among 5.9% to 10.1% per annum.

(All amounts in RMB thousands unless otherwise stated)

26 Financial liabilities at fair value through profit or loss

As at 31 December 2020, the Group had the following financial liabilities at fair value through profit or loss:

	2020	2019
Non-current portion:		
— Derivative financial instruments	26,002	12,656
— Put options	75,233	70,436
	101,235	83,092
Current portion:		
— Put options	19,542	–
— Derivative financial instruments	984,881	53,684
	1,004,423	53,684

The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2020 were US$2,400,000,000, approximating to RMB15,659,760,000 in total (31 December 2019: US$4,490,000,000, approximating to RMB31,323,138,000).

During the year ended 31 December 2020, decrease in fair value of derivative financial instruments of RMB1,648,655,000 have been recorded in "finance cost, net" in the consolidated income statement (note 34).

27 Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	2020	2019
Contract liabilities		
— Related parties (note 44(c))	314,942	44,094
— Third parties	36,066,412	33,609,856
	36,381,354	33,653,950

(i) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties and provision of property management services.

(All amounts in RMB thousands unless otherwise stated)

27 Contract liabilities (Continued)

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to brought-forward contract liabilities.

	2020	2019
Revenue recognised that was included at the beginning of the year		
Sales of properties	32,259,274	25,094,077
Property management and value-added services	470,300	395,481
	32,729,574	25,489,558

(iii) Unsatisfied performance obligations

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities as of 31 December 2020 and 2019.

28 Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2020	2019
Deferred income tax assets to be recovered after more than 12 months	1,321,456	1,113,509
Deferred income tax assets to be recovered within 12 months	289,463	421,542
Set-off of deferred tax liabilities pursuant to set-off provisions	(218,638)	(184,281)
	1,392,281	1,350,770
Deferred income tax liabilities to be settled after more than 12 months	(4,262,574)	(3,339,348)
Deferred income tax liabilities to be settled within 12 months	(43,195)	(24,713)
Set-off of deferred tax liabilities pursuant to set-off provisions	218,638	184,281
	(4,087,131)	(3,179,780)
Deferred income tax liabilities, net	(2,694,850)	(1,829,010)

(All amounts in RMB thousands unless otherwise stated)

28 Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets – tax losses	Deferred tax assets – write-down of completed properties held for sale and properties under development	Temporary differences arising from trade and other receivables and contract assets	Deferred tax assets – unrealised profit on intra-group transactions	Deferred tax liabilities – excess of carrying amount of investment properties and property, plant and equipment over the tax bases	Deferred tax liabilities – excess of carrying amounts of intangible assets over the tax bases	Deferred tax liabilities – excess of fair value of financial assets over the tax bases	Deferred tax liabilities – excess of carrying amounts of land use right over the tax bases	Net
At 1 January 2019	658,068	485,618	28,006	366,688	(1,639,329)	(50,357)	(65,635)	(233,162)	(450,103)
Acquisition of subsidiaries	13,251	–	–	–	–	(136,158)	–	(1,021,894)	(1,144,801)
Credited to/(Charged) the consolidated income statement	129,211	(238,039)	37,394	54,854	(41,928)	26,922	11,852	(210,053)	(229,787)
Charged to other comprehensive income	–	–	–	–	–	–	(4,319)	–	(4,319)
At 31 December 2019	800,530	247,579	65,400	421,542	(1,681,257)	(159,593)	(58,102)	(1,465,109)	(1,829,010)
Acquisition of subsidiaries	75,398	–	10,253	–	–	(243,781)	–	(524,992)	(683,122)
Disposal of subsidiaries	–	–	–	–	–	3,061	–	–	3,061
(Charged)/Credited to the consolidated income statement	(41,288)	21,914	141,670	(132,079)	(50,433)	33,323	3,048	(138,115)	(161,960)
Charged to other comprehensive income	–	–	–	–	(1,884)	–	(21,935)	–	(23,819)
At 31 December 2020	834,640	269,493	217,323	289,463	(1,733,574)	(366,990)	(76,989)	(2,128,216)	(2,694,850)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of RMB1,229,179,000 (2019: RMB900,278,000) in respect of tax losses amounting to RMB4,916,716,000 (2019: RMB3,601,112,000) that can be carried forward against future taxable income. Tax losses of approximately RMB525,860,000, RMB331,496,000, RMB744,416,000, RMB1,861,484,000 and RMB1,453,460,000 will expire in 2021, 2022, 2023, 2024 and 2025 respectively.

Deferred income tax liabilities of RMB2,340,384,000 (2019: RMB2,056,483,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings amounted to RMB46,807,680,000 (2019: RMB41,129,660,000) of certain subsidiaries. Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to the oversea intermediate holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

(All amounts in RMB thousands unless otherwise stated)

29 Other gains, net

	2020	2019
Gains from disposal of subsidiaries (note 38)	2,425,511	2,988,981
Remeasurement gains resulting from joint ventures and an associate transferred to subsidiaries (note 10)	819,891	579,449
Fair value (losses)/gains on financial assets at FVPL (note 17)	(4,981)	999,715
Fair value losses on put options written on non-controlling interests	(8,214)	–
Gains on disposal of financial assets at FVPL	61,640	–
Gains from disposal of joint ventures and associates	226,314	–
Fair value gains on investment properties (note 7)	196,906	117,070
Exchange (losses)/gains, net (note (a))	(56,174)	85,975
Gains on disposal of property, plant and equipment and investment properties	45,396	6,682
Miscellaneous	34,137	24,292
	3,740,426	4,802,164

Note:

(a) Amount mainly represents the gains or losses of translation of financial assets and liabilities, which are denominated in foreign currency into RMB at the prevailing period-end exchange rate. It does not include the exchange gain or loss related to borrowings which are included in the "finance costs, net" (note 34).

30 Other income

	2020	2019
Interest income (note (a))	855,231	654,422
Interest income from related parties (note 44 (b))	442,261	354,619
Government grants	264,321	137,660
Dividend income from financial assets at FVPL	4,177	66,904
Penalty income	70,545	37,413
Miscellaneous	33,319	31,519
	1,669,854	1,282,537

Note:

(a) Interest income was mainly derived from bank deposit.

(All amounts in RMB thousands unless otherwise stated)

31 Other expenses

	2020	2019
Charitable donations	164,639	116,350
Compensation expenses	191,271	78,869
Miscellaneous	44,134	33,081
	400,044	228,300

32 Expenses by nature

	2020	2019
Cost of properties sold — including construction cost, land cost and capitalised interests	46,397,944	36,776,212
Employee benefit expenses — including directors' emoluments (note 33)	7,679,434	4,953,010
— Property development	2,988,672	2,408,632
— Property management	4,064,100	2,046,866
— Commercial management	187,961	270,392
— Environmental protection	438,701	227,120
Cost of inventories consumed by environmental protection and property management services	1,479,733	867,557
Depreciation (note 6 & note 8)	940,071	770,761
Amortisation (note 9)	372,557	95,605
Write-down of completed properties held for sale and properties under development	423,124	325,505
Impairment of goodwill (note 9 & note(a))	723,802	–
Impairment of property, plant and equipment (note 6 & note(a))	42,238	154,376
Auditors' remunerations	27,798	18,254
— Audit services	19,955	11,825
— Non-audit services	7,843	6,429
Advertising costs	853,301	800,004
Commission fee	1,094,424	513,681
Cleaning expenses	825,090	412,207
Other taxes	309,118	294,981
Other levies on sales of properties	355,786	241,728
Utilities	226,173	200,287
Maintenance costs	370,357	176,816
Operating lease payments (note 8)	156,442	48,020
Consulting Fee	480,670	323,183
Others	1,004,239	933,985
Total cost of sales, selling and marketing costs and administrative expenses	63,762,301	47,906,172

Note:

(a) The impairment losses of goodwill and property, plant and equipment are included in administrative expenses in the consolidated income statement.

(All amounts in RMB thousands unless otherwise stated)

33 Employee benefit expense

	2020	2019
Wages and salaries	6,245,448	3,772,851
Bonuses	642,065	514,402
Pension costs — statutory pension (note (a))	271,519	279,722
Staff welfare	175,206	129,381
Medical benefits	77,512	80,769
Other allowances and benefits	267,684	175,885
	7,679,434	4,953,010

Notes:

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2019: two) directors whose emoluments are reflected in the analysis shown in note 49. The emoluments payable to the remaining three (2019: three) individuals during the year are as follows:

	2020	2019
Salary	10,471	9,610
Bonus	6,626	9,495
Contribution to pension scheme	457	178
	17,554	19,283

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands (in HK dollar)		
HK$6,000,001 — HK$ 6,500,000	1	1
HK$6,500,001 — HK$ 7,000,000	1	–
HK$7,500,001 — HK$ 8,000,000	1	1
HK$8,000,001 — HK$ 8,500,000	–	1

(c) During the years ended 31 December 2020 and 2019, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices.

(d) No other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking during the year ended 31 December 2020 (2019: Nil).

(All amounts in RMB thousands unless otherwise stated)

34 Finance costs, net

	2020	2019
Interest expense:		
— Bank borrowings, syndicated loans and other borrowings	5,339,273	4,965,759
— Senior notes	1,203,299	1,244,227
— PRC Corporate Bonds, ABS and CMBS	793,759	868,948
— Lease liabilities	39,426	37,006
Less: interest and exchange losses capitalised	(5,299,929)	(5,240,078)
Exchange (gains)/losses from borrowings	(2,684,273)	854,174
Changes in fair value of derivative financial instruments (note 26)	1,648,655	(200,212)
	1,040,210	2,529,824

35 Income tax expenses

	2020	2019
Current income tax:		
— PRC corporate income tax	4,606,185	3,219,748
— PRC land appreciation tax	4,139,808	3,875,741
— PRC withholding income tax	315,098	37,652
Deferred income tax (note 28)		
— PRC corporate income tax	161,960	244,663
— Hong Kong profits tax	–	(14,876)
	9,223,051	7,362,928

(All amounts in RMB thousands unless otherwise stated)

35 Income tax expenses (Continued)

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home countries or regions of the Group entities as follows:

	2020	2019
Profit before income tax	**21,471,928**	16,596,174
Tax calculated at tax rates applicable to profits in the respective entities of the Group	**5,202,236**	3,658,662
Tax effects of:		
— Tax effect of super deduction items	**(22,783)**	(6,747)
— Share of profits of investment accounted for using the equity method reported net of tax	**(396,408)**	(271,561)
— Income not subject to income tax (note(a))	**(18,060)**	(24,945)
— Expenses not deductible for income tax (note(b))	**674,747**	597,690
— PRC land appreciation tax deductible for calculation of income tax purposes	**(1,034,952)**	(968,935)
— Tax losses for which no deferred income tax asset was recognised	**363,365**	465,371
PRC corporate income tax	**4,768,145**	3,449,535
PRC withholding income tax	**315,098**	37,652
PRC land appreciation tax	**4,139,808**	3,875,741
	9,223,051	7,362,928

Notes:

(a) Income not subject to income tax for the years ended 31 December 2020 and 2019 mainly comprise the interest income of bank deposits.

(b) Expenses not deductible for income tax for the year ended 31 December 2020 mainly comprise administrative expense of domestic companies over deduction limits, impairment of goodwill, donations made to non-official public welfare institutions, the loss of securities transactions, exchange losses and expenses of the Group entities in Hong Kong and Malaysia (2019: same).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land use rights and expenditures directly related to property development activities.

35 Income tax expenses (Continued)

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the PRC (the "CIT Law") effective on 1 January 2008.

Certain subsidiaries of the Group obtained the Certificate of High-New Technical Enterprise. According to the CIT Law of the PRC, corporations which obtain the Certificate of High-New Technical Enterprise are entitled to enjoy additional tax deduction for research and development costs and a preferential corporate income tax rate of 15%. The tax rate applicable to these companies during the year ended 31 December 2020 was 15% (year ended 31 December 2019: 15%).

A subsidiary of the Group has enjoyed a preferential policy in Zhuhai Hengqin (Free Trade Area) with an enterprise income tax rate of 15% during the year ended 31 December 2020. Certain subsidiaries of the Group in the PRC are located in western cities, and they are subject to a preferential income tax rate of 15% in certain years.

Certain subsidiaries of the Group in the PRC provide environmental protection services and these companies enjoy the policy of "Three exemption and three half corporate income tax". Certain subsidiaries of the Group in the PRC are located in Hainan Free Trade Port and subject to a preferential income tax rate of 15% in certain years (year ended 31 December 2019:25%).

PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower of 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

During the year ended 31 December 2020, certain immediate holding companies of the PRC subsidiaries of the Group became qualified as Hong Kong resident enterprises and fulfil the requirements under the tax treaty arrangements between the PRC and Hong Kong. Therefore 5% withholding tax rate has been applied.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Group entities in the British Virgin Islands were incorporated either under the BVI Business Companies Act or were automatically re-registered under the same act on 1 January 2007 and, accordingly, are exempted from British Virgin Islands income tax.

35 Income tax expenses (Continued)

Hong Kong profits tax

Except for provision for the fair value gains of financial assets at FVPL, no other provision for Hong Kong profits tax has been made in the consolidated financial statements. The remaining profit of the group entities in Hong Kong is mainly derived from dividend income and interest income of bank deposits, which are not subject to Hong Kong profits tax.

36 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

	2020	2019
Profit attributable to shareholders of the Company	**9,474,597**	7,511,794
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	**3,882,578**	3,882,578
Basic earnings per share (RMB per share)	**2.440**	1.935

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended 31 December 2020 and 2019, there was no diluted potential ordinary share, diluted earnings per share equally to basic earnings per share.

(All amounts in RMB thousands unless otherwise stated)

37 Dividends

	2020	2019
Interim dividend paid of HK$0.50 (2019: HK$0.60) per ordinary share (note (a))	1,731,773	2,124,946
Less: Dividend for shares held for Share Award Scheme	(15,240)	(18,700)
	1,716,533	2,106,246
Proposed final dividend of HK$0.60 (2019: HK$0.40) per ordinary share (note (b))	1,972,664	1,428,594
Less: Dividend for shares held for Share Award Scheme	(17,359)	(12,463)
	1,955,305	1,416,131

Notes:

(a) An interim dividend in respect of the six months ended 30 June 2020 of HK$0.50 per ordinary share, approximately HK$1,958,524,000 (equivalent to RMB1,731,773,000) was declared by the Board of Directors of the Company (2019: HK$2,350,229,000, equivalent to RMB2,124,946,000).

(b) A final dividend in respect of 2019 of HK$0.40 per ordinary share approximately HK$1,566,819,000 (equivalent to RMB1,428,594,000) was declared at the Annual General meeting of the Company on 11 May 2020, of which HK$13,788,000 (equivalent to RMB12,463,000) was declared for shares held by Share Award Scheme. The final dividend has been distributed out of the Company's retained earnings.

A final dividend in respect of 2020 of HK$0.60 per ordinary share approximately HK$2,350,229,000 (equivalent to RMB1,972,664,000) have been proposed by the Board of Directors of the Company and are subject to the approval of the shareholders at the Annual General Meeting to be held on 12 May 2021. The final dividend will be distributed out of the Company's retained earnings. These consolidated financial statements have not reflected these dividends payable.

(All amounts in RMB thousands unless otherwise stated)

38 Disposal of subsidiaries

During the year ended 31 December 2020, the Group disposed of certain equity interests in several wholly-owned subsidiaries (the "Disposed Projects") to independent third parties at considerations of RMB1,953,873,000 in total. The Group lost control over the Disposed Projects and according to the shareholders agreements, the Group is eligible to exercise joint control or significant influence over the Disposed Projects together with relevant buyers. The Group accounted for the Disposed Projects as joint ventures and associates, recorded disposal gains of RMB2,425,511,000 during the year ended 31 December 2020. Details of the disposal transactions are as follows:

	2020
Disposal considerations	
— Cash received	1,953,873
— Fair value of remaining equity interests in the Disposed Projects	2,018,250
	3,972,123
Less:	
— total net assets of the Disposal Projects	(1,546,612)
Gains from disposal of subsidiaries	2,425,511
Cash proceeds from disposal, net of cash disposed of	
Cash consideration received	1,953,873
Less:	
— cash and cash equivalents in the Disposal Projects	(286,734)
— advances from disposal of the subsidiaries received in prior years	(1,170,367)
Net cash inflow on disposals	496,772

(All amounts in RMB thousands unless otherwise stated)

39 Cash flow information

(a) Cash generated from operations

	2020	2019
Profit for the year	12,248,877	9,233,246
Adjustments for:		
Taxation (note 35)	9,223,051	7,362,928
Interest income (note 30)	(1,297,492)	(1,009,041)
Depreciation of property, plant and equipment (note 6)	657,879	569,111
Amortisation of intangible assets (note 9)	372,557	95,605
Depreciation of right-of-use assets (note 8)	282,192	201,650
Write-down of completed properties held for sale and properties under development (note 32)	423,124	325,505
Impairment of goodwill (note 9)	723,802	–
Write-down of property, plant and equipment (note 32)	42,238	154,376
Net impairment losses on financial and contract assets	566,679	149,574
Reversal of impairment loss	(72,731)	–
Gains on disposal of investment properties and property, plant and equipment (note 29)	(45,396)	(6,682)
Net exchange losses/(gains) (note 29)	56,174	(85,975)
Fair value gains on investment properties (note 29)	(196,906)	(117,070)
Share of post-tax profits of investments accounted for using the equity method (note 10)	(1,585,630)	(1,086,246)
Finance costs, net (note 34)	1,040,210	2,529,824
Gains from disposal of subsidiaries (note 29)	(2,425,511)	(2,988,981)
Remeasurement gains resulting from joint ventures transfer to a subsidiaries (note 29)	(819,891)	(579,449)
Fair value gains on financial assets and liabilities at FVPL	(48,445)	(999,715)
Gains from disposal of joint ventures and associates (note 29)	(226,314)	–
Revenue from operating concessions construction	(11,656)	(360,230)
Changes in working capital:		
Property under development and completed properties held for sales	(1,044,484)	(19,974,666)
Prepayments for acquisition of land use rights	2,323,300	(5,482,288)
Restricted cash	(465,182)	(388,475)
Trade and other receivables	(10,064,500)	(1,175,972)
Trade and other payables	8,012,962	6,823,879
Contract assets	(1,528,845)	(930,841)
Contract liabilities	2,086,590	8,747,116
Cash generated from operations	18,226,652	1,007,183

(All amounts in RMB thousands unless otherwise stated)

39 Cash flow information (Continued)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the year presented.

Net debt

	2020	2019
Cash and cash equivalents	41,925,908	33,551,303
Financial assets at FVPL	1,247,819	1,008,031
Borrowings — repayable within one year	(38,569,018)	(42,297,082)
Borrowings — repayable after one year	(59,243,748)	(54,372,620)
Lease liabilities	(636,938)	(572,737)
Net debt	(55,275,977)	(62,683,105)
Cash and cash equivalents	41,925,908	33,551,303
Financial assets at FVPL	1,247,819	1,008,031
Gross debt — fixed interest rates	(51,589,882)	(46,373,957)
Gross debt — variable interest rates	(46,222,884)	(50,295,745)
Lease liabilities	(636,938)	(572,737)
Net debt	(55,275,977)	(62,683,105)

The reconciliation of liabilities arising from financial activities is as follows:

	Borrowings	Other payables — related parties	Other payables — non-controlling interests	Lease liabilities	Dividends payable	Total
As at 1 January 2020	96,669,702	8,193,454	3,200,722	572,737	592	108,637,207
Cash flows						
— Inflow from financing activities	61,861,169	5,720,870	4,492,935	–	–	72,074,974
— Outflow from financing activities	(61,293,771)	(1,143,007)	(2,248,177)	(274,422)	(3,581,260)	(68,540,637)
Non-cash changes						
— Finance expense recognised	(2,295,150)	–	–	39,426	–	(2,255,724)
— Acquisition of subsidiaries	3,888,152	(198,685)	–	13,966	–	3,703,433
— Disposal of subsidiaries	(995,000)	342,184	–	–	–	(652,816)
— Addition of lease liabilities	–	–	–	285,231	–	285,231
— Accrued dividends	–	–	–	–	3,581,260	3,581,260
— Other non-cash movement	(22,336)	–	–	–	53,126	30,790
As at 31 December 2020	97,812,766	12,914,816	5,445,480	636,938	53,718	116,863,718

(All amounts in RMB thousands unless otherwise stated)

40 Business combination

During the year ended 31 December 2020, the Group completed several acquisitions of equity interests in certain companies, mainly included property development companies, property management companies and environmental protection companies, at consideration of RMB6,989,218,000 in aggregate. Goodwill of RMB1,109,714,000 and identifiable net assets of RMB5,879,504,000 were recognised. The directors of the Company consider that none of these subsidiaries acquired during the year was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed. Details of the purchase consideration, the net asset acquired and goodwill are as follow:

	Total
Consideration	
Cash paid	2,001,861
Liabilities assumed by the Group in exchange for control of the acquirees	1,580,715
Fair value of investments in joint ventures held before business combination (note 10)	2,931,576
Consideration payable	475,667
Contingent consideration	(601)
	6,989,218
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,475,122
Restricted cash	26,489
Contract assets	349,000
Financial assets at FVPL	237,670
Financial assets at FVOCI	28,581
Property, plant and equipment	151,353
Investments accounted for using the equity method	498,373
Properties under development	12,326,195
Contractual customer relationship	701,819
Other intangible assets	1,190,336
Right-of-use assets	34,719
Inventories	6,447
Trade and other receivables	6,768,146
Trade and other payables	(8,709,369)
Contract liabilities	(2,303,778)
Lease liabilities	(13,966)
Borrowings	(3,888,152)
Deferred income tax assets	85,651
Deferred income tax liabilities	(768,773)
Total identifiable net assets	8,195,863
Non-controlling interests	2,316,359
Identifiable net assets attributable to the Company	5,879,504
Goodwill (note 9)	1,109,714

(All amounts in RMB thousands unless otherwise stated)

40 Business combination (Continued)

	Total
Net cash outflow arising on acquisition during the year ended 31 December 2020:	
Cash and cash equivalents in the subsidiaries acquired	1,475,122
Less: total cash considerations	(2,477,528)
Add: cash considerations payable as at 31 December 2020	475,667
Add: cash considerations paid in prior year	468,000
Less: cash considerations paid of companies acquired in the previous years	(34,739)
Cash outflow in the year	(93,478)

The acquired businesses contributed revenues of RMB13,270,423,000 and net profits of RMB656,190,000 to the Group for the period from the respective acquisition dates to 31 December 2020.

If the acquisitions had occurred on 1 January 2020, the Group's consolidated pro-forma revenue and profit for the year ended 31 December 2020 would have been RMB80,854,866,000 and of RMB12,282,340,000, respectively.

No contingent liability has been recognised for the business combination.

41 Financial guarantee

	2020	2019
Guarantee in respect of mortgage facilities for certain purchasers (note (a))	51,377,753	38,294,381
Guarantee in respect of borrowings of associates (note (b) and note 44(b))	1,108,608	1,096,112
Guarantee in respect of borrowings of joint ventures (note (c) and note 44(b))	5,111,404	5,831,507
Guarantees in respect of borrowings of third parties (note (d))	1,677,116	1,487,074
	59,274,881	46,709,074

Notes:

(a) The Group has cooperated with certain financial institutions to arrange mortgage loan facilities for its purchasers of properties and provide guarantees to secure obligations of such purchasers for repayments. As at 31 December 2020, the outstanding guarantees amounted to RMB51,377,753,000 (2019: RMB38,294,381,000). Such guarantees will be discharged upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year after the purchasers take possession of the relevant property; and (ii) the satisfaction of relevant mortgage loan by purchasers.

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the associate was RMB2,785,022,000 as at 31 December 2020 (31 December 2019: RMB3,100,493,000).

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the joint ventures was RMB11,853,245,000 as at 31 December 2020 (31 December 2019: RMB13,308,149,000).

(All amounts in RMB thousands unless otherwise stated)

41 Financial guarantee (Continued)

Notes: (Continued)

(a) (Continued)

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interests and penalties owed by the defaulted purchasers to the financial institutions, and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee starts from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as the management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

(b) Several subsidiaries of the Group and associate counter parties have provided certain guarantees in proportion of their shareholding in associates in respect of loan facilities amounting to RMB2,242,750,000(2019: RMB2,843,700,000). As at 31 December 2020, the Group's share of the guarantees amounted to RMB1,108,608,000 (31 December 2019: RMB1,096,112,000).

(c) Several subsidiaries of the Group and joint venture counter parties have provided certain guarantees in proportion of their shareholding in certain joint ventures in respect of loan facilities amounting to RMB10,389,523,000 (2019: RMB12,423,440,000). As at 31 December 2020, the Group's share of the guarantees amounted to RMB5,111,404,000 (31 December 2019: RMB5,831,507,000).

(d) As at 31 December 2020, the Group provided certain guarantees to certain independent third parties in respect of loan facilities amounting to RMB1,677,116,000 (31 December 2019: RMB1,487,074,000).

42 Commitments

	2020	2019
Contracted but not provided for		
— Property development activities	23,313,880	16,406,314
— Acquisition of land use rights	8,244,205	10,020,111
— Property, plant and equipment	829,206	813,471
— Other intangible assets	–	2,705
	32,387,291	27,242,601

43 Future minimum rental payments receivable

The Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	2020	2019
Not later than one year	119,813	158,260
Later than one year and not later than five years	315,876	388,876
Over five years	216,109	98,857
	651,798	645,993

44 Related party transactions

(a) Name and relationship with related parties

Name	Relationship
Full Choice Investments Limited	The ultimate holding Company of the Group
Top Coast Investment Limited	The intermediate holding Company of the Group
The Founding Shareholders, including Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Madam. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei, and Mr. Chan Cheuk Nam (the "Founding Shareholders")	The Founding Shareholders are also the directors of the Company
Zhongshan Changjiang Golf Course (note (i)) 中山長江高爾夫球場	Controlled by the Founding Shareholders
Zhongshan Agile Changjiang Hotel Co., Ltd. (note (i)) 中山雅居樂長江酒店有限公司	Controlled by the Founding Shareholders
Hainan Agile Hanhai Hotel Management Co., Ltd (note (i)) 海南雅居樂瀚海酒店管理有限公司	Controlled by the Founding Shareholders
Foshan Changzhong Real Estate Development Co., Ltd. (note (i)) 佛山市昌重房地產開發有限公司	Associate of the Group
Foshanshi Sanshuiqu Qingmei Real Estate Co.,Ltd. (note (i)) 佛山市三水區擎美房地產有限公司	Associate of the Group
Foshan Yaxu Real Estate Development Co., Ltd. (note (i)) 佛山雅旭房地產開發有限公司	Associate of the Group
Fuzhou Shengquan Real Estate Development Co., Ltd. (note (i)) 福州盛全房地產開發有限公司	Associate of the Group
Xinxingxian Country Garden Real Estate Development Co., Ltd. (note (i)) 新興縣碧桂園房地產開發有限公司	Associate of the Group
Sichuan Yacan Real Estate Development Co., Ltd. (note (i)) 四川雅燦房地產開發有限公司	Associate of the Group
Jinzhongshi Jinhong Yubao Real Estate Development Co., Ltd. (note (i)) 晉中市錦洪裕寶房地產開發有限責任公司	Associate of the Group
Haimen Xinya Real Estate Development Co., Ltd. (note (i)) 海門新雅房地產開發有限公司	Associate of the Group

44 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Sichuan Yaheng Real Estate Development Co., Ltd. (note (i)) 四川雅恒房地產開發有限公司	Associate of the Group
Nantongshi Tongzhouqu Dongju Land Co., Ltd. (note (i)) 南通市通州區東居置業有限公司	Associate of the Group
Dali Meizhao Real Estate Development Co., Ltd. (note (i)) 大理美詔房地產開發有限公司	Associate of the Group
Handan Yurong Real Estate Development Co., Ltd. (note (i)) 邯鄲裕榮房地產開發有限公司	Associate of the Group
Wuxi Yahui Real Estate Development Co., Ltd. (note (i)) 無錫雅輝房地產開發有限公司	Associate of the Group
Huizhou Meiteng Project Management Co., Ltd. (note (i)) 惠州美騰項目管理有限公司	Associate of the Group
Wuhan Dinghui Yale Real Estate Development Co., Ltd. (note (i)) 武漢市鼎輝雅樂房地產開發有限公司	Associate of the Group
Chengdu Xueling Corporation Management Co.,Ltd. (note (i)) 成都雪领企業管理有限公司	Associate of the Group
Kunming Yaxin Real Estate Development Co.,Ltd. (note (i)) 昆明雅欣房地產開發有限公司	Associate of the Group
Guangzhou Yajing Investment Co., Ltd. (note (i)) 廣州雅景投資有限公司	Associate of the Group
Zhejiang Ivlong Eco Technology Co., Ltd. (note (i)) 浙江綠龍生態科技有限公司	Associate of the Group
Guangzhou Yahong Real Estate Development Co., Ltd.(note (i)) 廣州雅宏房地產開發有限公司	Associate of the Group
Guangzhou Haiya Investments Co., Ltd.(note (i)) 廣州海雅投資有限公司	Associate of the Group
Guangzhou Lihe Real Estate Property Development Co., Ltd. (note (i)) 廣州利合房地產開發有限公司	Joint venture of the Group

44 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Tianjin Jinnan Xincheng Real Estate Development Co., Limited (note (i)) 天津津南新城房地產開發有限公司	Joint venture of the Group
Zhongshan Yahong Real Estate Development Co., Ltd. (note (i)) 中山市雅鴻房地產開發有限公司	Joint venture of the Group
Guangzhou Huadu Yazhan Realty Development Co., Ltd. (note (i)) 廣州花都雅展房地產開發有限公司	Joint venture of the Group
Changsha Shangcheng Land Co., Ltd. (note (i)) 長沙上城置業有限公司	Joint venture of the Group
Guangxi Fuya Investments Co., Ltd. (note (i)) 廣西富雅投資有限公司	Joint venture of the Group
Charm Talent Limited (note (i)) 煌迪有限公司	Joint venture of the Group
Foshan Yazhan Property Development Co., Ltd. (note (i)) 佛山雅展房地產開發有限公司	Joint venture of the Group
Zhongshan Zhili Land Co., Ltd. (note (i)) 中山市志力置業有限公司	Joint venture of the Group
Zhongshan Minsen Real Estate Development Co., Ltd. (note (i)) 中山市民森房地產發展有限公司	Joint venture of the Group
Hainan Yahong Travel Property Co., Ltd. (note (i)) 海南雅宏旅遊置業有限公司	Joint venture of the Group
Zhongshan Yingxuan Real Estate Developement Co., Ltd. (note (i)) 中山市盈軒房地產開發有限公司	Joint venture of the Group
Beijing Zhonggang International Real Estate Development Co., Ltd. (note (i)) 北京中港國際房地產開發有限公司	Joint venture of the Group
Foshan Zhongjiao Real Estate Development Co., Ltd. (note (i)) 佛山中交房地產開發有限公司	Joint venture of the Group
Foshan Xiangsong Land Co., Ltd. (note (i)) 佛山香頌置業有限公司	Joint venture of the Group

44 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Hefei Changzhe Real Estate Development Co., Ltd. (note(i)) 合肥昌哲房地產開發有限公司	Joint venture of the Group
Jinan Yajun Real Estate Development Co., Ltd. (note(i)) 濟南雅雋房地產開發有限公司	Joint venture of the Group
Lianyungangshi Ganglong Land Co., Ltd. (note(i)) 連雲港市港龍置業有限公司	Joint venture of the Group
Jinan Yaheng Real Estate Development Co., Ltd. (note(i)) 濟南雅恒房地產開發有限公司	Joint venture of the Group
Xuzhou Chuanda Real Estate Development Co., Ltd. (note(i)) 徐州川達房地產開發有限公司	Joint venture of the Group
Jiangmenshi Meishun Real Estate Development Co., Ltd. (note(i)) 江門市美順房地產開發有限公司	Joint venture of the Group
Kaifeng Guokong Songdu Land Co., Ltd. (note(i)) 開封國控宋都置業有限公司	Joint venture of the Group
Jiaxing Xingya Real Estate Development Co., Ltd. (note(i)) 嘉興興雅房地產開發有限公司	Joint venture of the Group
Xuzhou Yafeng Real Estate Development Co., Ltd. (note(i)) 徐州雅豐房地產開發有限公司	Joint venture of the Group
Xingyang Agile City Construction Co., Ltd. (note(i)) 滎陽雅居樂城市建設有限公司	Joint venture of the Group
Xingyang Agile Enterprise Co., Ltd. (note(i)) 滎陽市雅居樂實業有限公司	Joint venture of the Group
Meizhou Zhongnan Yusheng Real Estate Development Co., Ltd. (note(i)) 梅州中南昱晟房地產開發有限公司	Joint venture of the Group
Jiangxi Jianda Investment Co., Ltd. (note(i)) 江西建大投資有限公司	Joint venture of the Group
Fujian Chuxin Eco Technology Co., Ltd. (note(i)) 福建省儲鑫環保科技有限公司	Joint venture of the Group

44 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Jinzhong Xiya Real Estate Development Co., Ltd. (note(i)) 晉中熙雅房地產開發有限公司	Joint venture of the Group
Jinan Junsheng Real Estate Development Co., Ltd. (note(i)) 濟南隽盛房地產開發有限公司	Joint venture of the Group
Wuhu Yaxu Real Estate Development Co., Ltd. (note(i)) 蕪湖雅旭房地產開發有限公司	Joint venture of the Group
Chenzhou Agile Real Estate Development Co., Ltd. (note(i)) 郴州雅居樂房地產開發有限公司	Joint venture of the Group
Chongqing Jinbi Agile Real Estate Development Co., Ltd. (note(i)) 重慶金碧雅居房地產開發有限公司	Joint venture of the Group
Suzhou Meiju Real Estate Development Co., Ltd. (note (i)) 蘇州美居房地產開發有限公司	Joint venture of the Group
Kaifeng Fenghui Land Co., Ltd. (note (i)) 開封豐輝置業有限公司	Joint venture of the Group
Shenyang Agile Enterprise Management Consultation Co., Ltd. (note (i)) 沈陽雅居樂企業管理諮詢有限公司	Joint venture of the Group
Shenyang Yasong Real Estate Development Co., Ltd. (note (i)) 沈陽雅頌房地產開發有限公司	Joint venture of the Group
Huizhou Huiyang Agile Real Estate Development Co., Ltd. (note (i)) 惠州市惠陽雅居樂房地產開發有限公司	Joint venture of the Group
Tianjin Ruiya Real Estate Development co., Ltd. (note(i)) 天津瑞雅房地產開發有限公司	Joint venture of the Group
Chongqing Huayu Yefeng Enterprise Development Co., Ltd. (note (i)) 重慶華宇業豐實業有限公司	Joint venture of the Group
Guangzhou Hongsheng Hengju Investment Partnership Enterprises (Limited Partnership) (note (i)) 廣州鴻晟恒鉅投資合夥企業(有限合夥)	Joint venture of the Group
Xingyang Yaheng Land Co., Ltd. (note (i)) 滎陽市雅恒置業有限公司	Joint venture of the Group

44 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Huizhou Yajian Real Estate Development Co., Ltd. (note (i)) 惠州市雅建房地產開發有限公司	Joint venture of the Group
Henry Fischer Real Estate Co., Limited. (note (i)) 亨利世家置業有限公司	Joint venture of the Group
Nanjing Qiya Land Co., Ltd. (note (i)) 南京奇雅置業有限公司	Joint venture of the Group
Gongqingcheng Investment (note(i)) 共青城投資	Controlled by a key management personnel of the Group
Beautiful Development Limited 錦繡前程有限公司	Controlled by a key management personnel of the Group
Atlas (China) Co., Ltd. ("Atlas (China)") (note (i)) 寰圖(中國)有限公司	Significantly influenced by the close family member of the Founding Shareholders
Atlas (Beijing) Business Development Co., Ltd (note (i)) 寰圖(北京)商務發展有限公司	Significantly influenced by the close family member of the Founding Shareholders
Atlas (Shanghai) Business Services Co., Ltd (note (i)) 寰圖(上海)商務服務有限公司	Significantly influenced by the close family member of the Founding Shareholders
Atlas (Guangzhou) Business Development Co., Ltd (note (i)) 寰圖(廣州)商務發展有限公司	Significantly influenced by the close family member of the Founding Shareholders
Atlas (Xi'an) Business Services Co., Ltd (note (i)) 寰圖(西安)商務服務有限公司	Significantly influenced by the close family member of the Founding Shareholders

Note (i)The names of the companies represent management's best efforts at translating the Chinese names of these companies, as no English names have been registered or available.

(All amounts in RMB thousands unless otherwise stated)

44 Related party transactions (Continued)

(b) Transactions with related parties

(i) During the years ended 31 December 2020 and 2019, the Group had the following transactions with related parties, which are carried out in the normal course of the Group's business:

	2020	2019
Office service fee charged by Atlas (China) (note (a))	469,419	79,617
Golf facilities service fee charged by Zhongshan Changjiang Golf Course (note (a))	14,033	14,635
Restaurant and hotel service fees charged by Zhongshan Agile Changjiang Hotel Co., Ltd. (note (a))	3,925	3,594
	487,377	97,846

	2020	2019
Rental income from Atlas (China) (note (a))	74,462	27,804

	2020	2019
Loans made to related parties		
— Associates	1,359,267	178,222
— Joint ventures	1,445,632	668,868
	2,804,899	847,090

	2020	2019
Repayment of loans by related parties		
— Associates	448,195	972,125
— Joint ventures	643,762	1,093,728
	1,091,957	2,065,853

	2020	2019
Interest income from (note (b))		
— Associates	184,322	106,734
— Joint ventures	257,939	247,885
	442,261	354,619

(All amounts in RMB thousands unless otherwise stated)

44 Related party transactions (Continued)

(b) Transactions with related parties (Continued)

(i) During the years ended 31 December 2020 and 2019, the Group had the following transactions with related parties, which are carried out in the normal course of the Group's business: (Continued)

	2020	2019
Provision of construction services to		
— Associates	93,179	89,888
— Joint ventures	1,878,710	1,510,516
	1,971,889	1,600,404

Key management compensation

Key management includes executive directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	2020	2019
— Salaries and other short-term employee benefits	41,592	42,738
— Retirement scheme contributions	147	167
	41,739	42,905

Notes:

(a) Office service fee, golf facilities services fee, restaurant and hotel services fee and rental fees were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

(b) Interest income were charged in accordance with the terms of the loan contracts signed between the respective related parties and the Group.

(ii) The Group have provided guarantees for borrowings of certain joint ventures and associates of RMB6,220,012,000 as at 31 December 2020 (31 December 2019: RMB6,927,619,000).

(All amounts in RMB thousands unless otherwise stated)

44 Related party transactions (Continued)

(c) Balances with related parties

As at 31 December 2020 and 2019, the Group had the following significant trade and non-trade balances with related parties:

	2020	2019
Receivables due from (note (i))		
— Associates	656,384	1,326,119
— Joint ventures	16,185,176	10,341,884
— Other related parties	493,892	193,728
	17,335,452	11,861,731
Loan and interest receivables due from (note (ii))		
— Associates	2,578,279	1,480,885
— Joint ventures	2,811,982	1,751,474
	5,390,261	3,232,359
Payables due to (note (i))		
— Associates	1,828,029	314,038
— Joint ventures	10,984,608	7,778,832
— Other related parties	102,179	100,584
	12,914,816	8,193,454
Contract liabilities		
— Associates	10,648	581
— Joint ventures	304,284	43,513
— Other related parties	10	–
	314,942	44,094

Notes:

(i) The balances are cash advances and trade receivables in nature, which are unsecured and interest free.

(ii) The balances are loan receivables and interest from associates and joint ventures, which are unsecured and interest bearing. The effective interest rate ranges from 4.35% to 15% per annum.

45 Ultimate holding company

The directors of the Company consider Full Choice Investments Limited, a company incorporated in Hong Kong, to be the ultimate holding company of the Group.

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below:

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Directly held by the Company						
Eastern Supreme Group Holdings Limited	British Virgin Islands (the "BVI")/ limited liability Company	US$50,000	Investment holding/ Hong Kong	100%	100%	–
Indirectly held by the Company						
雅生活智慧城市服務股份有限公司 (前稱雅居樂雅生活服務股份有限公司) A-Living Smart City Services Co., Ltd. (formerly named A-Living Services Co., Ltd.) (note (i))	PRC/foreign invested enterprise	RMB1,333,334,000	Property management/ Mainland China	–	54%	46%
雅居樂地產置業有限公司 Agile Property Land Co., Ltd.	PRC/wholly foreign owned enterprise	RMB50,000,000	Management consultant/ Mainland China	–	100%	–
中山雅居樂雍景園房地產有限公司 Zhongshan Agile Majestic Garden Real Estate Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK$1,428,571,429	Property development/ Mainland China	–	100%	–
廣州番禺雅居樂房地產開發有限公司 Guangzhou Panyu Agile Realty Development Co., Ltd. (note (ii) and note (iv))	PRC/wholly foreign owned enterprise	RMB500,000,000	Property development/ Mainland China	–	100%	–
廣州花都雅居樂房地產開發有限公司 Guangzhou Huadu Agile Realty Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB455,000,000	Property development/ Mainland China	–	100%	–
佛山市南海區雅居樂房地產有限公司 Foshan Nanhai Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB300,000,000	Property development/ Mainland China	–	100%	–
中山市凱茵豪園房地產開發有限公司 Zhongshan Greenville Realty Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB208,163,265	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
中山市雅建房地產發展有限公司 Zhongshan Ever Creator Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB251,020,408	Property development/ Mainland China	–	100%	–
廣州雅居樂房地產開發有限公司 Guangzhou Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	US$21,690,000	Property development/ Mainland China	–	100%	–
佛山市雅居樂房地產有限公司 Foshan Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	US$117,500,000	Property development/ Mainland China	–	100%	–
南京雅居樂房地產開發有限公司 Nanjing Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	US$118,900,000	Property development/ Mainland China	–	100%	–
河源市雅居樂房地產開發有限公司 Heyuan Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK$270,000,000	Property development/ Mainland China	–	100%	–
海南清水灣控股有限公司 Hainan Clearwater Bay Holdings Limited	BVI/Limited liability company	US$69	Investment holding/ BVI	–	100%	–
海南雅居樂房地產開發有限公司 Hainan Agile Real Estate Development Co., Ltd. (note (iv))	PRC/foreign invested enterprise	HK$3,187,540,000	Property development/ Mainland China	–	100%	–
海南雅恒房地產發展有限公司 Hainan Yaheng Real Estate Development Co., Ltd. (note (iv))	PRC/foreign invested enterprise	HK$1,770,000,000	Property development/ Mainland China	–	100%	–
廣州從化雅居樂房地產開發有限公司 Guangzhou Conghua Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK$570,000,000	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
四川雅居樂房地產開發有限公司 Sichuan Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK$780,000,000	Property development/ Mainland China	–	100%	–
佛山市三水雅居樂房地產有限公司 Foshan Sanshui Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK$200,000,000	Property development/ Mainland China	–	100%	–
陝西昊瑞房地產開發有限責任公司 Shanxi Haorui Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB210,000,000	Property development/ Mainland China	–	100%	–
上海靜安城投重慶置業有限公司 Shanghai Jing'an Chengtou Chongqing Land Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK$300,000,000	Property development/ Mainland China	–	100%	–
上海雅恒房地產開發有限公司 Shanghai Yaheng Real Estate Development Co., Ltd. (note (ii) and note (iv))	PRC/wholly foreign owned enterprise	RMB810,000,000	Property development/ Mainland China	–	100%	–
廣州雅居樂酒店有限公司 Guangzhou Agile Hotel Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK$7,000,000	Hotel operation/ Mainland China	–	100%	–
佛山市雅居樂酒店有限公司 Foshan Agile Hotel Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK$10,000,000	Hotel operation/ Mainland China	–	100%	–
廣州雅恒房地產開發有限公司 Guangzhou Yaheng Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	US$203,877,551	Property development/ Mainland China	–	100%	–
中山市雅信房地產開發有限公司 Zhongshan Yaxin Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB220,000,000	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
中山市雅創房地產開發有限公司 Zhongshan Yachuang Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB350,000,000	Property development/ Mainland China	–	100%	–
廣州雅生房地產開發有限公司 Guangzhou Yasheng Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB100,000,000	Property development/ Mainland China	–	100%	–
中山市雅景房地產開發有限公司 Zhongshan Yajing Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB310,000,000	Property development/ Mainland China	–	100%	–
廣州雅粵房地產開發有限公司 Guangzhou Yayue Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	HK$1,000,000,000	Property development/ Mainland China	–	100%	–
廣州雅騰房地產開發有限公司 Guangzhou Yateng Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	HK$100,000,000	Property development/ Mainland China	–	100%	–
佛山市三水雅居樂雍景園房地產有限公司 Foshan Sanshui Agile Majestic Garden Real Estate Co., Ltd. (note (iv))	PRC/limited liability Company	RMB300,000,000	Property development/ Mainland China	–	100%	–
廣東西樵商貿廣場有限公司 Guangdong Xiqiao Commerce Plaza Co., Ltd. (note (iv))	PRC/limited liability Company	RMB30,000,000	Property development/ Mainland China	–	100%	–
南京江寧雅居樂房地產開發有限公司 Nanjing Jiangning Agile Real Estate Development Co.,Ltd. (note (iv))	PRC/wholly foreign owned enterprise	US$119,800,000	Property development/ Mainland China	–	100%	–
遼寧雅居樂房地產開發有限公司 Liaoning Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	US$59,990,000	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
西安雅居樂物業投資管理有限公司 Xi'an Agile Property Investment Management Co., Ltd. (note (iv))	PRC/limited liability Company	RMB650,000,000	Property development/ Mainland China	–	100%	–
佛山市順德區雅居樂房地產有限公司 Foshan Shunde Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB450,000,000	Property development/ Mainland China	–	100%	–
南京雅建置業有限公司 Nanjing Yajian Land Co., Ltd. (note (iv))	PRC/limited liability Company	RMB450,000,000	Property development/ Mainland China	–	100%	–
常州雅居樂房地產開發有限公司 Changzhou Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	US$418,367,347	Property development/ Mainland China	–	100%	–
騰沖雅居樂旅遊置業有限公司 Tengchong Agile Resort Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB550,000,000	Property development/ Mainland China	–	100%	–
海南雅航旅遊置業有限公司 Hainan Yahang Travel Property Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB1,122,450,000	Property development/ Mainland China	–	100%	–
西雙版納雅居樂旅遊置業有限公司 Xishuangbanna Agile Resort Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB500,000,000	Property development/ Mainland China	–	100%	–
瑞麗雅居旅遊置業有限公司 Ruili Agile Resort Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB304,000,000	Property development/ Mainland China	–	100%	–
西安曲江雅居樂房地產開發有限公司 Xi'an Qujiang Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB664,000,000	Property development/ Mainland China	–	70%	30%
佛山市順德區雅新房地產開發有限公司 Foshan Shunde Yaxin Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB450,000,000	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
揚州雅居樂房地產開發有限公司 Yangzhou Agile Real Estate Development Co., Ltd. (note (iv))	PRC/foreign invested enterprise	HK$1,130,000,000	Property development/ Mainland China	–	100%	–
來安雅居樂房地產開發有限公司 Lai'an Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB50,000,000	Property development/ Mainland China	–	100%	–
無錫雅居樂房地產開發有限公司 Wuxi Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB400,000,000	Property development/ Mainland China	–	100%	–
上海松江雅居樂房地產開發有限公司 Shanghai Song Jiang Agile Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB903,000,000	Property development/ Mainland China	–	100%	–
昆山市富恒房地產開發有限公司 Kunshan Fuheng Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB130,000,000	Property development/ Mainland China	–	100%	–
中山市雅尚房地產開發有限公司 Zhongshan Yashang Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB300,000,000	Property development/ Mainland China	–	100%	–
杭州余杭雅居樂房地產開發有限公司 Hangzhou Yuhang Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB30,000,000	Property development/ Mainland China	–	100%	–
南京濱江雅居樂房地產開發有限公司 Nanjing Binjiang Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB2,080,722,000	Property development/ Mainland China	–	100%	–
鄭州雅居樂房地產開發有限公司 Zhengzhou Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB100,000,000	Property development/ Mainland China	–	60%	40%
佛山市南海區雅恒房地產開發有限公司 Foshan Nanhai Yaheng Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB200,000,000	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
武漢長凱物業發展有限公司 Wuhan Changkai Property Development Co.,Ltd. (note (iv))	PRC/limited liability Company	RMB621,148,000	Property development/ Mainland China	–	100%	–
中山市雅盈房地產開發有限公司 Zhongshan Yaying Real Estate Development Company Limited (note (iv))	PRC/limited liability Company	RMB1,000,000	Property development/ Mainland China	–	100%	–
北京雅晟房地產開發有限公司 Beijing Yasheng Real Estate Development Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB1,000,000,000	Property development/ Mainland China	–	100%	–
中山市世光創建置業有限公司 Zhongshan Shiguang Chuangjian Zhiye Company Limited (note (iv))	PRC/limited liability Company	RMB100,000,000	Property development/ Mainland China	–	100%	–
重慶雅恒房地產開發有限公司 Chongqing Yaheng Real Estate Development Co. Ltd (note (iv))	PRC/limited liability Company	RMB600,000,000	Property development/ Mainland China	–	100%	–
重慶雅錦房地產開發有限公司 Chongqing Yajin Real Estate Development Co.,Ltd. (note (iv))	PRC/limited liability Company	RMB100,000,000	Property development/ Mainland China	–	100%	–
成都雅頌房地產開發有限公司 Chengdu Yasong Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB824,577,000	Property development/ Mainland China	–	100%	–
蘇州雅居樂置業有限公司 Suzhou Agile Land Co., Ltd. (note (iv))	PRC/limited liability Company	RMB32,000,000	Property development/ Mainland China	–	100%	–
廣州雅悦房地產開發有限公司 Guangzhou Yayue Real Estate Development Co., Ltd (note (iv))	PRC/limited liability Company	RMB200,000,000	Property development/ Mainland China	–	100%	–
漢中龍騰雅居房地產開發有限公司 Hanzhong Longteng Yayu Real Estate Development Co.,Ltd. (note (iv))	PRC/limited liability Company	RMB50,000,000	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Name	Place of incorporation and legal status	Registered/ issued and paid-up capital	Principal activities/ place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
汕尾市雅居樂房地產開發有限公司 Shanwei Agile Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB100,000,000	Property development/ Mainland China	–	100%	–
揚州雅昊商務管理有限公司 Yangzhou Yahao Business Management Co., Ltd. (note (iv))	PRC/wholly foreign owned enterprise	RMB1,980,000,000	Property development/ Mainland China	–	70%	30%
天津雅逸房地產開發有限公司 Tianjin Yayi Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB30,000,000	Property development/ Mainland China	–	96%	4%
河南雅同置業有限公司 Henan Yatong Land Co., Ltd. (note (iv))	PRC/limited liability Company	RMB209,402,000	Property development/ Mainland China	–	100%	–
海南雅海旅遊發展有限公司 Hainan Yahai Travel Development Co.,Ltd. (note (iv))	PRC/limited liability Company	RMB646,073,000	Property development/ Mainland China	–	100%	–
山西雅居晉明房地產開發有限公司 Shanxi Yaju Jinming Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	RMB55,555,556	Property development/ Mainland China	–	71.25%	28.75%
海南雅誠房地產開發有限公司 Hainan Yacheng Real Estate Development Co., Ltd. (note (iv))	PRC/limited liability Company	HK$40,820,000	Property development/ Mainland China	–	100%	–
廣東新美居房地產發展有限公司 Guangdong Xinmeiju Real Estate Development Co., Ltd (note (iv))	PRC/limited liability Company	RMB10,000,000	Property development/ Mainland China	–	100%	–

46 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2020 are set out below: (Continued)

Structured entity	Principal activities
The Company's Employee Share Trust	Purchases, administers and holds the Company's shares in respect of the Share Award Scheme set up for the benefit of eligible employees

As the Company's Employee Share Trust is set up solely for the purpose of purchasing, administrating and holding the Company's shares in respect of the Share Award Scheme, the Company has the rights to variable returns from its involvement with the Employee Share Trust and has the ability to affect those returns through its power over the trust. The assets and liabilities of the Employee Share Trust are included in the Group's consolidated financial statements and the shares held by the Employee Share Trust are presented as a deduction in equity as "Shares held for Share Award Scheme".

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note:

(i) A-Living Smart City Services Co., Ltd. is a listed company in Main Board of Hong Kong Stock Exchange.

(ii) As at 31 December 2020, Guangzhou Panyu Agile Realty Development Co., Ltd issued PRC corporate bonds and asset-backed securities, and Shanghai Yaheng Real Estate Development Co., Ltd. issued commercial mortgage backed securities (note 24).

(iii) As at 31 December 2020, other subsidiaries of the Company listed above have not issued any debt securities.

(iv) The names of the companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

(All amounts in RMB thousands unless otherwise stated)

47 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	2020	2019
Assets		
Non-current assets		
Investments in subsidiaries	448,520	448,520
Total non-current assets	448,520	448,520
Current assets		
Amounts due from subsidiaries	72,416,026	70,230,396
Other receivables	155,492	151,927
Cash and cash equivalents	888,592	5,358,424
Total current assets	73,460,110	75,740,747
Total assets	73,908,630	76,189,267
Equity		
Equity attributable to shareholders of the Company		
Share capital and premium	3,421,883	3,421,883
Shares held for Share Award Scheme	(156,588)	(156,588)
Retained earnings (note (a))	2,064,961	1,481,250
	5,330,256	4,746,545
Perpetual Capital Securities	13,637,493	13,566,867
Total equity	18,967,749	18,313,412
Liabilities		
Non-current liabilities		
Borrowings	21,584,569	27,544,324
Financial liabilities at FVPL	26,002	12,656
Total non-current liabilities	21,610,571	27,556,980
Current liabilities		
Borrowings	20,489,290	20,289,129
Amounts due to subsidiaries	11,355,462	9,132,545
Other payables	500,677	843,517
Financial liabilities at FVPL	984,881	53,684
Total current liabilities	33,330,310	30,318,875
Total liabilities	54,940,881	57,875,855
Total equity and liabilities	73,908,630	76,189,267

The balance sheet of the Company was approved by the Board of Directors on 23 March 2021 and was signed on its behalf by:

Chen Zhuo Lin **Chan Cheuk Hung**

(All amounts in RMB thousands unless otherwise stated)

47 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

Note (a): Reserves movement of the Company

	Other reserves	Retained earnings
At 1 January 2019	427,512	2,432,683
Profit for the year	–	2,932,068
Redemption of Perpetual Capital Securities	(427,512)	(77,201)
Dividends declared relating to 2019	–	(3,806,300)
At 31 December 2019	–	1,481,250
At 1 January 2020	–	**1,481,250**
Profit for the year	–	**3,744,078**
Dividends declared relating to 2020	–	**(3,160,367)**
At 31 December 2020	–	**2,064,961**

48 Events after the balance sheet date

Pursuant to several agreements entered into by independent third party acquirers (the "Acquirers"), and relevant subsidiaries of the Company ("Agile Relevant Shareholders") in December 2020 and February 2021, it was agreed that the Acquirer and Agile Relevant Shareholders would jointly invest and develop several relevant project companies in the agreed proportion. The Acquirers have paid a total of RMB7,050,760,000 to the Agile Relevant Shareholders as earnest monies for their respective acquisition of equity interests, which was treated as advanced payment for disposal of equity interests in December 2020, which was recorded in trade and other payables in the consolidated balance sheet. Up to report date, the transactions has not been completed.

(All amounts in RMB thousands unless otherwise stated)

49 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking:

For the year ended 31 December 2020:

	Fees	Salary	Bonus	Housing allowance and contribution to a retirement benefit scheme	Total
Mr. Chen Zhuo Lin	4,642	–	–	16	4,658
Mr. Chan Cheuk Hung	3,311	–	–	16	3,327
Mr. Huang Fengchao	433	4,200	3,430	211	8,274
Mr. Chen Zhongqi	433	4,200	3,224	70	7,927
Mr. Chan Cheuk Yin	433	–	–	–	433
Madam. Luk Sin Fong, Fion	433	–	–	–	433
Mr. Chan Cheuk Hei	433	–	–	–	433
Mr. Chan Cheuk Nam	433	–	–	–	433
Dr. Cheng Hon Kwan (note (i))	433	–	–	–	433
Mr. Kwong Che Keung, Gordon (note (i))	433	–	–	–	433
Mr. Hui Chiu Chung, Stephen (note (i))	433	–	–	–	433
Mr. Wong Shiu Hoi, Peter (note (i))	433	–	–	–	433
	12,283	8,400	6,654	313	27,650

(All amounts in RMB thousands unless otherwise stated)

49 Benefits and interests of directors (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2019:

	Fees	Salary	Bonus	Housing allowance and contribution to a retirement benefit scheme	Total
Mr. Chen Zhuo Lin	4,356	–	–	16	4,372
Mr. Chan Cheuk Hung	3,108	–	–	16	3,124
Mr. Huang Fengchao	146	4,209	3,666	155	8,176
Mr. Chen Zhongqi	146	4,231	3,511	64	7,952
Mr. Chan Cheuk Yin	408	–	–	–	408
Madam. Luk Sin Fong, Fion	408	–	–	–	408
Mr. Chan Cheuk Hei	408	–	–	–	408
Mr. Chan Cheuk Nam	408	–	–	–	408
Dr. Cheng Hon Kwan (note(i))	408	–	–	–	408
Mr. Kwong Che Keung, Gordon (note(i))	408	–	–	–	408
Mr. Hui Chiu Chung, Stephen (note(i))	408	–	–	–	408
Mr. Wong Shiu Hoi, Peter (note(i))	408	–	–	–	408
	11,020	8,440	7,177	251	26,888

Note (i): Independent non-executive directors of the Company.

49 Benefits and interests of directors (Continued)

(b) Directors' retirement benefits

During the year ended 31 December 2020, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note(a) above (2019: same).

(c) Directors' termination benefits

During the year ended 31 December 2020, there was no termination benefits received by the directors (2019: same).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2020, no consideration was paid for making available the services of the directors of the Company (2019: same).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2020, there was no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

(f) Directors' material interests in transactions, arrangements or contracts

Save for the transactions disclosed in note 44(b)(i), no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Agile Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Agile Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 104 to 222, which comprise:

- the consolidated balance sheet as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 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 ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified in our audit and our audit procedures performed to address these key audit matters are set out as below:

Key Audit Matters	How our audit addressed the Key Audit Matters
Assessment of net realisable of properties under development and completed properties held for sale Refer to notes 4.1(a), 12 and 13 to the consolidated financial statements. Properties under development and completed properties held for sale amounted to RMB124,848,005,000 as at 31 December 2019, accounting for 46% of the Group's total assets. Properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. The net realisable values were assessed taking into account of costs to completion of properties under development, variable selling expenses based on past experience and selling price based on prevailing market conditions. Based on management's assessment, a provision of RMB1,561,682,000 for properties under development and a provision of RMB706,290,000 for completed properties held for sale were made as at 31 December 2019. We focused on this area because of the significant estimates and judgements involved in determining the selling prices, variable selling expenses and costs to completion.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated the internal control over the Group's process in determining the selling prices, variable selling expenses and costs to completion; (ii) We assessed the Group's estimates of the anticipated costs to completion for properties under development by reconciling the anticipated costs to completion to the approved budgets. We compared the major cost compositions contained in these budgets with the actual cost compositions of similar type of properties in similar location. We performed analysis on management's material cost adjustments; and (iii) We challenged management's assumptions when determining the net sales value based on prevailing market conditions by: • Researching the selling prices from the public available resources and comparing the estimated selling price to the most recent selling price for the properties under presales or the prevailing market price of the same type of properties in the same location; • Analysing the historical selling expenses to selling price ratio, assessing whether management's estimated selling expenses were within such range. We found that management's estimates for provision of properties under development and completed properties held for sale are properly supported by the available evidences.

Key Audit Matters	How our audit addressed the Key Audit Matters
Valuations of investment properties Refer to notes 4.1(b) and 7 to the consolidated financial statements. The Group's investment properties were measured at fair value of RMB8,495,950,000 as at 31 December 2019, with revaluation gains of RMB117,070,000 recorded as "other gains, net" in the consolidated statement of comprehensive income for the year then ended. Independent external valuations were performed for all of investment properties in order to support management's estimates. Fair values of completed investment properties are derived using income capitalisation approach or the direct comparison approach, where applicable. The fair values of investment properties under construction are prepared under residual approach. We focused on this area as the valuations included certain key assumptions that involved significant management estimates, including term yields and reversionary yields, market rents, market prices and estimated costs to completion.	We have performed the following procedures to address this key audit matter: (i) We understood, evaluated and validated the internal control over the Group's process in determining the fair value of investment properties; (ii) We evaluated the independent external valuer's competence, capabilities and objectivity; (iii) We checked, on a sample basis, accuracy and relevance of the input data used in the valuation and checked the mathematical accuracy of the valuations; (iv) We involved our internal valuation specialist in assessing the appropriateness of methodologies used and the reasonableness of the key assumptions applied in the valuations, including term yields and reversionary yields, fair market rents and fair market prices. We agreed the term yields, reversionary yields, market rents and market prices used in the valuations to our internally developed benchmarks, which are based on our recent experience and market research in the locations and segments of the Group's investment properties. We have also conducted a sensitivity analysis over the key assumptions; (v) For investment properties under construction, we assessed the reasonableness of management's estimates of costs to complete by checking the total budgeted construction costs against the signed contracts with vendors and actual construction costs of similar properties and tested the actual costs incurred up to date. We found the key assumptions and estimates used in the valuation of investment properties were properly supported by the available evidences.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and The Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2020

CONSOLIDATED BALANCE SHEET

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2019	2018
Assets			
Non-current assets			
Property, plant and equipment	6	**11,701,956**	8,753,527
Investment properties	7	**8,495,950**	8,804,220
Land use rights	8	**–**	2,039,236
Right-of-use assets	9	**3,077,209**	–
Goodwill	10	**3,897,055**	1,841,613
Other intangible assets	10	**1,578,192**	258,990
Investments accounted for using the equity method	11	**14,711,189**	10,088,353
Prepayments for acquisition of equity interests		**468,000**	870,856
Properties under development	12	**31,742,993**	16,936,396
Trade and other receivables	16	**5,182,026**	12,510,503
Financial assets at fair value through other comprehensive income		**262,036**	–
Deferred income tax assets	25	**1,350,770**	1,433,982
		82,467,376	63,537,676
Current assets			
Properties under development	12	**79,622,115**	73,584,977
Completed properties held for sale	13	**13,447,730**	8,446,700
Inventories		**343,029**	46,467
Prepayments for acquisition of land use rights	15	**10,669,360**	5,187,072
Contract assets	5	**1,379,556**	448,715
Trade and other receivables	16	**35,360,168**	27,735,425
Prepaid income taxes		**6,077,471**	3,165,117
Financial assets at fair value through profit or loss	17	**1,008,031**	3,232,031
Assets held for sale		**302,108**	–
Restricted cash	18	**9,003,578**	9,285,376
Cash and cash equivalents	19	**33,551,303**	35,776,231
		190,764,449	166,908,111
Total assets		**273,231,825**	230,445,787

(All amounts in RMB thousands unless otherwise stated)

	Note	As at 31 December 2019	2018
Equity			
Capital and reserves attributable to the shareholders of the Company			
Share capital and premium	20	**3,421,883**	3,421,883
Shares held for Share Award Scheme	21	**(156,588)**	(156,588)
Other reserves	22	**2,931,267**	2,604,982
Retained earnings		**38,277,061**	35,368,931
		44,473,623	41,239,208
Perpetual Capital Securities	23	**13,566,867**	8,334,875
Non-controlling interests		**7,295,986**	5,406,850
Total equity		**65,336,476**	54,980,933
Liabilities			
Non-current liabilities			
Borrowings	24	**54,372,620**	53,196,485
Trade and other payables	26	**2,201,976**	–
Financial liabilities at fair value through profit or loss	27	**83,092**	6,144
Lease liabilities	9	**390,326**	–
Deferred income tax liabilities	25	**3,179,780**	1,884,085
		60,227,794	55,086,714
Current liabilities			
Borrowings	24	**42,297,082**	35,332,872
Trade and other payables	26	**53,917,720**	42,533,971
Financial liabilities at fair value through profit or loss	27	**53,684**	7,192
Contract liabilities	5	**33,653,950**	25,489,558
Lease liabilities	9	**182,411**	–
Current income tax liabilities		**17,562,708**	17,014,547
		147,667,555	120,378,140
Total liabilities		**207,895,349**	175,464,854
Total equity and liabilities		**273,231,825**	230,445,787

The notes on pages 112 to 222 form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 104 to 222 were approved by the Board of Directors on 23 March 2020 and were signed on its behalf by:

Chen Zhuo Lin **Chan Cheuk Hung**

CONSOLIDATED INCOME STATEMENT

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2019	2018
Operation			
Revenue	5	**60,239,097**	56,144,926
Cost of sales	31	**(41,881,111)**	(31,471,009)
Gross profit		**18,357,986**	24,673,917
Selling and marketing costs	31	**(2,026,178)**	(2,318,044)
Administrative expenses	31	**(3,998,883)**	(2,909,554)
Net impairment losses on financial and contract assets	3.1(c)	**(149,574)**	(97,250)
Other gains, net	28	**4,802,164**	1,986,253
Other income	29	**1,282,537**	1,040,034
Other expenses	30	**(228,300)**	(257,002)
Operating profit		**18,039,752**	22,118,354
Finance costs, net	33	**(2,529,824)**	(2,744,353)
Share of post-tax profits of investments accounted for using the equity method	11	**1,086,246**	27,098
Profit before income tax		**16,596,174**	19,401,099
Income tax expenses	34	**(7,362,928)**	(11,043,282)
Profit for the year		**9,233,246**	8,357,817
Profit attributable to:			
Shareholders of the Company		**7,511,794**	7,125,007
Holders of Perpetual Capital Securities	23	**850,225**	676,906
Non-controlling interests		**871,227**	555,904
		9,233,246	8,357,817
Earnings per share from continuing operations attributable to shareholders of the Company for the year (expressed in Renminbi per share)			
– Basic	35	**1.935**	1.835
– Diluted	35	**1.935**	1.835

The notes on pages 112 to 222 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2019	2018
Profit for the year		**9,233,246**	8,357,817
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
– Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax		**21,857**	–
– Revaluation gains arising from property, plant and equipment transferred to investment properties, net of tax	6	–	261,111
Items that may be reclassified to profit or loss			
– Currency translation differences		**1,147**	(1,303)
Other comprehensive income for the year, net of tax		**23,004**	259,808
Total comprehensive income for the year		**9,256,250**	8,617,625
Attributable to:			
– Shareholders of the Company		**7,532,534**	7,379,636
– Holders of Perpetual Capital Securities		**850,225**	676,906
– Non-controlling interests		**873,491**	561,083
		9,256,250	8,617,625

The notes on pages 112 to 222 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB thousands unless otherwise stated)

	Attributable to shareholders of the Company							
	Share capital and premium (note 20)	Shares held for Share Award Scheme (note 21)	Other reserves (note 22)	Retained earnings	Total	Perpetual Capital Securities (note 23)	Non-controlling interests	Total equity
Balance at 1 January 2019	3,421,883	(156,588)	2,604,982	35,368,931	41,239,208	8,334,875	5,406,850	54,980,933
Comprehensive income								
Profit for the year	–	–	–	7,511,794	7,511,794	850,225	871,227	9,233,246
Other comprehensive income								
Currency translation differences	–	–	(1,117)	–	(1,117)	–	2,264	1,147
Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	–	–	21,857	–	21,857	–	–	21,857
Total comprehensive income	–	–	20,740	7,511,794	7,532,534	850,225	873,491	9,256,250
Total transactions with shareholders, recognised directly in equity								
Transfer to statutory reserve and enterprise expansion funds (note 22)	–	–	753,986	(753,986)	–	–	–	–
Distribution to holders of Perpetual Capital Securities (note 23)	–	–	–	–	–	(990,199)	–	(990,199)
Redemption of Perpetual Capital Securities (note 23)	–	–	(427,512)	(77,201)	(504,713)	(4,305,407)	–	(4,810,120)
Capital injection by non-controlling interests	–	–	–	–	–	–	668,576	668,576
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	838,218	838,218
Acquisition of additional interests in subsidiaries	–	–	41,250	–	41,250	–	(140,050)	(98,800)
Dividends distribution to non-controlling interests	–	–	–	–	–	–	(351,099)	(351,099)
Issuance of Perpetual Capital Securities (note 23)	–	–	–	–	–	9,677,373	–	9,677,373
Dividends (note 36)	–	–	–	(3,772,477)	(3,772,477)	–	–	(3,772,477)
Put options granted during the acquisition of subsidiaries	–	–	(62,179)	–	(62,179)	–	–	(62,179)
Total transactions with shareholders, recognised directly in equity	–	–	305,545	(4,603,664)	(4,298,119)	4,381,767	1,015,645	1,099,293
Balance at 31 December 2019	3,421,883	(156,588)	2,931,267	38,277,061	44,473,623	13,566,867	7,295,986	65,336,476

(All amounts in RMB thousands unless otherwise stated)

	Attributable to shareholders of the Company							
	Share capital and premium (note 20)	Shares held for Share Award Scheme (note 21)	Other reserves (note 22)	Retained earnings	Total	Perpetual Capital Securities (note 23)	Non-controlling interests	Total equity
Balance at 1 January 2018	3,421,883	(156,588)	785,400	32,284,542	36,335,237	5,529,424	2,311,569	44,176,230
Comprehensive income								
Profit for the year	–	–	–	7,125,007	7,125,007	676,906	555,904	8,357,817
Other comprehensive income								
Currency translation differences	–	–	(6,482)	–	(6,482)	–	5,179	(1,303)
Revaluation gains arising from property, plant and equipment transferred to investment properties, net of tax	–	–	261,111	–	261,111	–	–	261,111
Total comprehensive income	–	–	254,629	7,125,007	7,379,636	676,906	561,083	8,617,625
Total transactions with shareholders, recognised directly in equity								
Transfer to statutory reserve and enterprise expansion funds (note 22)	–	–	124,310	(124,310)	–	–	–	–
Distribution to holders of Perpetual Capital Securities (note 23)	–	–	–	–	–	(595,347)	–	(595,347)
Redemption of Perpetual Capital Securities (note 23)	–	–	–	–	–	(1,011,216)	–	(1,011,216)
Capital injection by non-controlling interests	–	–	1,462,313	–	1,462,313	–	1,737,030	3,199,343
Non-controlling interests on acquisition of subsidiaries	–	–	–	–	–	–	988,259	988,259
Acquisition of additional interests in subsidiaries	–	–	(21,670)	–	(21,670)	–	(2,291)	(23,961)
Dividends distribution to non-controlling interests	–	–	–	–	–	–	(188,800)	(188,800)
Issuance of Perpetual Capital Securities (note 23)	–	–	–	–	–	3,735,108	–	3,735,108
Dividends (note 36)	–	–	–	(3,916,308)	(3,916,308)	–	–	(3,916,308)
Total transactions with shareholders, recognised directly in equity	–	–	1,564,953	(4,040,618)	(2,475,665)	2,128,545	2,534,198	2,187,078
Balance at 31 December 2018	3,421,883	(156,588)	2,604,982	35,368,931	41,239,208	8,334,875	5,406,850	54,980,933

The notes on page 112 to 222 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2019	2018
Cash flows from operating activities			
Cash generated from operations	38(a)	**1,007,183**	15,224,055
Interest paid		**(6,282,614)**	(4,437,007)
PRC income tax paid		**(9,275,848)**	(8,159,459)
Net cash (used in)/generated from operating activities		**(14,551,279)**	2,627,589
Cash flows from investing activities			
Prepayment of land use rights for development of own used properties		**(210,618)**	(30,522)
Net cash outflow on disposal of a subsidiary		**(235,495)**	–
Advance consideration received from disposal of subsidiaries		**2,681,106**	987,700
Proceeds received from disposal of investment properties		**57,770**	–
Payments of construction cost of investment properties		**(52,430)**	–
Investments in associates and joint ventures		**(2,103,494)**	(3,055,520)
Prepayment for acquisitions of equity interests		**(468,000)**	(829,354)
Purchases of property, plant and equipment		**(1,907,891)**	(1,118,159)
Purchases of intangible assets		**(14,586)**	(10,900)
Proceed received from disposal of investment properties, land use rights and property, plant and equipment		**251,233**	62,903
Payment for acquisition of subsidiaries through business combination		**(2,536,405)**	(738,352)
Repayment of cash advances from related parties		**10,156,482**	2,268,664
Repayment of cash advances from non-controlling interests		**846,842**	–
Cash advances made to related parties		**(5,668,240)**	(13,028,720)
Dividend income from associates		**12,872**	–
Proceeds received/(payment) to settle derivative financial instruments		**253,216**	(315,339)
Purchase of financial assets at fair value through other comprehensive income		**(218,114)**	–
Purchase of wealth management products		**(35,215,944)**	(25,194,380)
Redemption of wealth management products		**34,845,212**	25,174,380
Payment for acquisition of other financial assets at fair value through profit or loss		**(1,331,425)**	(4,778,093)
Proceeds from settlement of other financial assets at fair value through profit or loss		**4,877,567**	2,770,102
Cash advance made to non-controlling interests		**(1,207,507)**	(780,752)
Dividend received		**59,712**	127,685
Interest received		**1,009,041**	780,488
Net cash generated from/(used in) investing activities		**3,880,904**	(17,708,169)

(All amounts in RMB thousands unless otherwise stated)

	Note	Year ended 31 December 2019	2018
Cash flows from financing activities			
Proceeds from issuance of Perpetual Capital Securities		**9,753,310**	3,801,370
Issuance cost of Perpetual Capital Securities		**(75,937)**	(66,262)
Redemption of Perpetual Capital Securities		**(4,810,120)**	(1,011,216)
Net proceeds from borrowings		**48,248,554**	80,172,084
Repayments of borrowings		**(42,799,664)**	(55,383,268)
Decrease in guarantee deposit for borrowings		**219,798**	416,000
Cash advances from related parties		**3,636,493**	2,204,179
Repayments of cash advances to related parties		**(495,538)**	–
Cash advance from non-controlling interest		**1,898,876**	3,296,742
Repayments of cash advances from non-controlling interest		**(2,295,002)**	(314,330)
Capital contribution by non-controlling interests		**668,576**	3,199,343
Principal elements of lease payments		**(285,477)**	–
Non-controlling interests from acquisition of additional interests in subsidiaries		**(98,800)**	(23,961)
Distribution to holders of Perpetual Capital Securities		**(990,199)**	(595,347)
Dividends paid to shareholders of the Company		**(3,772,477)**	(3,916,308)
Dividends paid to non-controlling interests		**(351,099)**	(43,200)
Net cash generated from financing activities		**8,451,294**	31,735,826
Net (decrease)/increase in cash and cash equivalents		**(2,219,081)**	16,655,246
Cash and cash equivalents at beginning of the year		**35,776,231**	19,041,948
Exchange (losses)/gains on cash and cash equivalents		**(5,847)**	79,037
Cash and cash equivalents at end of the year	19	**33,551,303**	35,776,231

The notes on pages 112 to 222 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

1 General information

Agile Group Holdings Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 14 July 2005 and is principally engaged in investment holding. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company and its subsidiaries (the "Group") are principally engaged in property development in the People's Republic of China (the "PRC").

The Company's shares were listed on The Stock Exchange of Hong Kong Limited (the ''Hong Kong Stock Exchange'') on 15 December 2005.

These consolidated financial statements have been approved for issue by the Board of Directors of the Company on 23 March 2020.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (the "HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss, financial liabilities at fair value through profit or loss and, financial assets at fair value through other comprehensive income which are carried at fair value.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28
- Annual Improvements to HKFRS Standards 2015-2017 cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

The Group had to change its accounting policies and make certain modified retrospective adjustments as a result of adopting the HKFRS 16 Leases. The impact of the adoption of the leasing standard are disclosed in note 2.2 below. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) The following new standards and amendments to standards have been issued but are not effective for the financial period beginning 1 January 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 3 (Amendment)	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 (Amendment)	Definition of Material	1 January 2020
HKAS 39, HKFRS 7 and HKFRS 9 (Amendment)	Hedge accounting	1 January 2020
HKFRS 17	Insurance contract	1 January 2021
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019 in note 2.2(a) below.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (continued)

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7.06%.

	1 January 2019
Operating lease commitments disclosed as at 31 December 2018	295,570
Discounted using the lessee's incremental borrowing rate of at the date of initial application	244,235
(Less): short-term leases and low-value leases recognised on a straight-line basis as expense	(3,147)
(Less): contracts reassessed as service agreements	(46,714)
Lease liabilities recognised as at 1 January 2019	194,374
Of which are:	
Current lease liabilities	73,076
Non-current lease liabilities	121,298
	194,374

Under the modified retrospective approach, the associated right-of-use assets for property leases were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Recognised right-of-use assets relate to the following types of assets:

	31 December 2019	1 January 2019
Land use rights	2,392,388	2,039,236
Property, plant and equipment	665,945	174,046
Land use right for ancillary facilities	18,876	20,328
Total right-of-use assets	3,077,209	2,233,610

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets – increase by RMB2,233,610,000
- Lease liabilities – increase by RMB194,374,000
- Land use rights – decrease by RMB2,039,236,000

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (continued)

(a) Adjustments recognised on adoption of HKFRS 16 (continued)

There is no impact on the retained earnings on 1 January 2019.

There is no material impact on earnings per share for the year ended 31 December 2019 as a result of the adoption of HKFRS 16.

Impact on segment disclosures

Segments assets and segment liabilities as at 31 December 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The change in policy will increase segment assets and liabilities as at 31 December 2019 as following:

	Segment assets	Segment liabilities
Property development	169,852	186,294
Property management	14,756	15,200
Hotel operations	28,386	29,564
Environmental protection	3,673	3,973
	216,667	235,031

Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- Reliance on previous assessments on whether leases are onerous
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-INT 4 Determining whether an Arrangement contains a Lease.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.3 Principles of consolidation and equity accounting

2.3.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.4).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

2.3.2 Investments accounted for using the equity method

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Interests in joint ventures are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in consolidated income statement, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.3 Principles of consolidation and equity accounting (continued)

2.3.2 Investments accounted for using the equity method (continued)

Equity method (continued)

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.12.

2.3.3 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to consolidated income statement or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to consolidated income statement where appropriate.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.4 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in consolidated income statement as a bargain purchase.

2 Summary of significant accounting policies (Continued)

2.4 Business combinations (continued)

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated income statement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in consolidated income statement.

2.5 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions of the Group.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in consolidated income statement. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.7 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within "finance costs, net". All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within "other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2 Summary of significant accounting policies (Continued)

2.8 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

When there is a change of use from an investment property to an owner-occupied property, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	10-60 years
Office equipment	5-10 years
Transportation equipment	4-10 years
Machinery	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.12).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains, net" in the consolidated income statement.

2.9 Construction in progress

Construction in progress represents property under construction and is stated at cost less accumulated impairment loss, if any. Cost includes the costs of construction of buildings and interest charges arising from borrowings used to finance these assets during the period of construction, if any. No provision for depreciation is made on construction in progress until such times as the relevant assets are completed and are available for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.10 Investment property

Investment property, principally comprising land use rights and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties. Land held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuer. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded as "other gains, net" in the consolidated income statement.

When an owner-occupied property becomes an investment property carried at fair value, the Group applies HKAS 16 up to the date of change in use. The Group treats any difference at that date between the carrying amount of the property in and its fair value in as a revaluation in accordance with HKAS 16. In other words, any resulting increase in the carrying amount is treated as follows:

(i) to the extent that the increase reverses a previous impairment loss for that property, the increase is recognised in consolidated income statement.

(ii) any remaining part of the increase is recognised in other comprehensive income and increases the revaluation surplus within equity.

2.11 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generation units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.11 Intangible assets (continued)

(b) Trademarks

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisations. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 5 to 20 years.

(c) Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relationships have a finite useful life and are carried at cost less accumulated amortisations. Amortisation is calculated using the straight-line method over the expected life of 6 to 10 years for the customer relationships.

(d) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 10 years.

(e) Operating concessions

Operating concessions are capitalised on the basis of the costs incurred to build and operating water waste treatment plants and refuse-burning power plant. These costs are amortised over their estimated useful lives of 3 to 28 years.

2.12 Impairment of non-financial assets

Goodwill that has an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating unit). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.13 Investments and other financial assets

Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in consolidated income statement or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (the "FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (the "FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.13 Investments and other financial assets (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in consolidated income statement and presented in other gains, net, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to consolidated income statement and recognised in other gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains, net and impairment expenses are presented as separate line item in the consolidated income statement.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in consolidated income statement and presented net within other gains, net in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to consolidated income statement following the derecognition of the investment. Dividends from such investments continue to be recognised in consolidated income statement as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains, net in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.13 Investments and other financial assets (continued)

Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counter party.

2.15 Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of

- The amount determined in accordance with the expected credit loss model under HKFRS 9 Financial Instruments and

- The amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.16 Properties under development and held for sale

Properties under development and held for sale are stated at the lower of cost and net realisable value. Development cost of properties comprises cost of land use rights, construction costs and borrowing costs incurred during the construction period. Upon completion, the properties are transferred to completed properties held for sale.

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

Properties under development and held for sale are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2.17 Inventories

Raw materials and stores

Raw materials and stores are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.18 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 12 months and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 16 for further information about the Group's accounting for trade and other receivables and note 3.1(c) for a description of the Group's impairment policies.

2.19 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.21 Perpetual Capital Securities

Perpetual Capital Securities with no contractual obligation to repay its principal or to pay any distribution are classified as part of equity, as described in note 23.

2.22 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.23 Borrowings (continued)

Borrowing costs include interest expense, and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

2.24 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

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

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

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.24 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

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

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

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.25 Employee benefits

(a) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK$1,500. The assets of this MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.25 Employee benefits (continued)

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Equity-settled share-based payment transactions

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for shares of the Group. The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the shares granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of shares that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the consolidated income statement, if any, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

2.26 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.26 Provisions (continued)

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.27 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of properties and services in the ordinary course of the Group's activities. Revenue is shown net of discount and after eliminating revenue made with the Group companies. The Group recognises revenue of each activities as described below.

(a) Sales of properties

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

- provides all of the benefits received and consumed simultaneously by the purchaser;
- creates and enhances an asset that the purchaser controls as the Group performs;
- 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.

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

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

For property development and sales contract for which the control of the property is transferred at a point in time, revenue is recognised when the purchaser obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable. In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition (continued)

(b) Property management services and value-added services

Revenue from property management services (including property management services under commission basis or lump sum basis) and value-added services (including pre-delivery services, household assistance services, property agency services and other services) is recognised when services are rendered.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group entitles to revenue at the value of property management services fee received or receivable by the properties and recognises all related property management costs as its cost of services. For property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner and is arranging and monitoring the services as provided by other suppliers to the property owners, the Group entitles revenue at a pre-determined percentage of the property management fee received or receivable by the properties.

(c) Hotel operations

Hotel revenue from room rentals, food and beverage sales and other ancillary are recognised in the accounting period in which the services are rendered.

(d) Rental income

Rental income from investment properties under operating leases is recognised in the consolidated income statement on a straight-line basis over the term of lease.

(e) Interest income

Interest income from financial assets at FVPL is included in the fair value gains/(losses) on these assets. Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in "other income".

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(f) Dividend income

Dividends are received from financial assets measured at FVPL and at FVOCI. Dividends are recognised as other income in consolidated income statement when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in other comprehensive income if it relates to an investment measured at FVOCI. However, the investment may need to be tested for impairment as a consequence.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.27 Revenue recognition (continued)

(g) Environmental protection income

Revenue arising from environmental protection is recognised in the accounting period in which environmental protection services are rendered.

(h) Construction income

Revenue from construction related to work on assets under the control of the customer which the Group's construction activities create or enhance an asset under the customer's control, is recognised progressively over time using output method based on direct measurements of the value of services delivered or surveys of work performed. Revenue from franchise construction is recognised over time by measuring the progress towards complete satisfaction of the services. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(i) Design service and project management service income

Revenue from design service and project management services is recognised progressively over time using output method based on direct measurements of the value of services delivered or surveys of work performed.

(j) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.28 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change in note 2.2.

Until 31 December 2018, leases were classified as operating leases. Payments (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.28 Leases (continued)

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.28 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

The Group leases various land use rights, offices, transportation equipment and other equipment. Rental contracts are typically made for fixed periods of 3 months to 28 years. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in consolidated income statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise staff dormitory and small items of office furniture.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes except for those with land use right certification.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

2.29 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

(All amounts in RMB thousands unless otherwise stated)

2 Summary of significant accounting policies (Continued)

2.30 Insurance contracts

An insurance contract is a contract under which one party (the "insurer") accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder if a specified uncertain future event (the "insured event") adversely affects the policyholder. Insurance risk is a pre-existing risk transferred from the policyholder to the insurer, and is significant only if an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance (i.e. have no discernible effect on the economics of the transaction).

The Group assesses at each reporting date whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency is recognised in the consolidated income statement.

The Group regards its financial guarantee contracts provided in respect of mortgage facilities for certain property purchasers as insurance contracts.

2.31 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

2.32 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The property industry is highly sensitive to the economic environment in the PRC. The Group finances its operations from shareholders' fund, sales of properties, issuance of senior notes, bank and other borrowings and perpetual capital securities. The Group has alternative plans to monitor liquidity risk should there be significant adverse changes on the Group's cash flow projections.

(a) Currency risk

The Group's businesses are principally conducted in RMB, except that certain receipts of proceeds from sales of properties, senior notes, bank borrowings and syndicated loans are in other currencies. As at 31 December 2019, major non-RMB assets and liabilities are cash and cash equivalents, senior notes, bank borrowings and syndicated loans denominated in HK dollar ("HK$"), US dollar ("US$") and Macao Pataca ("MOP"). Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. The Group has entered into several forward exchange contracts to limit its exposure to foreign exchange risk during the year ended 31 December 2019.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follows:

	Group	
	2019	2018
Monetary assets		
– HK$	**3,202,132**	522,538
– US$	**4,059,171**	2,492,297
	7,261,303	3,014,835
Monetary liabilities		
– HK$	**21,999,374**	21,618,629
– US$	**19,220,080**	14,405,428
– MOP	**1,599,195**	–
	42,818,649	36,024,057

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (continued)

(a) Currency risk (continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/(decrease) in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	Group	
	2019	2018
5% increase in RMB against HK$	**940,720**	1,055,467
5% decrease in RMB against HK$	**(940,720)**	(1,055,467)
5% increase in RMB against US$	**761,140**	600,441
5% decrease in RMB against US$	**(761,140)**	(600,441)
5% increase in RMB against MOP	**79,960**	–
5% decrease in RMB against MOP	**(79,960)**	–

(b) Interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its borrowings with variable rates expose the Group to cash flow interest-rate risk. Borrowings with fixed rate, mainly included senior notes, bonds and other borrowings, expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure.

As at 31 December 2019 and 2018, if interest rates on borrowings had been 100 basis points higher or lower with all other variables held constant, interest charges for the years ended 31 December 2019 and 2018 would increase or decrease by RMB502,957,000 and RMB487,634,000 respectively, mainly as a result of higher or lower interest expense on floating rate borrowings.

(c) Credit risk

The Group is exposed to credit risk in relation to its contract asset, trade and other receivables and cash deposits with banks. The carrying amounts of contract assets, trade and other receivables, restricted cash, cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

For contract assets and trade and other receivables, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counter parties.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (continued)

(c) Credit risk (continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (continued)

(c) Credit risk (continued)

(i) A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(ii) Contract assets and trade and other receivables (excluding prepayments, prepaid value-added taxes and other receivables from related parties and non-controlling interests)

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contract assets and trade receivables. To measure the expected credit losses, contract assets and trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (continued)

(c) Credit risk (continued)

(ii) Contract assets and trade and other receivables (excluding prepayments, prepaid value-added taxes and other receivables from related parties and non-controlling interests) (continued)

As at 31 December 2019, the Group has assessed that the expected loss rate for other receivables from related parties was immaterial considering the good finance position and credit history of the related parties. Thus no loss allowance provision for other receivables from related parties was recognised.

The Group uses the expected credit loss model to determine the expected loss provision for other receivables (excluding prepayments, prepaid value added taxes and other receivables from related parties and non-controlling interests). As at 31 December 2019, the Group has assessed that there is no significant increase of credit risk for other receivables. Thus the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

On that basis, as at 31 December 2019, the loss allowance provision for the contract assets and trade receivables was determined as follow. The expected credit losses below also incorporated forward looking information.

	Current	Up to 3 months	3 months to 1 year	1 to 2 years	Over 2 years	Total
At 31 December 2019						
Expected loss rate	–	0.10%~1%	1%~2%	5%~10%	10%~50%	
Gross carrying amount						
– trade receivables	5,024,488	1,642,589	725,843	253,731	155,386	7,802,037
Gross carrying amount						
– contract assets	1,262,681	62,494	55,552	–	–	1,380,727
Loss allowance						
– trade receivables	–	7,721	13,563	18,183	33,973	73,440
Loss allowance						
– contract assets	–	62	1,109	–	–	1,171
At 31 December 2018						
Expected loss rate	–	0.10%~1%	1%~2%	5%~10%	10%~50%	
Gross carrying amount						
– trade receivables	6,071,782	226,542	234,262	75,578	101,398	6,709,562
Gross carrying amount						
– contract assets	410,921	20,209	17,964	–	–	449,094
Loss allowance						
– trade receivables	–	227	4,205	6,685	20,952	32,069
Loss allowance						
– contract assets	–	20	359	–	–	379

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (continued)

(c) Credit risk (continued)

As at 31 December 2019 the loss allowance provision for trade and other receivables (excluding prepayments, prepaid value-added taxes and other receivables from related parties and non-controlling interests) reconciles to the opening loss allowance for that provision as follows:

	Contract assets and trade receivables	Other receivables (excluding prepayments, prepaid value-added taxes and other receivables from related parties and non-controlling interests)	Total
At 1 January 2019	32,448	92,409	124,857
Impact of acquisition of subsidiaries	15,895	2,864	18,759
Provision for loss allowance recognised in profit or loss	38,317	164,459	202,776
Unused amounts reversed	(12,049)	(41,153)	(53,202)
At 31 December 2019	74,611	218,579	293,190

As at 31 December 2019, the gross carrying amount of contract assets and trade and other receivables (excluding prepayments, prepaid value-added taxes and other receivables from related parties and non-controlling interests) was RMB22,208,716,000 and thus the maximum exposure to loss was RMB21,915,526,000.

(d) Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including proceeds from pre-sale of properties, committed credit facilities and short-term and long-term borrowings to meet its construction commitments.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include control on investment in land bank, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing etc. The Group will pursue such options basing on its assessment of relevant future costs and benefits.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (continued)

(d) Liquidity risk (continued)

The table below analyses the Group's financial liabilities maturity profile and derivative financial instruments at the balance sheet date. The amounts disclosed thereon are the contractual undiscounted cash flows. Balances due within 12 months from the balance sheet date equal to their carrying amounts in the balance sheets, as the impact of discount should not be significant.

Contractual maturities of financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2019					
Non-derivatives					
Borrowings	**46,897,886**	**31,348,066**	**24,681,720**	**4,800,165**	**107,727,837**
Trade and other payables(*)	**45,838,189**	**2,201,976**	**–**	**–**	**48,040,165**
Total non-derivatives	**92,736,075**	**33,550,042**	**24,681,720**	**4,800,165**	**155,768,002**
Derivatives					
Gross settled (forward foreign exchange contracts)					
– (inflow)	**(52,862)**	**(3,418)**	**–**	**–**	**(56,280)**
– outflow	**106,546**	**16,074**	**–**	**–**	**122,620**
	53,684	**12,656**	**–**	**–**	**66,340**
At 31 December 2018					
Non-derivatives					
Borrowings	40,650,890	22,107,420	30,333,674	7,415,012	100,506,996
Trade and other payables(*)	36,439,895	–	–	–	36,439,895
Total non-derivatives	77,090,785	22,107,420	30,333,674	7,415,012	136,946,891
Derivatives					
Gross settled (forward foreign exchange contracts)					
– (inflow)	(99,948)	(476)	–	–	(100,424)
– outflow	107,140	6,620	–	–	113,760
	7,192	6,144	–	–	13,336

* Excluding staff welfare benefit payable, other taxes payable and advance from disposal of subsidiaries.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.1 Financial risk factors (continued)

(e) Price risk

Exposure

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated balance sheet as financial assets at FVPL.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

Sensitivity

The table below summarises the impact of increases/(decreases) of price of the stocks, which the Group purchased, on the Group's post-tax profit for the period. The analysis is based on that the stock price increased by 5% and 10% respectively or decreased by 5% and 10% with all other variables held constant, and that all the Group's equity instruments moved in line with the indexes.

	Impact on post-tax profit	
	2019	2018
Price of each stock – increase 5%	**9,085**	137,616
Price of each stock – decrease 5%	**(9,085)**	(137,616)
Price of each stock – increase 10%	**18,170**	275,231
Price of each stock – decrease 10%	**(18,170)**	(275,231)

Post-tax profit for the year would increase/(decrease) as a result of gains/(losses) on equity securities classified as at FVPL.

3.2 Capital risk management

The Group's objectives of capital management are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the unnecessary cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of any returns to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors its capital structure on a basis of gearing ratio. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheet. Net borrowings are calculated as total borrowings (including current borrowings and non-current borrowings as shown in the consolidated balance sheet) less total of cash and cash equivalents and restricted cash.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.2 Capital risk management (continued)

	2019	2018
Total borrowings (note 24)	**96,669,702**	88,529,357
Less: cash and cash equivalents (note 19)	**(33,551,303)**	(35,776,231)
restricted cash (note 18)	**(9,003,578)**	(9,285,376)
Net borrowings	**54,114,821**	43,467,750
Total equity	**65,336,476**	54,980,933
Gearing ratio	**82.8%**	79.1%

The increase in the gearing ratio during the year ended 31 December 2019 was primarily resulted from the increase in borrowings.

3.3 Fair value estimation

(a) Fair value hierarchy

At 31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVPL				
– Hong Kong listed equity securities and debt instruments	181,691	–	–	181,691
– Unlisted equity securities	–	–	326,084	326,084
– Wealth management products	–	–	430,083	430,083
– Others	–	–	70,173	70,173
Financial assets at FVOCI				
– Hong Kong listed equity securities	262,036	–	–	262,036
Total financial assets	443,727	–	826,340	1,270,067
Financial liabilities				
Financial liabilities at FVPL				
– Derivative financial instruments	–	66,340	–	66,340
– Put options	–	–	70,436	70,436
Total financial liabilities	–	66,340	70,436	136,776

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

At 31 December 2018	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVPL				
– Hong Kong listed equity securities and debt instruments	2,752,310	–	–	2,752,310
– Unlisted equity securities	–	–	459,721	459,721
– Wealth management products	–	–	20,000	20,000
Total financial assets	2,752,310	–	479,721	3,232,031
Financial liabilities				
Financial liabilities at FVPL				
– Derivative financial instruments	–	13,336	–	13,336
Total financial liabilities	–	13,336	–	13,336

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis as at 31 December 2019.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and wealth management products.

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.3 Fair value estimation (continued)

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- The fair value of foreign currency forwards is determined using forward exchange rates at the balance sheet date.
- The fair value of the remaining financial instruments is determined using discounted cash flow analysis.

All of the resulting fair value estimates are included in level 1 and 2 except for unlisted equity securities and wealth management products explained in (c) below.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 instruments for the years ended 31 December 2019 and 2018:

	31 December 2019	31 December 2018
Opening balance	**479,721**	277,500
Additions	**35,215,944**	25,333,568
Gains recognised in other gains, net	**98,664**	203,033
Disposal	**(139,188)**	–
Addition through business combinations (note 39)	**16,411**	–
Transfer to Hong Kong listed equity securities due to listing of the investee	–	(160,000)
Redemption of wealth management products	**(34,845,212)**	(25,174,380)
Closing balance	**826,340**	479,721

(All amounts in RMB thousands unless otherwise stated)

3 Financial risk management (Continued)

3.3 Fair value estimation (continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (continued)

Valuation processes

The finance department of the Group includes a team that performs the valuations of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once every year, the team would use valuation methodologies to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

The valuation of the level 3 instruments included the unlisted equity securities, wealth management products and others (note 17). As the investments are not traded in an active market, their fair value have been determined by discounted cash flows. The main level 3 inputs used by the Group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined using capital asset pricing models to calculate the pre-tax rates that reflect current market assessments of the time values of money and the risk specific to the assets.
- Earnings growth factor for unlisted equity securities and wealth management products: these are estimated based on market information for similar types of companies and products.
- Expected cash inflows: these are estimated based on the terms of the sale contracts, the entity's knowledge of the business and how the current economic environment is likely to impact them.

(d) Fair values of other financial instruments

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable and payable is either close to current market rates or the instruments are short-term in nature.

(All amounts in RMB thousands unless otherwise stated)

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provisions for impairment of properties under development, completed properties held for sale and long-term assets held for hotel operations

Provision is made when events or changes in circumstances indicate that the carrying amounts may not be recoverable. For the purpose of assessing provision for impairment, properties under development, completed properties held for sale and long-term assets held for hotel segment are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverability of the carrying amounts of land use rights for property development, properties under development and completed properties held for sale was assessed according to their recoverable amount, taking into account for costs to completion based on past experience and net sales value based on prevailing market conditions. The recoverable amounts of long-term assets held for hotel operation have been determined based on value-in-use calculations, taking into account latest market information and past experience. The assessment requires the use of judgement and estimates.

As at 31 December 2019, a provision for completed properties held for sale of RMB706,290,000 (2018: RMB677,738,000), a provision for properties under development of RMB1,561,682,000 (2018: RMB1,264,729,000) and a provision for long-term asset held for hotel operation of RMB154,376,000 were made (2018: nil).

(b) Fair value of investment properties

The best evidence of fair value is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows; and

(All amounts in RMB thousands unless otherwise stated)

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (continued)

(b) Fair value of investment properties (continued)

(iv) estimated costs to completion and expected developer's profit margin, derived from the construction budget and historical information of similar properties.

The Group assesses the fair value of its investment properties based on valuations determined by independent and professional qualified valuer.

The fair value gains from completed investment properties and investment properties under construction are disclosed in Note 7.

(c) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(d) Land appreciation taxes

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in property development business in the PRC are subject to land appreciation taxes, which have been included in the income tax expenses. However, the implementation of these taxes varies amongst various PRC cities and the Group has not finalised its land appreciation tax returns with various tax authorities for certain projects. Accordingly, judgement is required in determining the amount of land appreciation and its related taxes payable. The Group recognises these liabilities based on management's best estimates. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax expenses and provisions of land appreciation taxes in the period in which such determination is made.

(All amounts in RMB thousands unless otherwise stated)

4 Critical accounting estimates and judgements (Continued)

4.1 Critical accounting estimates and assumptions (continued)

(e) Recoverability of contract assets and trade and other receivables

The management assesses on a forward looking basis the expected credit losses associated with its contract assets and trade and other receivables. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The allowance are applied to these contract assets and receivables where the expectation is different from the original estimate, such difference will impact the carrying amount of contract assets and trade and other receivables and impairment charge in the periods in which such estimate has been changed.

As at 31 December 2019, the provision for impairment of contract asset and trade and other receivables is RMB293,190,000 (2018: RMB124,857,000).

(f) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in notes 2.11 and 2.12, where the recoverable amounts of the CGU is determined based on value-in-use calculations. These calculations require the use of estimates. Details of impairment assessment, key assumptions and impact of possible changes in key assumptions are disclosed in note 10.

(g) Estimation of the amount payable under residual value guarantees

The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. Typically, the expected residual value at lease commencement is equal to or higher than the guaranteed amount, and so the Group does not expect to pay anything under the guarantees.

At the end of each reporting period, the expected residual values are reviewed to reflect actual residual values achieved on comparable assets and expectations about future prices.

(h) Determination of the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options in offices and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

(All amounts in RMB thousands unless otherwise stated)

5 Segment information

(a) Description of segments and principal activities

The executive directors of the Company, which are the chief operating decision-makers of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on reports reviewed by the executive directors of the Company that are used to make strategy decision.

The Group is organised into five business segments: property development, property management, hotel operations, property investment and environmental protection. The associates and joint ventures of the Group are principally engaged in property development, property management and environmental protection and are included in the property development, property management and environmental protection segment respectively. As the executive directors of the Company consider most of the Group's consolidated revenue and results are attributable from the market in the PRC. Most of the non-current assets are located in the PRC, and less than 10% of the Group's consolidated assets are located outside the PRC, geographical segment information is not considered necessary.

The executive directors of the Company assess the performance of the operating segments based on a measure of segment results, being profit before income tax before deducting finance costs.

The Group has a large number of customers, none of whom contributed 5% or more of the Group's revenue.

Analysis of revenue from external customers by the category for the years ended 31 December 2019 and 2018 is as follows:

	2019	2018
Sales of developed properties	**54,177,160**	52,487,664
Property management services	**3,577,311**	2,132,813
Hotel operations	**801,742**	721,667
Rental income from investment properties	**172,630**	189,045
Environmental protection services	**1,510,254**	613,737
	60,239,097	56,144,926

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (continued)

Segment information provided to the executive directors of the Company for the reporting segments for the years ended 31 December 2019 and 2018 are as follows:

Year ended 31 December 2019

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Elimination	Group
Gross segment sales	54,177,160	5,127,293	801,742	172,630	1,510,254	–	61,789,079
Inter-segment sales	–	(1,549,982)	–	–	–	–	(1,549,982)
Sales to external customers	54,177,160	3,577,311	801,742	172,630	1,510,254	–	60,239,097
Timing of revenue recognition							
– At a point in time	50,808,866	11,179	–	–	33,406	–	50,853,451
– Over time	3,368,294	3,566,132	801,742	172,630	1,476,848	–	9,385,646
Fair value gains on investment properties (note 7)	–	–	–	117,070	–	–	117,070
Operating profit/(loss)	16,491,288	1,385,038	(351,411)	180,054	334,783	–	18,039,752
Share of post-tax profit of investments accounted for using the equity method (note 11)	1,053,637	22,635	–	–	9,974	–	1,086,246
Segment result	17,544,925	1,407,673	(351,411)	180,054	344,757	–	19,125,998
Finance costs, net (note 33)							(2,529,824)
Profit before income tax							16,596,174
Income tax expenses (note 34)							(7,362,928)
Profit for the year							9,233,246
Depreciation	336,392	37,899	306,130	–	90,340	–	770,761
Amortisation of intangible assets	12,294	48,433	880	–	33,998	–	95,605
Write-down of properties under development, completed properties held for sale and property, plant and equipment	325,505	–	154,376	–	–	–	479,881

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (continued)

Year ended 31 December 2018

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Elimination	Group
Gross segment sales	52,487,664	3,376,749	721,667	189,045	613,737	–	57,388,862
Inter-segment sales	–	(1,243,936)	–	–	–	–	(1,243,936)
Sales to external customers	52,487,664	2,132,813	721,667	189,045	613,737	–	56,144,926
Timing of revenue recognition							
– At a point in time	51,668,575	4,195	–	–	–	–	51,672,770
– Over time	819,089	2,128,618	721,667	189,045	613,737	–	4,472,156
Fair value gains on investment properties (note 7)	–	–	–	1,952,355	–	–	1,952,355
Operating profit/(loss)	18,952,097	1,076,280	(127,848)	2,020,407	197,418	–	22,118,354
Share of post-tax (loss)/profit of investments accounted for using the equity method (note 11)	(5,832)	(68)	–	–	32,998	–	27,098
Segment result	18,946,265	1,076,212	(127,848)	2,020,407	230,416	–	22,145,452
Finance costs, net (note 33)							(2,744,353)
Profit before income tax							19,401,099
Income tax expenses (note 34)							(11,043,282)
Profit for the year							8,357,817
Depreciation	192,439	10,121	280,794	–	31,161	–	514,515
Amortisation of land use rights and intangible assets	16,805	23,302	48,670	–	5,177	–	93,954
Write-down of properties under development and completed properties held for sale	1,489,770	–	–	–	–	–	1,489,770

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (continued)

Segment assets and liabilities and capital expenditure as at 31 December 2019 are as follow:

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Elimination	Group
Segment assets	224,299,039	8,618,143	11,475,325	8,495,950	17,433,296	(5,788,236)	264,533,517
Unallocated assets							8,698,308
Total assets							273,231,825
Segment assets include: Investments accounted for using the equity method (note 11)	13,907,604	583,634	–	–	219,951	–	14,711,189
Segment liabilities	75,791,172	2,479,562	4,060,271	16,612	13,787,002	(5,788,236)	90,346,383
Unallocated liabilities							117,548,966
Total liabilities							207,895,349
Capital expenditure	1,007,291	718,523	368,150	52,430	4,218,372	–	6,364,766

Segment assets and liabilities and capital expenditure as at 31 December 2018 are as follow:

	Property development	Property management	Hotel operations	Property investment	Environmental protection	Elimination	Group
Segment assets	192,769,689	7,280,920	8,432,727	8,804,220	6,955,524	(1,628,423)	222,614,657
Unallocated assets							7,831,130
Total assets							230,445,787
Segment assets include: Investments accounted for using the equity method (note 11)	9,710,362	422	–	–	377,569	–	10,088,353
Segment liabilities	59,113,638	1,558,055	3,449,498	18,839	5,511,922	(1,628,423)	68,023,529
Unallocated liabilities							107,441,325
Total liabilities							175,464,854
Capital expenditure	356,805	100,326	108,331	–	1,339,968	–	1,905,430

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(a) Description of segments and principal activities (continued)

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2019 as follows:

	Assets	Liabilities
Segment assets/liabilities	**264,533,517**	**90,346,383**
Unallocated:		
Deferred income taxes	**1,350,770**	**3,179,780**
Prepaid income taxes	**6,077,471**	–
Financial assets at FVPL	**1,008,031**	–
Financial assets at FVOCI	**262,036**	–
Financial liabilities at FVPL	–	**136,776**
Current income tax liabilities	–	**17,562,708**
Current borrowings	–	**42,297,082**
Non-current borrowings	–	**54,372,620**
Total	**273,231,825**	**207,895,349**

Segment assets and liabilities are reconciled to total assets and liabilities as at 31 December 2018 as follows:

	Assets	Liabilities
Segment assets/liabilities	222,614,657	68,023,529
Unallocated:		
Deferred income taxes	1,433,982	1,884,085
Prepaid income taxes	3,165,117	–
Financial assets at FVPL	3,232,031	–
Derivative financial instruments	–	13,336
Current income tax liabilities	–	17,014,547
Current borrowings	–	35,332,872
Non-current borrowings	–	53,196,485
Total	230,445,787	175,464,854

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(b) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December 2019	As at 31 December 2018
Current contract assets relating to properties sale contracts	**583,676**	449,094
Current contract assets relating to construction contracts	**797,051**	–
Loss allowance	**(1,171)**	(379)
Total contract assets	**1,379,556**	448,715

Inter-segment transfers or transactions are entered into at terms and conditions agreed upon by respective parties.

Eliminations comprise inter-segment trade and non-trade balances.

Pricing policy for inter-segment transactions is determined by reference to market price.

Segment assets consist primarily of property, plant and equipment, land use rights, right-of-use assets, intangible assets, properties under development, completed properties held for sale, investment properties, receivables, contract assets and cash balances. Unallocated assets comprise deferred income tax assets, prepaid income taxes, financial assets at FVOCI and financial assets at FVPL. Segment liabilities comprise operating liabilities. Unallocated liabilities comprise taxation, borrowings and financial liabilities at FVPL.

Capital expenditure comprises additions to property, plant and equipment, land use rights, right-of-use assets, investment properties and intangible assets.

(c) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December 2019	As at 31 December 2018
Contract liabilities		
– Related parties (note 43(c))	**44,094**	3,530
– Third parties	**33,591,856**	25,486,028
	33,653,950	25,489,558

(All amounts in RMB thousands unless otherwise stated)

5 Segment information (Continued)

(c) Contract liabilities (continued)

(i) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	As at 1 January 2019	As at 1 January 2018
Revenue recognised that was included at the beginning of the year		
Sales of properties	25,094,077	13,971,386
Property management services and value-added services	395,481	256,644
	25,489,558	14,228,030

(iii) Unsatisfied performance obligations

The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities as of 31 December 2019 and 31 December 2018.

(d) Assets recognised from incremental costs to obtain a contract

During the year ended 31 December 2019, there was no significant incremental costs to obtain a contract.

(All amounts in RMB thousands unless otherwise stated)

6 Property, plant and equipment

	Buildings	Transportation equipment	Office equipment	Machinery	Construction in progress	Total
At 31 December 2017						
Cost	7,412,424	185,215	200,852	300,402	1,569,045	9,667,938
Accumulated depreciation	(1,636,480)	(150,898)	(167,946)	(139,577)	–	(2,094,901)
Net book amount	5,775,944	34,317	32,906	160,825	1,569,045	7,573,037
Year ended 31 December 2018						
Opening net book amount	5,775,944	34,317	32,906	160,825	1,569,045	7,573,037
Additions	36,033	239,630	57,999	17,358	772,550	1,123,570
Revaluation surplus (note (c))	348,148	–	–	–	–	348,148
Acquisition of subsidiaries	23,759	9,199	2,005	8,851	480,928	524,742
Transfer from completed construction projects	124,784	214	569	13,800	(139,367)	–
Transfer from investment properties (note 7)	176,920	–	–	–	–	176,920
Transfer to investment properties (note (c))	(400,528)	–	–	–	–	(400,528)
Transfer to properties under development	(51,623)	–	–	–	–	(51,623)
Disposals	(15,906)	(3,616)	(2,186)	(3,918)	(598)	(26,224)
Depreciation	(437,207)	(34,444)	(23,798)	(19,066)	–	(514,515)
Closing net book amount	5,580,324	245,300	67,495	177,850	2,682,558	8,753,527
At 31 December 2018						
Cost	7,659,764	403,640	186,691	327,396	2,682,558	11,260,049
Accumulated depreciation	(2,079,440)	(158,340)	(119,196)	(149,546)	–	(2,506,522)
Net book amount	5,580,324	245,300	67,495	177,850	2,682,558	8,753,527
Year ended 31 December 2019						
Opening net book amount	5,580,324	245,300	67,495	177,850	2,682,558	8,753,527
Additions	96,096	28,731	71,997	108,534	1,607,965	1,913,323
Acquisition of subsidiaries (note 39)	481,829	22,344	7,848	299,252	1,065,535	1,876,808
Transfer from completed construction projects	486,338	–	449	120,429	(607,216)	–
Transfer from investment properties (note 7)	420,000	–	–	–	–	420,000
Transfer to properties under development	(25,783)	–	–	–	–	(25,783)
Transfer to assets held for sale (note (f))	–	–	–	–	(276,021)	(276,021)
Disposals	(23,856)	(205,091)	(2,765)	(3,806)	(893)	(236,411)
Depreciation	(463,126)	(21,304)	(31,276)	(53,405)	–	(569,111)
Impairment loss (note (e))	(154,376)	–	–	–	–	(154,376)
Closing net book amount	6,397,446	69,980	113,748	648,854	4,471,928	11,701,956
At 31 December 2019						
Cost	9,114,760	234,779	259,237	868,112	4,471,928	14,948,816
Accumulated depreciation	(2,562,938)	(164,799)	(145,489)	(219,258)	–	(3,092,484)
Impairment loss	(154,376)	–	–	–	–	(154,376)
Net book amount	6,397,446	69,980	113,748	648,854	4,471,928	11,701,956

(All amounts in RMB thousands unless otherwise stated)

6 Property, plant and equipment (Continued)

Depreciation expenses were charged to the following categories in the consolidated income statement:

	2019	2018
Cost of sales	343,614	363,308
Selling and marketing costs	38,901	37,552
Administrative expenses	186,596	113,655
	569,111	514,515

Notes:

(a) As at 31 December 2019, buildings of RMB2,347,883,000 (2018: RMB2,527,699,000) were pledged as collateral for the Group's borrowings (note 24).

(b) During the year ended 31 December 2019, the Group has capitalised borrowing costs amounting to RMB128,196,000 (2018: RMB5,435,000) on property, plant and equipment. Borrowing costs were capitalised at the weighted average rate of its general borrowings of 7.54% (2018: 7.27%).

(c) During the year ended 31 December 2018, certain property, plant and equipment of RMB400,528,000 and land use right of RMB23,073,000 were transferred to investment property on the inception of operating lease with a revaluation surplus of RMB348,148,000 in the date transferred, which the corresponding revaluation surplus net of tax were recorded in other comprehensive income and consolidated balance sheet respectively of RMB261,111,000 and the deferred tax liabilities of RMB87,037,000.

(d) Buildings mainly represent the office buildings and hotel buildings. Constructions in progress mainly represent construction costs and other costs incurred for the construction of environmental factories and equipment.

(e) As at 31 December 2019, a provision of RMB154,376,000 was made to write down the long-term assets held for hotel operation (2018: nil).

(f) In December 2019, the Group has signed an agreement with a third party to sell a hotel building under construction. As at 31 December 2019, the transaction has not been completed thus the hotel building was reclassified as assets held for sale.

(All amounts in RMB thousands unless otherwise stated)

7 Investment properties

	2019	2018
Opening net book amount	**8,804,220**	5,886,604
Capitalised subsequent expenditure	**52,430**	–
Disposals	**(57,770)**	–
Transfer from completed properties held for sale (note (h))	–	718,580
Transfer from property, plant and equipment (note 6(c))	–	400,528
Transfer from land use rights (note 8)	–	23,073
Transfer to property, plant and equipment (note (i))	**(420,000)**	(176,920)
Revaluation gains recognised in consolidated income statement	**117,070**	1,952,355
Closing net book amount	**8,495,950**	8,804,220
Investment properties:		
– Completed investment properties	**7,205,050**	7,550,320
– Investment properties under construction	**1,290,900**	1,253,900
Total	**8,495,950**	8,804,220

Notes:

(a) The investment properties are located in the PRC and are held on lease of between 40 to 70 years.

(b) Amounts recognised in the consolidated income statement for investment properties:

	2019	2018
Rental income	**172,630**	189,045
Direct operating expenses of investment properties that generated rental income	**(91,954)**	(95,396)
Direct operating expenses of investment properties that did not generate rental income	**(17,690)**	(25,598)
	62,986	68,051

As at 31 December 2019, the Group had no unprovided contractual obligations for future repairs and maintenance (2018: nil).

(c) Fair value hierarchy
As at 31 December 2019 and 2018, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between levels 1, 2 and 3 during the year (2018: nil).

7 Investment properties (Continued)

Notes: (continued)

(d) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2019 by an independent professionally qualified valuer, Vigers Appraisal & Consulting Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that reviews the valuations performed by the independent valuer for financial reporting purposes. This team reports directly to the executive directors. Discussion of valuation processes and results are held amongst the executive directors, the valuation team and the valuer at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end, the finance department:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report; and
- Holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the bi-annual valuation discussions between the executive directors and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements.

Valuation techniques

Fair values of completed commercial properties and commercial properties under development are generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuers, view of recent lettings, within the subject properties and other comparable properties.

Fair values of car parks are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

(All amounts in RMB thousands unless otherwise stated)

7 Investment properties (Continued)

Notes: (continued)

(e) Valuation techniques

	Description	Location	Fair value as at 31 December 2019	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office and retail shop	PRC	**6,955,850**	Income capitalisation	Term yields	4%
					Reversionary yields	4%~7%
					Market rents (RMB/square meter/month)	30~998
	Car park	PRC	**249,200**	Direct comparison method	Market price (RMB/square meter)	3,327~8,407
Investment properties under construction	Retail shop	PRC	**1,290,900**	Income capitalisation	Budgeted construction costs to be incurred (RMB/square meter)	1,211
					Market rents (RMB/square meter/month)	41~199
					Reversionary yields	5%
					Discount rate	6%

	Description	Location	Fair value as at 31 December 2018	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Completed investment properties	Office and retail shop	PRC	7,301,120	Income capitalisation	Term yields	4%
					Reversionary yields	4%~7%
					Market rents (RMB/square meter/month)	30~972
	Car park	PRC	249,200	Direct comparison method	Market price (RMB/square meter)	3,327~8,407
Investment properties under construction	Retail shop	PRC	1,253,900	Income capitalisation	Budgeted construction costs to be incurred (RMB/square meter)	1,211
					Market rents (RMB/square meter/month)	41~197
					Reversionary yields	5%
					Discount rate	6%

There are inter-relationships between unobservable inputs.

For office and retail shop, increase in term yields and revisionary yields may result in decrease of fair value. Increase in market rent may result in increase of fair value.

For car park, increase in market price may result in increase in fair value.

For investment properties under construction, increase in budgeted construction costs to be incurred may result in decrease in fair value. Increase in revisionary yields and discount rate may result in decrease of fair value. Increase in market rent may result in increase of fair value.

There are no changes to the valuation technique during the year ended 31 December 2019.

(All amounts in RMB thousands unless otherwise stated)

7 Investment properties (Continued)

Notes: (continued)

(f) Investment properties pledged as security

As at 31 December 2019, investment properties of RMB5,388,000,000 (2018: RMB5,854,120,000) and certain rights of receiving rental income were pledged as collateral for the Group's borrowings (note 24).

(g) Leasing arrangements

Certain investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are disclosed in note 42.

The period of leases whereby the Group leases out its investment properties under operating leases ranged from 1 year to 20 years.

(h) During the year ended 31 December 2018, certain retail shops were transferred from the completed properties held for sale to investment properties (2019: nil).

(i) During the year ended 31 December 2019, certain floor areas of office buildings were transferred from investment properties to property, plant and equipment as the Group started to occupy such areas as office.

8 Land use rights

	2019	2018
At 1 January	**2,039,236**	2,073,655
Adoption of HKFRS 16 as at 1 January 2019	**(2,039,236)**	–
Additions	–	30,522
Acquisition of subsidiaries	–	90,586
Transfer to properties under development	–	(57,449)
Transfer to investment properties (note 7)	–	(23,073)
Disposals	–	(13,349)
Amortisation		
– Capitalised in construction in progress	–	(5,411)
– Recognised as cost of sales (note 31)	–	(41,222)
– Recognised as expenses (note 31)	–	(15,023)
	–	2,039,236

Notes:

(a) Land use rights comprise cost of acquiring usage rights of certain land, which are located in the PRC, held on leases of over 40 years, and mainly for hotel properties or self-used buildings over fixed periods. On adoption of HKFRS16, the Group has reclassified the land use rights as right-of-use assets as at 1 January 2019.

(All amounts in RMB thousands unless otherwise stated)

9 Lease

This note provides information for leases where the Group is a lessee.

(a) Amounts recognised in the consolidated balance sheet

	31 December 2019	1 January 2019
Right-of-use assets		
Land use rights (note (i))	2,411,264	2,059,564
Property, plant and equipment	665,945	174,046
	3,077,209	2,233,610
Lease liabilities		
Current	182,411	73,076
Non-current	390,326	121,298
	572,737	194,374

(i) The Group has land lease arrangement with mainland China government.

(ii) Additions to the right-of-use assets during the 2019 financial year were RMB1,107,398,000.

(iii) As at 31 December 2019, land use rights of RMB1,299,379,000 (2018: RMB1,285,839,000) were pledged as collateral for the Group's borrowings (note 24).

(All amounts in RMB thousands unless otherwise stated)

9 Lease (Continued)

(b) Amount recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases.

	2019	2018
Depreciation charge of right-of-use assets		
Land use rights	66,580	
Buildings and equipment	135,057	–
Others	13	–
	201,650	–
Interest expense (included in finance cost)	37,006	–
Expense relating to short-term leases and leases of low-value assets (included in cost of goods sold and administrative expenses)	48,020	–

The total cash outflow for leases in 2019 was RMB333,497,000.

(c) The Group's leasing activities and how these are accounted for

The Group leases various land use rights, offices, transportation equipment and other equipment. Rental contracts are typically made for fixed periods of 3 months to 30 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes except for those with land use right certification.

(All amounts in RMB thousands unless otherwise stated)

10 Intangible assets

	Computer software	Trademarks	Operating concessions	Customer relationship	Other intangible assets subtotal	Goodwill (note b)	Total
At 31 December 2017							
Cost	136,348	18,000	–	77,000	231,348	1,303,095	1,534,443
Accumulated amortisation	(69,457)	(1,800)	–	(4,813)	(76,070)	–	(76,070)
Net book amount	66,891	16,200	–	72,187	155,278	1,303,095	1,458,373
Year ended 31 December 2018							
Opening net book amount	66,891	16,200	–	72,187	155,278	1,303,095	1,458,373
Additions	10,900	–	–	–	10,900	–	10,900
Acquisition of subsidiaries (note (c))	6,169	52,081	–	66,860	125,110	538,518	663,628
Amortisation (note (a))	(11,364)	(4,293)	–	(16,641)	(32,298)	–	(32,298)
Closing net book amount	72,596	63,988	–	122,406	258,990	1,841,613	2,100,603
At 31 December 2018							
Cost	153,417	70,081	–	143,860	367,358	1,841,613	2,208,971
Accumulated amortisation	(80,821)	(6,093)	–	(21,454)	(108,368)	–	(108,368)
Net book amount	72,596	63,988	–	122,406	258,990	1,841,613	2,100,603
Year ended 31 December 2019							
Opening net book amount	**72,596**	**63,988**	–	**122,406**	**258,990**	**1,841,613**	**2,100,603**
Additions	**14,586**	–	**360,230**	–	**374,816**	–	**374,816**
Acquisition of subsidiaries (note (c), note 39)	**8,663**	**59,825**	**625,266**	**346,237**	**1,039,991**	**2,055,442**	**3,095,433**
Amortisation (note (a))	**(15,794)**	**(15,834)**	**(13,465)**	**(50,512)**	**(95,605)**	–	**(95,605)**
Closing net book amount	**80,051**	**107,979**	**972,031**	**418,131**	**1,578,192**	**3,897,055**	**5,475,247**
At 31 December 2019							
Cost	**176,666**	**129,906**	**985,496**	**490,097**	**1,782,165**	**3,897,055**	**5,679,220**
Accumulated amortisation	**(96,615)**	**(21,927)**	**(13,465)**	**(71,966)**	**(203,973)**	–	**(203,973)**
Net book amount	**80,051**	**107,979**	**972,031**	**418,131**	**1,578,192**	**3,897,055**	**5,475,247**

(All amounts in RMB thousands unless otherwise stated)

10 Intangible assets (Continued)

Notes:

(a) Amortisation expenses were charged to the following categories in the consolidated income statement:

	2019	2018
Cost of sales	75,457	19,395
Selling and marketing costs	628	817
Administrative expenses	19,520	12,086
	95,605	32,298

(b) The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill. Goodwill as at 31 December 2019 was comprised of the followings:

	2019	2018
Goodwill arising from acquisition of property management companies	1,370,927	1,045,362
Goodwill arising from acquisition of environmental protection companies	2,366,306	688,734
Goodwill arising from other acquisitions	159,822	107,517
	3,897,055	1,841,613

(c) Intangible assets through acquisition of subsidiaries

An independent valuation was performed by an independent valuer to determine the amount of the trademarks, customer relationship and operating concessions. Methods and key assumptions in determining the fair value of trademarks, customer relationship and operating concessions as at acquisition date are disclosed as follows:

	Valuation technique	Discount rate	Expected life of the intangible assets as at 31 December 2019
Trademarks	Discounted cash flow	16.6-19.8%	5-20 years
Customer relationship	Discounted cash flow	18.3-19.8%	6-10 years
Operating concessions	Discounted cash flow	3.3-17.3%	3-28 years

As at 31 December 2019, management performed an impairment assessment on the goodwill and other intangible assets. The recoverable amounts have been determined based on value-in-use calculation. The calculation used cash flow projections on financial budgets covering a five-year period for property management companies, environmental protection companies approved by management.

(All amounts in RMB thousands unless otherwise stated)

10 Intangible assets (Continued)

Notes: (continued)

(c) Intangible assets through acquisition of subsidiaries (continued)

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as at 31 December 2019 and 2018:

	Property management companies	Environmental protection companies	Others
As at 31 December 2019			
Compound annual growth rate of revenue during the projection period (%)	3%-41%	3%-77%	3%-17%
EBITDA margin during the projection period (%)	9%-20%	9%-87%	8%-21%
Long term growth rate (%)	3%	3%	3%
Pre-tax discount rate (%)	20%-23%	18%	17%-25%
As at 31 December 2018			
Compound annual growth rate of revenue during the projection period (%)	11%-46%	5%-77%	3%-20%
EBITDA margin during the projection period (%)	14%-16%	16%-70%	9%-14%
Long term growth rate (%)	3%	3%	3%
Pre-tax discount rate (%)	19%-21%	16%	20%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Compound annual growth rate of revenue	Based on past performance and management's expectations of market development. For Greenland Property Services, year-on-year increment in projected revenue is mainly attributable to the estimated incremental gross floor area committed by Greenland Holdings according to the investment cooperation framework agreement.
EBITDA margin	Based on past performance and management's expectations for the future.
Average trade receivables turnover days	Based on past performance and management's expectations for the future.
Long term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period.
Pre-tax discount rate	Reflect specific risks relating to the relevant cash-generating units

As at 31 December 2019, the recoverable amount of RMB 1,299 million of the property management business operated by Greenland Property Services Co., Ltd., the subsidiary of the Group, calculated based on value-in-use exceeded its carrying value of RMB 1,148 million by RMB 151 million. Decrease by 4.12 percentage points in compound annual growth rate of revenue, decrease by 1.97 percentage points in estimated EBITDA margin, decrease by 3.69 percentage points in estimated long term growth rate, increase by 39.6 days in estimated average trade receivables turnover days or increase by 2.06 percentage points in estimated pre-tax discount rate, all changes taken in isolation in the value-in-use calculations, would remove the remaining headroom.

By reference to the recoverable amount assessed by the independent valuer as at 31 December 2019, the directors of the Company determined that no impairment provision on goodwill was required as at 31 December 2019 (2018: nil).

(All amounts in RMB thousands unless otherwise stated)

11 Investments accounted for using equity method

The directors of the Group consider that none of the associates and the joint ventures as at 31 December 2019 and 31 December 2018 was significant to the Group and thus the individual financial information of the associates and the joint ventures was not disclosed. The summarised financial information of individually immaterial associates and joint ventures on an aggregate basis is as follows:

The movement of the interests in the associates and the joint ventures during the year is as follows:

	2019	2018
Balance as at 1 January	**10,088,353**	7,005,735
Additions	**2,103,494**	3,055,520
Addition through business combination (note 39)	**9,915**	–
Transfer from a subsidiary (note 37)	**2,706,776**	–
Transfer to a subsidiary (note (a) and note 39)	**(1,834,305)**	–
Remeasurement gains on the investment in joint venture (note (a) and note 28)	**579,449**	–
Share of post-tax profits	**1,086,246**	27,098
Dividends received	**(28,739)**	–
Balance as at 31 December	**14,711,189**	10,088,353

The aggregate amounts of the Group's shares of the investments accounted for using the equity method are as follows:

	2019	2018
Gains from continuing operations	**1,086,246**	27,098
Total comprehensive income	**1,086,246**	27,098

Notes:

(a) As at 31 December 2019, the Group acquired additional 50% equity interests in a joint venture from the other independent shareholder of the joint venture at the considerations of RMB1,834,305,000 in total. Upon the completion of the acquisition, the joint venture became a wholly owned subsidiary of the Group with a remeasurement gains on the investment in joint venture recognised in amount of RMB579,449,000 (note 28).

As at 31 December 2019, the Group's shares of losses of certain investment companies exceeds its interests in the underlying entities, and the unrecognised share of losses of the associates amounted to RMB169,828,000 (31 December 2018: RMB193,282,000).

The contingent liabilities relating to the Group's investments accounted for using equity method are disclosed in note 40. There is no commitment relating to the Group's investments accounted for using equity method.

(All amounts in RMB thousands unless otherwise stated)

12 Properties under development

	2019	2018
Properties under development expected to be completed:		
– Within one operating cycle included under current assets	**79,622,115**	73,584,977
– Beyond one operating cycle included under non-current assets	**31,742,993**	16,936,396
	111,365,108	90,521,373
Properties under development comprise:		
– Construction costs and capitalised expenditures	**22,578,415**	16,621,623
– Capitalised interests	**6,488,257**	4,919,100
– Land use rights	**82,298,436**	68,980,650
	111,365,108	90,521,373

Most of the Group's properties under development are located in the PRC. The relevant land use rights in the PRC are on leases of 40 to 70 years.

The capitalisation rate of borrowings is 7.54% for the year ended 31 December 2019 (2018: 7.27%).

As at 31 December 2019, a provision of RMB1,561,682,000 was made to write down the properties under development (31 December 2018: RMB1,264,729,000).

As at 31 December 2019, land use rights included in the properties under development with net book value of RMB41,031,375,000 (2018: RMB38,935,943,000) were pledged as collateral for the Group's borrowings (note 24).

13 Completed properties held for sale

All completed properties held for sale are located in the PRC. The relevant land use rights are on leases of 40 to 70 years.

As at 31 December 2019, a provision of RMB706,290,000 was made to write down the completed properties held for sale (31 December 2018: RMB677,738,000).

As at 31 December 2019, completed properties held for sale of approximately RMB116,563,000 (2018: RMB94,341,000) were pledged as collateral for the Group's borrowings (note 24).

(All amounts in RMB thousands unless otherwise stated)

14 Financial instruments by category

Assets as per consolidated balance sheet

Financial assets	2019	2018
Financial assets at amortised cost		
– Trade and other receivables excluding prepaid value-added taxes and other taxes and prepayments	36,665,090	38,879,109
– Restricted cash	9,003,578	9,285,376
– Cash and cash equivalents	33,551,303	35,776,231
Financial assets at FVPL	1,008,031	3,232,031
Financial assets at FVOCI	262,036	–
	80,490,038	87,172,747

Liabilities as per consolidated balance sheet

Financial liabilities	2019	2018
Other financial liabilities at amortised cost		
– Borrowings	96,669,702	88,529,357
– Trade and other payables, excluding staff welfare benefit payable, other taxes payable and advances from disposal of subsidiaries	48,040,165	36,439,895
Lease liabilities	572,737	–
Financial liability at FVPL	136,776	13,336
	145,419,380	124,982,588

15 Prepayments for acquisition of land use rights

Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the balance sheet when the Group obtains contractual usage rights of the relevant lands.

(All amounts in RMB thousands unless otherwise stated)

16 Trade and other receivables

	2019	2018
Trade receivables (note(a))		
– Associates (note 43(c))	**41,829**	–
– Joint ventures (note 43(c))	**548,298**	–
– Third parties	**7,211,910**	6,709,562
Less: allowance for impairment of trade receivables (note 3.1(c))	**(73,440)**	(32,069)
Total trade receivables	**7,728,597**	6,677,493
Other receivables due from:		
– Associates (note 43(c))	**2,765,175**	5,280,259
– Joint ventures (note 43(c))	**11,545,060**	13,516,462
– Other related parties (note 43(c))	**193,728**	195,484
– Non-controlling interests	**1,633,207**	1,272,542
– Third parties	**12,173,705**	10,911,505
Prepaid value-added taxes and other taxes	**2,843,320**	887,133
Deposits for acquisition of land use rights	**844,197**	1,117,773
Prepayments	**1,033,784**	479,686
Less: allowance for impairment of other receivables (note 3.1(c))	**(218,579)**	(92,409)
Total other receivables	**32,813,597**	33,568,435
Less: other receivables due from related parties and prepayments for non-current assets – non-current portion	**(5,182,026)**	(12,510,503)
Other receivables-current portion	**27,631,571**	21,057,932
Trade and other receivables-current portion	**35,360,168**	27,735,425

As at 31 December 2019, the fair value of trade and other receivables approximated their carrying amounts.

Notes:

(a) Trade receivables mainly arose from sales of properties and provision of property management services. Trade receivables are settled in accordance with the terms stipulated in the property sale and purchase agreements or property management service agreements. As at 31 December 2019 and 2018, the ageing analysis of the trade receivables based on invoice date is as follows:

	2019	2018
Within 90 days	**4,803,143**	3,662,447
Over 90 days and within 365 days	**2,283,793**	2,350,270
Over 365 days	**715,101**	696,845
	7,802,037	6,709,562

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB73,440,000 was made against the gross amounts of trade receivables (2018: RMB32,069,000) (note 3.1(c)).

As at 31 December 2019, trade receivable of approximately RMB1,275,993,000 (31 December 2018: RMB1,519,914,000) were pledged as collateral for Group's borrowings (note 24(d)).

(b) The carrying amounts of trade and other receivables are mainly denominated in RMB.

(All amounts in RMB thousands unless otherwise stated)

17 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are all held for trading and include the following:

	2019	2018
Current assets		
Hong Kong listed equity securities and debt instruments	**181,691**	2,752,310
Unlisted equity securities	**326,084**	459,721
Wealth management products	**430,083**	20,000
Others	**70,173**	–
	1,008,031	3,232,031

Notes:

(a) Amounts recognised in profit or loss

Increases in fair values of financial assets at FVPL amounting to RMB999,715,000 are recorded as "other gains, net" (note 28) in the consolidated income statements.

(b) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in note 3.1(e). For information about the methods and assumptions used in determining fair value, please refer to note 3.3.

18 Restricted cash

As at 31 December 2019 and 2018, the Group's restricted cash were mainly denominated in RMB. The conversion of the PRC Group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

As at 31 December 2019 and 2018, restricted cash is mainly comprised of guarantee deposits for mortgage loans, guarantee deposits for construction of pre-sold properties, deposits for accident compensation and collateral for borrowings.

19 Cash and cash equivalents

	2019	2018
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	**30,055,563**	33,936,231
Short-term bank deposits	**3,495,740**	1,840,000
	33,551,303	35,776,231
Denominated in RMB (note (a))	**26,066,124**	33,061,738
Denominated in other currencies	**7,485,179**	2,714,493
	33,551,303	35,776,231

Note:

(a) The conversion of the PRC Group entities' RMB denominated bank balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

(All amounts in RMB thousands unless otherwise stated)

20 Share capital and premium

	Number of ordinary shares	Nominal value of ordinary shares HK$'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Authorised					
As at 31 December 2019 and 2018	10,000,000,000	1,000,000			
Issued and fully paid share capital					
As at 31 December 2019 and 2018	3,917,047,500	391,705	400,253	3,021,630	3,421,883

21 Share Award Scheme

On 10 December 2013, the Board of Directors of the Company adopted a Share Award Scheme, under which shares may be awarded to employees of the Company in accordance with the terms and conditions of the Share Award Scheme.

Pursuant to the rules of the Share Award Scheme, the Group has set up a trust ("Employee Share Trust"), for the purposes of administering the Share Award Scheme and holding Awarded Shares before they vest. On 10 February 2014, the Company allotted and issued 34,470,000 new shares to the trustee to hold on trust. On 3 January 2014, 32,750,000 of which has been granted to the 116 selected employees, subject to, among others, the performance conditions of both the Group and the awardees can be fulfilled and the awardees remain employed by the Group.

The award of first 30% and second 30% Awarded Shares lapsed effective from 26 August 2015 and 23 August 2016 respectively. Following the confirmation that relevant vesting conditions have not been satisfied on 20 June 2017, the Board resolved in its meeting held on 28 August 2017 that the award of the remaining 40% Awarded Shares lapsed effective from 28 August 2017. The lapsed shares hold in Share Award Scheme will not be cancelled. As at 31 December 2019, the shares under the Share Award Scheme held by the Employee Share Trustee amounted to RMB156,588,000 (2018: RMB156,588,000), which was presented within equity in the consolidated balance sheet. For the year ended 31 December 2019, no expenses in relation to the Share Award Scheme were recognised in the consolidated income statement as the performance condition were not fulfilled and no awarded shares were vested (2018: nil).

(All amounts in RMB thousands unless otherwise stated)

22 Other reserves

	Merger reserve (note (a))	Statutory reserve and enterprise expansion fund (note (b))	Translation reserve	Others	Total
Balance as at 1 January 2018	442,395	3,026,200	4,425	(2,687,620)	785,400
Transfer from retained earnings	–	124,310	–	–	124,310
Currency translation difference	–	–	(6,482)	–	(6,482)
Transaction with non-controlling interests	–	–	–	(21,670)	(21,670)
Capital injection by non-controlling interests (note (c))	–	–	–	1,462,313	1,462,313
Revaluation gain arising from property, plant and equipment transferred to investment properties, net of tax	–	–	–	261,111	261,111
Balance as at 31 December 2018	442,395	3,150,510	(2,057)	(985,866)	2,604,982
Balance as at 1 January 2019	**442,395**	**3,150,510**	**(2,057)**	**(985,866)**	**2,604,982**
Transfer from retained earnings	–	**753,986**	–	–	**753,986**
Currency translation difference	–	–	**(1,117)**	–	**(1,117)**
Redemption of Perpetual Capital Securities	–	–	–	**(427,512)**	**(427,512)**
Changes in the fair value of equity investments at FVOCI, net of tax	–	–	–	**21,857**	**21,857**
Acquisition of additional interests in subsidiaries	–	–	–	**41,250**	**41,250**
Put options granted during the acquisition of subsidiaries (note (d))	–	–	–	**(62,179)**	**(62,179)**
Balance as at 31 December 2019	**442,395**	**3,904,496**	**(3,174)**	**(1,412,450)**	**2,931,267**

Notes:

(a) Merger reserve of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the shares of the Company issued in exchange pursuant to the Group reorganisation undertaken for the listing of Company on Hong Kong Stock Exchange.

(b) Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

The appropriation to the enterprise expansion fund is solely determined by the board of directors of the PRC subsidiaries.

(c) A subsidiary of the Group, A-Living issued 333,334,000 H shares at a nominal value of RMB1.00 per share ("A-Living's New Issue"). Such shares were offered at HK$12.3 per share and listed on the Main Board of the Hong Kong Stock Exchange on 9 February 2018. Net proceeds from A-Living's New Issue amounted to RMB3,199,343,000. The Company's equity interest in A-Living was diluted from 72% to 54% as a result of A-Living's New Issue and A-Living is still the subsidiary of the Company after its listing. The difference between the net proceeds from A-Living's New Issue and the carrying amount of the diluted net assets of RMB1,462,313,000 was recorded as a credit to the other reserves.

(d) A-Living has granted put options to the non-controlling interests shareholder of its subsidiary, according to which, the non-controlling interests shareholder owned a right of put their shares in the subsidiary back on A-Living at the agreed price after certain period upon satisfaction of certain performance criteria of the subsidiary. The fair value of the put options was debited to the shareholders' equity of the Group.

(All amounts in RMB thousands unless otherwise stated)

23 Perpetual Capital Securities

On 18 January 2013, the Company issued subordinated perpetual capital securities (the "2013 Perpetual Capital Securities") with the aggregate principal amount of US$700,000,000. Net proceeds after deducting the issuance cost amounted to US$687,432,500 (equivalent to approximately RMB4,321,938,000). The 2013 Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2013 Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2013 Perpetual Capital Securities at the distribution rate as defined in the subscription agreement. On 18 July 2019, the Company redeemed all its outstanding 2013 Perpetual Capital Securities with an aggregate principal amount of US$700,000,000 at the redemption amount being the outstanding principal amount of the 2013 Perpetual Capital Securities plus accrued distributions.

On 27 March 2018, the Company issued senior perpetual capital securities with the aggregate principal amount of US$500,000,000. Net proceeds of the perpetual capital securities (the "2018 Perpetual Capital Securities I") after deducting the issuance cost amounted to US$491,539,000 (equivalent to approximately RMB3,107,957,000). The 2018 Perpetual Capital Securities I do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2018 Perpetual Capital Securities I are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2018 Perpetual Capital Securities I at the distribution rate as defined in the subscription agreement.

On 21 June 2018, the Company issued senior perpetual capital securities (the "2018 Perpetual Capital Securities II") with the principal amount of US$100,000,000. Net proceeds after deducting the issuance cost amounted to US$98,005,000 (equivalent to approximately RMB627,151,000). The 2018 Perpetual Capital Securities II do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2018 Perpetual Capital Securities II are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2018 Perpetual Capital Securities II at the distribution rate as defined in the subscription agreement.

On 4 June 2019, the Company issued senior perpetual capital securities (the "2019 Perpetual Capital Securities") with the principal amount of US$700,000,000. Net proceeds after deducting the issuance cost amounted to US$693,792,000 (equivalent to approximately RMB4,779,956,000). The 2019 Perpetual Capital Securities do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2019 Perpetual Capital Securities are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2019 Perpetual Capital Securities at the distribution rate as defined in the subscription agreement.

(All amounts in RMB thousands unless otherwise stated)

23 Perpetual Capital Securities (Continued)

On 31 October 2019, the Company issued senior perpetual capital securities (the "2019 Perpetual Capital Securities II") with the principal amount of US$500,000,000. Net proceeds after deducting the issuance cost amounted to US$496,558,000 (equivalent to approximately RMB3,497,619,000). The 2019 Perpetual Capital Securities II do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2019 Perpetual Capital Securities II are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2019 Perpetual Capital Securities II at the distribution rate as defined in the subscription agreement.

On 25 November 2019, the Company issued senior perpetual capital securities (the "2019 Perpetual Capital Securities III") with the principal amount of US$200,000,000. Net proceeds after deducting the issuance cost amounted to US$198,730,000 (equivalent to approximately RMB1,399,798,000). The 2019 Perpetual Capital Securities III do not have maturity date and the distribution payments can be deferred at the discretion of the Company. Therefore, the 2019 Perpetual Capital Securities III are classified as equity instruments and recorded in equity in the consolidated balance sheet. When the Company elects to declare dividends to its shareholders, the Company shall make distribution to the holders of 2019 Perpetual Capital Securities III at the distribution rate as defined in the subscription agreement.

Movement of the Perpetual Capital Securities is as follows:

	Principal	Distribution	Total
Balance as at 1 January 2018	5,333,154	196,270	5,529,424
Issuance of Perpetual Capital Securities	3,735,108	–	3,735,108
Profit attributable to holders of Perpetual Capital Securities	–	676,906	676,906
Distribution made to holders of Perpetual Capital Securities	–	(595,347)	(595,347)
Redemption of Perpetual Capital Securities	(1,011,216)	–	(1,011,216)
Balance as at 31 December 2018	8,057,046	277,829	8,334,875
Balance as at 1 January 2019	**8,057,046**	**277,829**	**8,334,875**
Issuance of Perpetual Capital Securities	**9,677,373**	**–**	**9,677,373**
Profit attributable to holders of Perpetual Capital Securities	**–**	**850,225**	**850,225**
Distribution made to holders of Perpetual Capital Securities	**–**	**(990,199)**	**(990,199)**
Redemption of Perpetual Capital Securities (note (a))	**(4,305,407)**	**–**	**(4,305,407)**
Balance as at 31 December 2019	**13,429,012**	**137,855**	**13,566,867**

Note:

(a) On 18 July 2019, the Company redeemed certain portion of the outstanding Perpetual Capital Securities at a redemption price of RMB4,810,120,000. No redemption premium was recognised in the consolidated income statement. The difference of RMB504,713,000 between the redemption price and the principal of the redeemed Perpetual Capital Securities was mainly attributable to exchange difference and RMB427,512,000 of those debited to other reserves while RMB77,201,000 debited to retained earnings.

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings

	2019	2018
Borrowings included in non-current liabilities:		
Senior notes (note (a))		
– Senior notes issued in 2015 ("2015 Senior notes") (note (a)(i))	3,468,738	3,404,973
– Senior notes issued in 2017 ("2017 Senior notes") (note (a)(ii))	1,381,795	1,353,991
– Senior notes issued in 2018 ("2018 Senior notes I") (note (a)(iii))	4,163,067	4,082,123
– Senior notes issued in 2018 ("2018 Senior notes II") (note (a)(iv))	2,774,113	2,710,393
– Senior notes issued in 2019 ("2019 Senior notes") (note (a)(v))	3,464,656	–
PRC corporate bonds (note (b))	8,567,219	8,556,251
Commercial mortgage backed securities (note (c))	4,084,182	4,073,272
Asset-backed securities (note (d))	904,408	1,054,866
Long-term syndicated loans		
– secured (note (e))	15,302,192	16,569,611
– unsecured (note (f))	1,513,829	3,189,536
Long-term bank borrowings		
– secured (note (e))	22,550,460	19,355,402
– unsecured (note (f))	9,123,273	7,702,072
Other borrowings		
– secured (note (e))	8,598,962	5,520,670
– unsecured (note (f))	1,189,710	1,002,295
Less: current portion of non-current borrowings	(32,713,984)	(25,378,970)
	54,372,620	53,196,485
Borrowings included in current liabilities:		
Short-term bank borrowings		
– secured (note (e))	2,495,166	1,778,944
– unsecured (note (f))	1,854,931	1,196,538
Short-term other borrowings		
– secured (note (e))	4,983,001	5,974,120
– unsecured (note (f))	250,000	1,004,300
Current portion of non-current borrowings	32,713,984	25,378,970
	42,297,082	35,332,872
Total borrowings	96,669,702	88,529,357

24 Borrowings (Continued)

Notes:

(a) Senior Notes

The senior notes are jointly guaranteed by certain subsidiaries of the Group and are secured by pledges of the shares of these subsidiaries. The net assets of these subsidiaries are approximately RMB4,393,620,000 as at 31 December 2019 (2018: RMB4,026,301,000).

(i) 2015 Senior Notes

On 21 May 2015, the Company issued 9% senior notes with an aggregated nominal value of US$500,000,000 (equivalent to approximately RMB3,056,850,000) at 99.507% of the face value. The net proceeds, after deducting the issuance costs, amounted to US$490,391,000 (equivalent to approximately RMB2,998,104,000). The 2015 Senior Notes will mature on 21 May 2020. The Company, at its option, can redeem all or a portion of the 2015 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(ii) 2017 Senior Notes

On 14 August 2017, the Company issued 5.125% senior notes with an aggregated nominal value of US$200,000,000 (equivalent to approximately RMB1,332,020,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$196,125,000 (equivalent to approximately RMB1,306,210,000). The 2017 Senior Notes will mature on 14 August 2022. The Company, at its option, can redeem all or a portion of the 2017 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(iii) 2018 Senior Notes I

On 18 July 2018, the Company issued 8.5% senior notes with an aggregated nominal value of US$600,000,000 (equivalent to approximately RMB4,040,064,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$593,557,000 (equivalent to approximately RMB3,997,108,000). The 2018 Senior Notes I will mature on 18 July 2021. The Company, at its option, can redeem all or a portion of the 2018 Senior Notes I at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(iv) 2018 Senior Notes II

On 23 November 2018, the Company issued 9.5% senior notes with an aggregated nominal value of US$400,000,000 (equivalent to approximately RMB2,772,240,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$394,533,000 (equivalent to approximately RMB2,734,182,000). The 2018 Senior Notes II will mature on 23 November 2020. The Company, at its option, can redeem all or a portion of the 2018 Senior Notes II at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(v) 2019 Senior Notes

On 7 March 2019, the Company issued 6.7% senior notes with an aggregated nominal value of US$500,000,000 (equivalent to approximately RMB3,355,500,000) at face value. The net proceeds, after deducting the issuance costs, amounted to US$495,429,000 (equivalent to approximately RMB3,324,823,000). The 2019 Senior Notes will mature on 7 March 2022. The Company, at its option, can redeem all or a portion of 2019 Senior Notes at any time prior to the maturity date at the redemption prices plus accrued and unpaid interest up to the redemption date.

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings (Continued)

Notes: (continued)

(b) PRC Corporate Bonds

On 11 January 2016, a PRC subsidiary (the "Issuer") of the Company issued 4.7% corporate bonds with an aggregate amount of RMB1,600,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,584,080,000. On 14 January 2019, the Issuer redeemed the bond in an aggregate principal amount of RMB12,228,000 as the investors exercised the right to sell back. The bonds has been resold to the new investors, and the bonds will mature on 11 January 2021 at the coupon rate of 6.95%.

On 29 July 2016, the Company issued 4.98% corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,970,000,000. The bonds will mature on 29 July 2020. The Company shall be entitled to adjust the coupon rate at the end of second year whereas the investors shall be entitled to sell back in whole or in part the bonds. On 30 July 2018, the Company completed the repurchase and cancellation of 20,300,000 the non-public Domestic Corporate Bonds in an aggregate principal amount of RMB2,030,000,000. There are 9,700,000 Domestic Bonds in an aggregate principal amount of RMB970,000,000 outstandings.

On 11 October 2016, the Company issued 4.6% corporate bonds with an aggregate amount of RMB1,800,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,787,250,000. On 11 October 2019, the Issuer redeemed the bond in an aggregate principal amount of RMB570,000,000 as the investors exercised the right to sell back. The bonds has been resold to the new investors, and the bonds will mature on 11 October 2021 at the coupon rate of 6.90%.

On 11 October 2016, the Company issued 5.7% corporate bonds with an aggregate amount of RMB1,200,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB1,192,500,000. The bonds will mature on 11 October 2023. The Company shall be entitled to adjust the coupon rate at the end of the fifth year whereas the investors shall be entitled to sell back in whole or in part the bonds.

On 12 July 2017, the Company issued 6.98% corporate bonds with an aggregate amount of RMB3,000,000,000. The net proceeds, after deducting the issuance costs, amounted to approximately RMB2,976,735,000. On 12 July 2019, the Issuer redeemed the bond in an aggregate principal amount of RMB351,000,000 as the investors exercised the right to sell back. The bonds has been resold to the new investors, and the bonds will mature on 12 July 2020 at the coupon rate of 6.60%.

(c) Commercial Mortgage Backed Securities

A PRC subsidiary of the Company engaged in commercial property operation entered into Commercial Mortgage Backed Securities ("CMBS") arrangement with an assets management company by pledging of the receivables for certain properties under its operation as well as the building, the land use right and the investment property. On 10 April 2018, the CMBS was formally established with an aggregate nominal value of RMB4,600,000,000, with an 18-year maturity, amongst which RMB500,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the CMBS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB4,066,700,000.

(d) Panyu Asset-backed securities

A PRC subsidiary of the Company engaged in property development entered into Panyu asset-backed securities ("ABS") arrangement with an assets management company by pledging of the receivables for certain properties under its management. On 1 September 2017, the Panyu ABS was formally established with an aggregate nominal value of RMB1,111,500,000, with a 3-year maturity, amongst which RMB55,000,000 was subordinate securities purchased by the PRC subsidiary as original equity holder. The net proceeds from the Panyu ABS, after deducting the issuance costs and the subordinate securities purchased by the PRC subsidiary, amounted to approximately RMB1,053,653,000. On 1 September 2019, the Company completed the repurchase and cancellation of the Panyu ABS in an aggregate principal amount of RMB151,424,000. There is Panyu ABS in an aggregate principal amount of RMB905,076,000 outstandings.

(e) As at 31 December 2019, the Group's borrowings were secured by certain of its cash, trade receivables, land use rights, self-used properties, completed properties held for sale, properties under development, investment properties and the shares of subsidiaries and equity interests.

(f) As at 31 December 2019, the unsecured borrowings of RMB13,931,743,000 were jointly guaranteed by certain subsidiaries of the Group.

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings (Continued)

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the year are as follows:

	2019	2018
6 months or less	**37,252,232**	28,420,199
6-12 months	**18,219,867**	19,357,155
1-5 years	**41,197,603**	40,752,003
	96,669,702	88,529,357

The carrying amounts of the borrowings with the respective effective interest rates:

	2019		2018	
	RMB'000	**Effective interest rate**	RMB'000	Effective interest rate
Senior notes	**15,252,369**	**8.55%**	11,551,480	8.47%
Borrowings excluding Senior notes	**81,417,333**	**6.85%**	76,977,877	6.30%
	96,669,702		88,529,357	

The carrying amounts and fair value of the non-current borrowings are as follows:

	2019		2018	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Senior notes (note (i))	**15,252,369**	**15,872,250**	11,551,480	11,791,938
PRC public corporate bond (note (ii))	**1,599,885**	**1,628,160**	1,599,830	1,598,400
Bank borrowings, syndicated loans and other borrowings and others (note (iii))	**37,520,366**	**37,520,366**	40,045,175	40,045,175
	54,372,620	**55,020,776**	53,196,485	53,435,513

Notes:

(i) The fair value of senior notes is determined directly by references to the price quotations published by the Singapore Exchange Limited and The Stock Exchange of Hong Kong Limited on 31 December 2019, the last dealing date of 2019 and is within level 1 of the fair value hierarchy.

(ii) The fair value of RMB1,600,000,000 PRC public corporate bond is determined directly by references to the price quotations published by the China Securities Index Co., Ltd on 31 December 2019, the last dealing date of 2019 and is within level 1 of the fair value hierarchy.

(iii) The fair values of non-current bank borrowings, syndicated loans, other borrowings and others approximate their carrying amount as the impact of discounting is not significant. The fair values are based on cash flows discounted at the average borrowing rate of 6.85% (2018: 6.33%), and are within level 2 of the fair value hierarchy.

(All amounts in RMB thousands unless otherwise stated)

24 Borrowings (Continued)

At 31 December 2019, the Group's borrowings were repayable as follows:

	2019	2018
Within 1 year	**42,297,082**	35,332,872
Between 1 and 2 years	**29,572,885**	19,059,355
Between 2 and 5 years	**21,117,672**	28,047,755
Over 5 years	**3,682,063**	6,089,375
	96,669,702	88,529,357

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2019	2018
RMB	**55,092,913**	52,336,228
HK dollar	**21,017,348**	21,561,454
US dollar	**18,523,302**	14,128,683
MYR	**436,944**	502,992
MOP	**1,599,195**	–
	96,669,702	88,529,357

The Group has the following undrawn borrowing facilities:

	2019	2018
Floating rate:		
– Expiring beyond one year	**6,404,000**	2,733,000

25 Deferred income tax

The analysis of deferred income tax assets and deferred income tax liabilities is as follows:

	2019	2018
Deferred income tax assets to be recovered after more than 12 months	**1,113,509**	1,171,692
Deferred income tax assets to be recovered within 12 months	**421,542**	366,688
Set-off of deferred tax liabilities pursuant to set-off provisions	**(184,281)**	(104,398)
	1,350,770	1,433,982
Deferred income tax liabilities to be settled after more than 12 months	**(3,339,348)**	(1,960,798)
Deferred income tax liabilities to be settled within 12 months	**(24,713)**	(27,685)
Set-off of deferred tax liabilities pursuant to set-off provisions	**184,281**	104,398
	(3,179,780)	(1,884,085)
Deferred income tax liabilities, net	**(1,829,010)**	(450,103)

(All amounts in RMB thousands unless otherwise stated)

25 Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred tax assets – tax losses	Deferred tax assets – write-down of completed held for sale properties and properties under development	Temporary differences arising from trade and other receivables and contract assets	Deferred tax assets – unrealised profit on intra-group transactions	Deferred tax liabilities – excess of carrying amount of investment properties and property, plant and equipment over the tax bases	Deferred tax liabilities – excess of carrying amount of intangible assets over the tax bases	Deferred tax liabilities – excess of fair value of financial assets over the tax bases	Deferred tax liabilities – excess of carrying amount of land use right over the tax bases	Net
At 1 January 2018	846,757	113,175	2,174	194,611	(1,055,201)	(22,097)	(26,543)	(240,711)	(187,835)
Acquisition of subsidiaries	–	–	168	–	–	(33,132)	–	–	(32,964)
(Charged)/credited to the consolidated income statement	(188,689)	372,443	25,664	172,077	(497,091)	4,872	(39,092)	7,549	(142,267)
Charged to other comprehensive income	–	–	–	–	(87,037)	–	–	–	(87,037)
At 31 December 2018	658,068	485,618	28,006	366,688	(1,639,329)	(50,357)	(65,635)	(233,162)	(450,103)
Acquisition of subsidiaries	13,251	–	–	–	–	(136,158)	–	(1,021,894)	(1,144,801)
Credited to/(Charged) the consolidated income statement	129,211	(238,039)	37,394	54,854	(41,928)	26,922	11,852	(210,053)	(229,787)
Charged to other comprehensive income	–	–	–	–	–	–	(4,319)	–	(4,319)
At 31 December 2019	800,530	247,579	65,400	421,542	(1,681,257)	(159,593)	(58,102)	(1,465,109)	(1,829,010)

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of RMB900,278,000 (2018: RMB445,471,000) in respect of tax losses amounting to RMB3,601,112,000 (2018: RMB1,781,884,000) that can be carried forward against future taxable income. Tax losses of approximately RMB137,856,000, RMB525,860,000, RMB331,496,000, RMB744,416,000 and RMB1,861,484,000 will expire in 2020, 2021, 2022, 2023 and 2024 respectively.

Deferred income tax liabilities of RMB2,056,483,000 (2018: RMB1,629,564,000) have not been recognised for the withholding tax that would be payable on the unremitted earnings amounted to RMB41,129,660,000 (2018: RMB32,591,280,000) of certain subsidiaries. Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to the oversea intermediate holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

(All amounts in RMB thousands unless otherwise stated)

26 Trade and other payables

	2019	2018
Trade payables (note (a))	**21,276,425**	16,852,035
Other payables due to:		
– Related parties (note 43(c))	**8,193,454**	5,590,518
– Non-controlling interests	**3,200,722**	3,596,848
– Third parties (note (b))	**13,935,941**	8,935,399
Staff welfare benefit payable	**1,073,575**	797,198
Accruals	**1,433,623**	1,465,095
Advances from disposal of subsidiaries	**2,681,106**	987,700
Other taxes payable	**4,324,850**	4,309,178
Total trade and other payables	**56,119,696**	42,533,971
Less: other payables – non-current portion	**(2,201,976)**	–
Trade and other payable – current portion	**53,917,720**	42,533,971

Notes:

(a) The ageing analysis of the trade payables of the Group as at 31 December 2019 is as follows:

	2019	2018
Within 90 days	**13,440,152**	13,387,512
Over 90 days and within 180 days	**6,265,677**	2,729,635
Over 180 days and within 365 days	**966,394**	559,318
Over 365 days	**604,202**	175,570
	21,276,425	16,852,035

(b) The other payables to third parties mainly include: (i) the deposits received from third parties for potential equity cooperation in certain property development projects; and (ii) quality guarantee and bidding deposit from constructors. The deposits are unsecured and repayable according to terms and conditions mutually agreed with the counter parties.

27 Financial liabilities at fair value through profit or loss

As at 31 December 2019, the Group had the following financial liabilities at fair value through profit or loss:

	2019	2018
Non-current portion:		
– Derivative financial instruments	**12,656**	6,144
– Put options	**70,436**	–
	83,092	6,144
Current portion:		
– Derivative financial instruments	**53,684**	7,192

The notional principal amounts of the outstanding forward foreign exchange contracts as at 31 December 2019 were US$4,490,000,000, approximating to RMB31,323,138,000 in total (2018: US$3,200,000,000, approximating to RMB21,962,240,000).

During the year ended 31 December 2019, increase in fair value of derivative financial instruments of RMB200,212,000 have been recorded in "finance cost, net" in the consolidated income statement (note 33).

(All amounts in RMB thousands unless otherwise stated)

28 Other gains, net

	2019	2018
Gain from disposal of a subsidiary (note 37)	**2,988,981**	–
Fair value gains/(losses) on financial assets at FVPL	**999,715**	(352,434)
Remeasurement gain resulting from a joint venture transferred to a subsidiary (note 11)	**579,449**	–
Fair value gains on investment properties (note 7)	**117,070**	1,952,355
Exchange gains, net (note (a))	**85,975**	327,177
Gains on disposal of property, plant and equipment and investment properties	**6,682**	23,330
Miscellaneous	**24,292**	35,825
	4,802,164	1,986,253

Note:

(a) Amount mainly represents the gains or losses of translation of financial assets and liabilities, which are denominated in foreign currency into RMB at the prevailing period-end exchange rate. It does not include the exchange gain or loss related to borrowings which are included in the "finance costs, net" (note 33).

29 Other income

	2019	2018
Interest income (note (a))	**654,422**	328,104
Interest income from related parties (note 43(b))	**354,619**	376,136
Government grants	**137,660**	39,468
Dividend income from financial assets at FVPL	**66,904**	171,751
Forfeited deposits from customers	**14,206**	22,374
Miscellaneous	**54,726**	102,201
	1,282,537	1,040,034

Note:

(a) Interest income was derived from bank deposit from reputable PRC banks and wealth management products.

30 Other expenses

	2019	2018
Charitable donations	**116,350**	120,553
Compensation expenses	**78,869**	94,398
Miscellaneous	**33,081**	42,051
	228,300	257,002

(All amounts in RMB thousands unless otherwise stated)

31 Expenses by nature

	2019	2018
Cost of properties sold – including construction cost, land cost and capitalised interests	**37,643,769**	26,812,567
Employee benefit expenses – including directors' emoluments (note 32)	**4,953,010**	3,792,819
– Property development	**2,408,632**	1,928,991
– Property management	**2,046,866**	1,472,514
– Hotel operations	**270,392**	258,412
– Environmental protection	**227,120**	132,902
Depreciation (note 6 & note 9)	**770,761**	514,515
Amortisation (note 8 & note 10)	**95,605**	88,543
Write-down of completed properties held for sale and properties under development	**325,505**	1,489,770
Impairment of property, plant and equipment (note 6)	**154,376**	–
Auditors' remunerations	**18,254**	19,846
– Audit services	**11,825**	11,100
– Non-audit services	**6,429**	8,746
Advertising costs	**800,004**	676,097
Commission fee	**513,681**	1,004,018
Cleaning expenses	**412,207**	283,519
Other taxes	**294,981**	358,910
Other levies on sales of properties	**241,728**	331,998
Utilities	**200,287**	177,745
Maintenance costs	**176,816**	170,169
Operating lease payments	**48,020**	78,169
Others	**1,257,168**	899,922
Total cost of sales, selling and marketing costs and administrative expenses	**47,906,172**	36,698,607

(All amounts in RMB thousands unless otherwise stated)

32 Employee benefit expense

	2019	2018
Wages and salaries	**4,287,253**	3,286,378
Pension costs – statutory pension (note (a))	**279,722**	215,724
Staff welfare	**129,381**	99,414
Medical benefits	**80,769**	58,542
Other allowances and benefits	**175,885**	132,761
	4,953,010	3,792,819

Notes:

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2018: two) directors whose emoluments are reflected in the analysis shown in note 48. The emoluments payable to the remaining three (2018: three) individuals during the year are as follows:

	2019	2018
Salary	**19,105**	21,453
Contribution to pension scheme	**178**	132
	19,283	21,585

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Emolument bands (in HK dollar)		
HK$ 6,000,001 – HK$ 6,500,000	**1**	–
HK$ 7,000,001 – HK$ 7,500,000	–	1
HK$ 7,500,001 – HK$ 8,000,000	**1**	–
HK$ 8,000,001 – HK$ 8,500,000	**1**	1
HK$ 8,500,001 – HK$ 9,000,000	–	–
HK$ 10,000,001 – HK$ 10,500,000	–	1
HK$ 11,500,001 – HK$ 12,000,000	–	–

(c) During the years ended 31 December 2019 and 2018, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of offices.

(All amounts in RMB thousands unless otherwise stated)

33 Finance costs, net

	2019	2018
Interest expense:		
– Bank borrowings, syndicated loans and other borrowings	**4,965,759**	3,571,673
– Senior notes	**1,244,227**	578,539
– PRC Corporate Bonds, ABS and CMBS	**868,948**	906,165
– Lease liabilities	**37,006**	-
Less: interest capitalised	**(4,935,466)**	(3,657,861)
Exchange losses from borrowings	**854,174**	1,738,800
Less: exchange losses capitalised	**(304,612)**	(491,031)
Changes in fair value of derivative financial instruments (note 27)	**(200,212)**	98,068
	2,529,824	2,744,353

34 Income tax expenses

	2019	2018
Current income tax:		
– PRC corporate income tax	**3,219,748**	3,802,299
– PRC land appreciation tax	**3,875,741**	6,838,137
– PRC withholding income tax	**37,652**	260,579
Deferred income tax (note 25)		
– PRC corporate income tax	**244,663**	153,933
– Hong Kong profits tax	**(14,876)**	(11,666)
	7,362,928	11,043,282

(All amounts in RMB thousands unless otherwise stated)

34 Income tax expenses (Continued)

The income tax on the Group's profit before tax differs from the theoretical amount that would arise using the enacted tax rate of the home countries or regions of the Group entities as follows:

	2019	2018
Profit before income tax	16,596,174	19,401,099
Tax calculated at tax rates applicable to profits in the respective entities of the Group	3,658,662	4,602,786
Tax effects of:		
– Tax effect of super deduction	(6,747)	–
– Associates' results reported net of tax	4,104	(5,574)
– Joint ventures' results reported net of tax	(275,665)	(1,200)
– Income not subject to income tax (note (a))	(24,945)	(18,958)
– Expenses not deductible for income tax (note (b))	597,690	890,942
– PRC land appreciation tax deductible for calculation of income tax purposes	(968,935)	(1,709,534)
– Tax losses for which no deferred income tax asset was recognised	465,371	186,104
PRC corporate income tax	3,449,535	3,944,566
PRC withholding income tax	37,652	260,579
PRC land appreciation tax	3,875,741	6,838,137
	7,362,928	11,043,282

Notes:

(a) Income not subject to income tax for the years ended 31 December 2019 and 2018 mainly comprise the interest income of bank deposits.

(b) Expenses not deductible for income tax for the year ended 31 December 2019 mainly comprise administrative expense of domestic companies over deduction limits, donations made to non-official public welfare institutions, the loss of trading stock, exchange loss and expenses of the Group entities in Hong Kong and Malaysia (2018: same).

PRC land appreciation tax

PRC land appreciation tax is levied at progressive rate ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land use rights and expenditures directly related to property development activities.

PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The corporate income tax rate applicable to the Group entities located in Mainland China is 25% according to the Corporate Income Tax Law of the People's Republic of China (the "CIT Law") effective on 1 January 2008.

(All amounts in RMB thousands unless otherwise stated)

34 Income tax expenses (Continued)

PRC withholding income tax

According to the CIT Law, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower of 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty arrangements between the PRC and Hong Kong.

During the year ended 31 December 2019, certain immediate holding companies of the PRC subsidiaries of the Group became qualified as Hong Kong resident enterprises and fulfil the requirements under the tax treaty arrangements between the PRC and Hong Kong. Therefore 5% withholding tax rate has been applied.

Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. Group entities in the British Virgin Islands were incorporated either under the BVI Business Companies Act or were automatically re-registered under the same act on 1 January 2007 and, accordingly, are exempted from British Virgin Islands income tax.

Hong Kong profits tax

Except for provision for the fair value gains of financial assets at FVPL, no other provision for Hong Kong profits tax has been made in the consolidated financial statements. The remaining profit of the Group entities in Hong Kong is mainly derived from dividend income and interest income of bank deposits, which are not subject to Hong Kong profits tax.

Preferential tax rate

Certain companies of the Group in the PRC, were qualified as "High and New Technology Enterprises" under the CIT law, and they are entitled to a preferential income tax rate of 15%. Certain subsidiaries of the Group in the PRC provide environmental protection services and these companies are entitled to a preferential income tax rate of a "Three Exemptions and Three 50% Reductions".

35 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year less shares held for Share Award Scheme.

	2019	2018
Profit attributable to shareholders of the Company	**7,511,794**	7,125,007
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme (thousands)	**3,882,578**	3,882,578
Basic earnings per share (RMB per share)	**1.935**	1.835

(All amounts in RMB thousands unless otherwise stated)

35 Earnings per share (Continued)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended 31 December 2019 and 2018, there was no diluted potential ordinary share, diluted earnings per share equally to basic earnings per share.

36 Dividends

	2019	2018
Interim dividend paid of HK$0.60 (2018: HK$0.50) per ordinary share (note(a))	**2,124,946**	1,705,463
Less: Dividend for shares held for Share Award Scheme	**(18,700)**	(14,746)
	2,106,246	1,690,717
Proposed final dividend of HK$0.40 (2018: HK$0.50) per ordinary share (note(b))	**1,434,470**	1,681,354
Less: Dividend for shares held for Share Award Scheme	**(12,623)**	(15,123)
	1,421,847	1,666,231

Notes:

(a) An interim dividend in respect of the six months ended 30 June 2019 of HK$0.60 per ordinary share, approximately HK$2,350,229,000 (equivalent to RMB2,124,946,000) was declared by the Board of Directors of the Company (2018: HK$1,958,524,000 equivalent to RMB1,705,463,000).

(b) A final dividend in respect of 2018 of HK$0.50 per ordinary share approximately HK$1,958,524,000 (equivalent to RMB1,681,354,000) was declared at the Annual General Meeting of the Company on 10 May 2019, of which HK$17,235,000 (equivalent to RMB15,123,000) was declared for shares held by Share Award Scheme. The final dividend has been distributed out of the Company's retained earnings.

A final dividend in respect of 2019 of HK$0.40 per ordinary share have been proposed by the Board of Directors of the Company and are subject to the approval of the shareholders at the Annual General Meeting to be held on 11 May 2020. The final dividend will be distributed out of the Company's retained earnings. These consolidated financial statements have not reflected these dividends payable.

(All amounts in RMB thousands unless otherwise stated)

37 Disposal of a subsidiary

During the year ended 31 December 2019, the Group disposed of 34% of equity interests in a wholly owned subsidiary (the "Disposed Project") to an independent buyer (the "Buyer") at a total consideration of RMB1,394,400,000. The Group lost control over the Disposed Project and according to the shareholders agreement, the Group is eligible to exercise joint control over the Disposed Project together with the Buyer. The Group accounted for the Disposed Project as a joint venture and recorded disposal gain of RMB2,988,981,000 (note 28) on 30 June 2019 when the transaction was completed. Details of the disposal are as follows:

	2019
Disposal considerations	
– Cash received	1,394,400
– Fair value of remaining equity interests in Disposed Project	2,706,776
	4,101,176
Less:	
– total net assets of a subsidiary disposed of	(1,082,195)
– consulting expenses directly related to the transaction	(30,000)
Gains from disposal of a subsidiary	2,988,981
Cash proceeds from disposal, net of cash disposed of	
Cash consideration received	1,394,400
Less:	
– cash and cash equivalents in the subsidiary disposed of	(205,495)
– advances from disposal of a subsidiary	(987,700)
– amount due to the Buyer	(406,700)
– consulting fees related to the transaction directly	(30,000)
Net cash outflow on disposals	(235,495)

(All amounts in RMB thousands unless otherwise stated)

38 Cash flow information

(a) Cash generated from operations

	2019	2018
Profit for the year	**9,233,246**	8,357,817
Adjustments for:		
Taxation	**7,362,928**	11,043,282
Interest income (note 29)	**(1,009,041)**	(704,240)
Depreciation of property, plant and equipment (note 6)	**569,111**	514,515
Amortisation of intangible assets (note 10)	**95,605**	32,298
Amortisation of land use rights (note 8)	**–**	56,245
Depreciation of right-of-use assets (note 9)	**201,650**	–
Write-down of completed properties held for sale and properties under development (note 31)	**325,505**	1,489,770
Write-down of property, plant and equipment (note 31)	**154,376**	–
Net impairment losses on financial and contract assets	**149,574**	97,250
Gains on disposal of investment properties and property, plant and equipment (note 28)	**(6,682)**	(23,330)
Net exchange gains (note 28)	**(85,975)**	(79,037)
Fair value gains on investment properties (note 28)	**(117,070)**	(1,952,355)
Share of post-tax profit of investments accounted for using the equity method (note 11)	**(1,086,246)**	(27,098)
Finance costs, net (note 33)	**2,529,824**	2,744,353
Gains from disposal of a subsidiary (note 28)	**(2,988,981)**	–
Remeasurement gains resulting from a joint venture transfer to a subsidiary (note 28)	**(579,449)**	–
Fair value (gains)/losses on financial assets at FVPL (note 28)	**(999,715)**	352,434
Revenue from operating concessions construction	**(360,230)**	–
Changes in working capital:		
Property under development and completed properties held for sales	**(19,974,666)**	(23,088,337)
Prepayments for acquisition of land use rights	**(5,482,288)**	1,612,784
Restricted cash	**(388,475)**	1,376,799
Trade and other receivables	**(1,175,972)**	(4,744,729)
Trade and other payables and accruals	**6,823,879**	12,585,762
Advanced proceeds received from customers	**–**	(19,460,971)
Contract assets	**(930,841)**	(448,715)
Contract liabilities	**8,747,116**	25,489,558
Cash generated from operations	**1,007,183**	15,224,055

(All amounts in RMB thousands unless otherwise stated)

38 Cash flow information (Continued)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the year presented.

Net debt

	2019	2018
Cash and cash equivalents	33,551,303	35,776,231
Financial assets at FVPL	1,008,031	3,232,031
Borrowings – repayable within one year	(42,297,082)	(35,332,872)
Borrowings – repayable after one year	(54,372,620)	(53,196,485)
Lease liabilities	(572,737)	–
Net debt	(62,683,105)	(49,521,095)
Cash and cash equivalents	33,551,303	35,776,231
Financial assets at FVPL	1,008,031	3,232,031
Gross debt – fixed interest rates	(46,373,957)	(39,766,004)
Gross debt – variable interest rates	(50,295,745)	(48,763,353)
Lease liabilities	(572,737)	–
Net debt	(62,683,105)	(49,521,095)

The reconciliation of liabilities arising from financial activities is as follows:

	Borrowings	Other payables-related parties	Other payable-non-cotrolling interests	Lease liabilities	Dividends payable	Total
As at 1 January 2019	88,529,357	5,590,518	3,596,848	–	492	97,717,215
Cash flows						
– Inflow from financing activities	48,248,554	3,636,493	1,898,876	–	–	53,783,923
– Outflow from financing activities	(42,799,664)	(495,538)	(2,295,002)	(285,477)	(4,123,576)	(49,999,257)
Non-cash changes						
– Finance expense recognised	1,251,523	–	–	37,006	–	1,288,529
– Acquisition of subsidiaries	2,304,349	(2,779,309)	–	–	–	(474,960)
– Disposal of a subsidiary	(880,000)	2,241,290	–	–	–	1,361,290
– Addition of lease liabilities	–	–	–	821,208	–	821,208
– Accrued dividends	–	–	–	–	4,123,576	4,123,576
– Other non-cash movement	15,583	–	–	–	100	15,683
As at 31 December 2019	96,669,702	8,193,454	3,200,722	572,737	592	108,637,207

(All amounts in RMB thousands unless otherwise stated)

39 Business combination

During the year ended 31 December 2019, the Group completed several acquisitions of equity interests in certain companies, mainly included a property development company, property management companies, environmental protection companies and others, at consideration of RMB8,441,033,000 in aggregate. Goodwill of RMB2,055,442,000 and identifiable net assets of RMB6,385,591,000 were recognised. The directors of the Company consider that none of these subsidiaries acquired during the period was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

Details of the purchase consideration, the net asset acquired and goodwill are as follow:

	Total
Consideration	
Cash paid	3,858,234
Waiver of receivables from joint venture partner	1,684,218
Fair value of investments in joint ventures held before business combination	1,834,305
Consideration payable	1,064,687
Contingent consideration	(411)
	8,441,033
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,056,984
Financial assets at FVPL	16,000
Property, plant and equipment (note 6)	1,876,808
Intangible assets (note 10)	1,039,991
Investments accounted for using the equity method (note 11)	9,915
Inventories	765,124
Properties under development	7,074,543
Right-of-use assets (note 9)	269,946
Trade and other receivables	5,151,521
Deferred income tax assets	13,251
Trade and other payables	(6,501,266)
Contract liabilities	(86,607)
Borrowings	(2,304,349)
Deferred income tax liabilities	(1,158,052)
Total identifiable net assets	7,223,809
Non-controlling interests	(838,218)
Identifiable net assets attributable to the Company	6,385,591
Goodwill (note 10)	2,055,442

(All amounts in RMB thousands unless otherwise stated)

39 Business combination (Continued)

Net cash outflow arising on acquisition during the year ended 31 December 2019:

	Total
Cash paid	3,858,234
Less: contingent consideration	(411)
Less: cash considerations paid in prior year	(264,434)
Cash considerations paid in the year	3,593,389
Less: cash and cash equivalents in the subsidiaries acquired	(1,056,984)
Cash outflow in the year	2,536,405

The acquired businesses contributed revenues of RMB5,722,050,000 and net profits of RMB264,753,000 to the Group for the period from the respective acquisition date to 31 December 2019.

If the acquisitions had occurred on 1 January 2019, the Group's consolidated pro-forma revenue and profit for the year ended 31 December 2019 would have been RMB11,028,261,000 and of RMB1,540,322,000, respectively.

No contingent liability has been recognised for the business combination.

40 Financial guarantee

	2019	2018
Guarantee in respect of mortgage facilities for certain purchasers (note (a))	38,294,381	44,775,365
Guarantee in respect of borrowings of associates (note (b) and note 43(b))	1,096,112	424,095
Guarantee in respect of borrowings of joint ventures (note (c) and note 43(b))	5,831,507	6,244,840
Guarantees in respect of borrowings of third parties (note (d))	1,487,074	–
	46,709,074	51,444,300

Notes:

(a) The Group has cooperated with certain financial institutions to arrange mortgage loan facilities for its purchasers of properties and provide guarantees to secure obligations of such purchasers for repayments. As at 31 December 2019, the outstanding guarantees amounted to RMB38,294,381,000 (2018: RMB44,775,365,000). Such guarantees will be discharged upon the earlier of (i) issuance of the real estate ownership certificate which will generally be available within one year after the purchasers take possession of the relevant property; and (ii) the satisfaction of relevant mortgage loan by purchasers.

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the associate was RMB3,100,493,000 as at 31 December 2019 (2018: RMB73,023,000).

The Group's proportionate interest in financial guarantee of mortgage facilities for certain purchasers relating to the joint ventures was RMB13,308,149,000 as at 31 December 2019 (2018: RMB3,407,138,000).

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with any accrued interests and penalties owed by the defaulted purchasers to the financial institutions, and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee starts from the dates the mortgagees grant the mortgage loans. No provision has been made for the guarantees as the management is of the view that the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interests and penalties in case of any default in payments.

(All amounts in RMB thousands unless otherwise stated)

40 Financial guarantee (Continued)

Notes: (Continued)

(b) Several subsidiaries of the Group and associate counter parties have provided certain guarantees in proportion of their shareholding in associates in respect of loan facilities amounting to RMB2,843,700,000 (2018: RMB848,190,000). The Group's share of the guarantees amounted to RMB1,096,112,000 (2018: RMB424,095,000).

(c) Several subsidiaries of the Group and joint venture counter parties have provided certain guarantees in proportion of their shareholding in certain joint ventures in respect of loan facilities amounting to RMB12,423,440,000 (2018: RMB13,779,000,000). The Group's share of the guarantees amounted to RMB5,831,507,000 (2018: RMB6,244,840,000).

(d) The Company provided certain guarantees to certain independent third parties in respect of loan facilities amounting to RMB1,487,074,000 (31 December 2018: nil).

41 Commitments

(a) Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2019	2018
Property, plant and equipment:		
– Not later than one year	–	89,534
– Later than one year and not later than five years	–	139,519
	–	229,053

	2019	2018
Lease of areas adjacent to the property development projects:		
– Not later than one year	–	850
– Later than one year and not later than five years	–	3,850
– Later than five years	–	29,000
	–	33,700

	2019	2018
Lease of the land use right for ancillary facilities:		
– Not later than one year	–	2,131
– Later than one year and not later than five years	–	8,717
– Later than five years	–	21,969
	–	32,817

(All amounts in RMB thousands unless otherwise stated)

41 Commitments (Continued)

(b) Other commitments

	2019	2018
Contracted but not provided for		
– Property development activities	**16,406,314**	29,659,316
– Acquisition of land use rights	**10,020,111**	6,311,197
– Property, plant and equipment	**813,471**	1,265,020
– Other intangible assets	**2,705**	3,060
	27,242,601	37,238,593

42 Future minimum rental payments receivable

The Group had future aggregate minimum lease rental receivables under non-cancellable operating leases as follows:

	2019	2018
Not later than one year	**158,260**	216,925
Later than one year and not later than five years	**388,876**	328,756
Over five years	**98,857**	161,592
	645,993	707,273

43 Related party transactions

(a) Name and relationship with related parties

Name	Relationship
Full Choice Investments Limited	The ultimate holding company of the Group
Top Coast Investment Limited	The intermediate holding company of the Group
The Founding Shareholders are Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Madam Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei, and Mr. Chan Cheuk Nam (the "Founding Shareholders")	The Founding Shareholders are also the directors of the Company
Zhongshan Changjiang Golf Course (note (i)) 中山長江高爾夫球場	Controlled by the Founding Shareholders
Zhongshan Agile Changjiang Hotel Co., Ltd. (note (i)) 中山雅居樂長江酒店有限公司	Controlled by the Founding Shareholders

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Foshan Changzhong Real Estate Development Co., Ltd. (note (i)) 佛山市昌重房地產開發有限公司	Associate of the Group
Foshanshi Sanshuiqu Qingmei Real Estate Co.,Ltd. (note (i)) 佛山市三水區擎美房地產有限公司	Associate of the Group
Foshan Yaxu Real Estate Development Co., Ltd. (note (i)) 佛山雅旭房地產開發有限公司	Associate of the Group
Fuzhou Shengquan Real Estate Development Co., Ltd. (note (i)) 福州盛全房地產開發有限公司	Associate of the Group
Xinxingxian Country Garden Real Estate Development Co., Ltd. (note (i)) 新興縣碧桂園房地產開發有限公司	Associate of the Group
Sichuan Yacan Real Estate Development Co., Ltd. (note (i)) 四川雅燦房地產開發有限公司	Associate of the Group
Jinzhongshi Jinhong Yubao Real Estate Development Co., Ltd. (note (i)) 晉中市錦洪裕寶房地產開發有限責任公司	Associate of the Group
Haimen Xinya Real Estate Development Co., Ltd. (note (i)) 海門新雅房地產開發有限公司	Associate of the Group
Sichuan Yaheng Real Estate Development Co., Ltd. (note (i)) 四川雅恒房地產開發有限公司	Associate of the Group
Nantongshi Tongzhouqu Dongju Land Co., Ltd. (note (i)) 南通市通州區東居置業有限公司	Associate of the Group
Dali Meizhao Real Estate Development Co., Ltd. (note (i)) 大理美詔房地產開發有限公司	Associate of the Group
Handan Yurong Real Estate Development Co., Ltd. (note (i)) 邯鄲裕榮房地產開發有限公司	Associate of the Group
Wuxi Yahui Real Estate Development Co., Ltd. (note (i)) 無錫雅輝房地產開發有限公司	Associate of the Group

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Guangdong Yingmei Liheng Investment Corporation (Limited Partnership) (note (i)) 廣東盈美立恒投資合夥企業(有限合夥)	Associate of the Group
Guangdong Yingmei Yihao Equity Investment Corporation (Limited Partnership) (note (i)) 廣東盈美壹號股權投資合夥企業(有限合夥)	Associate of the Group
Huizhou Meiteng Project Management Co., Ltd. (note (i)) 惠州美騰項目管理有限公司	Associate of the Group
Wuhan Dinghui Yale Real Estate Development Co., Ltd. (note (i)) 武漢市鼎輝雅樂房地產開發有限公司	Associate of the Group
Atlas (China) Co., Ltd.("Atlas (China)") (note (i)) 寰圖(中國)有限公司	Associate of the Group
Guangzhou Lihe Real Estate Property Development Co., Ltd. (note(i)) 廣州利合房地產開發有限公司	Joint venture of the Group
Tianjin Jinnan Xincheng Real Estate Development Co., Limited (note (i)) 天津津南新城房地產開發有限公司	Joint venture of the Group
Zhongshan Yahong Real Estate Development Co., Ltd. (note (i)) 中山市雅鴻房地產開發有限公司	Joint venture of the Group
Guangzhou Huadu Yazhan Realty Development Co., Ltd. (note (i)) 廣州花都雅展房地產開發有限公司	Joint venture of the Group
Changsha Shangcheng Land Co., Ltd. (note (i)) 長沙上城置業有限公司	Joint venture of the Group
Guangxi Fuya Investments Co., Ltd. (note (i)) 廣西富雅投資有限公司	Joint venture of the Group
Charm Talent Limited (note (i)) 煌迪有限公司	Joint venture of the Group
Zhongshanshi Shiguang Chuangjian Zhiye Company Limited (note (i)) 中山市世光創建置業有限公司	Joint venture of the Group

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Zhongshan Haide Real Estate Development Co., Ltd. (note (i)) 中山市海德房地產開發有限公司	Joint venture of the Group
Zhongshanshi Dongcheng Real Estate Development Company Limited (note (i)) 中山市東城實業發展有限公司	Joint venture of the Group
Zhongshan Mingtai Property Development Company Limited (note (i)) 中山市名泰房地產開發有限公司	Joint venture of the Group
Foshan Yazhan Property Development Co., Ltd. (note (i)) 佛山雅展房地產開發有限公司	Joint venture of the Group
Zhongshan Zhili Land Co., Ltd. (note (i)) 中山市志力置業有限公司	Joint venture of the Group
Zhongshan Jucheng Enterprise Co., Ltd. (note (i)) 中山市鉅成實業有限公司	Joint venture of the Group
Zhongshan Bosheng Real Estate Development Co., Ltd. (note (i)) 中山市鉑晟房地產開發有限公司	Joint venture of the Group
Zhongshan Wenhua Real Estate Co.,Ltd. (note (i)) 中山市文華房地產有限公司	Joint venture of the Group
Zhongshan Minsen Real Estate Development Co., Ltd. (note (i)) 中山市民森房地產發展有限公司	Joint venture of the Group
Hainan Yahong Travel Property Co., Ltd. (note (i)) 海南雅宏旅遊置業有限公司	Joint venture of the Group
Hainan Yahai Resort Development Co., Ltd. (note (i)) 海南雅海旅遊發展有限公司	Joint venture of the Group
Zhongshan Yingxuan Real Estate Developement Co., Ltd. (note (i)) 中山市盈軒房地產開發有限公司	Joint venture of the Group

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Changzhou Yajing Real Estate Development Co., Ltd. (note (i)) 常州雅勁房地產開發有限公司	Joint venture of the Group
Zhongshan Hehua Hotel Co., Ltd. (note (i)) 中山市和華酒店有限公司	Joint venture of the Group
Beijing Zhonggang International Real Estate Development Co., Ltd. (note (i)) 北京中港國際房地產開發有限公司	Joint venture of the Group
Foshan Zhongjiao Real Estate Development Co., Ltd. (note (i)) 佛山中交房地產開發有限公司	Joint venture of the Group
Foshan Xiangsong Land Co., Ltd. (note (i)) 佛山香頌置業有限公司	Joint venture of the Group
Hefei Changzhe Real Estate Development Co., Ltd. (note (i)) 合肥昌哲房地產開發有限公司	Joint venture of the Group
Changzhou Jingya Real Estate Development Co., Ltd. (note (i)) 常州勁雅房地產開發有限公司	Joint venture of the Group
Jinan Yajun Real Estate Development Co., Ltd. (note (i)) 濟南雅雋房地產開發有限公司	Joint venture of the Group
Lianyungangshi Ganglong Land Co., Ltd. (note (i)) 連雲港市港龍置業有限公司	Joint venture of the Group
Jinan Yaheng Real Estate Development Co., Ltd. (note (i)) 濟南雅恒房地產開發有限公司	Joint venture of the Group
Xuzhou Chuanda Real Estate Development Co., Ltd. (note (i)) 徐州川達房地產開發有限公司	Joint venture of the Group
Jiangmenshi Meishun Real Estate Development Co., Ltd. (note (i)) 江門市美順房地產開發有限公司	Joint venture of the Group
Kaifeng Guokong Songdu Land Co., Ltd. (note (i)) 開封國控宋都置業有限公司	Joint venture of the Group

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Jiaxing Xingya Real Estate Development Co., Ltd. (note (i)) 嘉興興雅房地產開發有限公司	Joint venture of the Group
Xuzhou Yafeng Real Estate Development Co., Ltd. (note (i)) 徐州雅豐房地產開發有限公司	Joint venture of the Group
Xingyang Agile City Construction Co., Ltd. (note (i)) 滎陽雅居樂城市建設有限公司	Joint venture of the Group
Xingyang Agile Enterprise Co., Ltd. (note (i)) 滎陽市雅居樂實業有限公司	Joint venture of the Group
Meizhou Zhongnan Yusheng Real Estate Development Co., Ltd. (note (i)) 梅州中南昱晟房地產開發有限公司	Joint venture of the Group
Guangzhou Yajing Real Estate Development Co., Ltd. (note (i)) 廣州雅景房地產開發有限公司	Joint venture of the Group
Jiangxi Jianda Investment Co., Ltd. (note (i)) 江西建大投資有限公司	Joint venture of the Group
Fujian Chuxin Eco Technology Co., Ltd. (note (i)) 福建省儲鑫環保科技有限公司	Joint venture of the Group
Jinzhong Xiya Real Estate Development Co., Ltd. (note (i)) 晉中熙雅房地產開發有限公司	Joint venture of the Group
Jinan Junsheng Real Estate Development Co., Ltd. (note (i)) 濟南雋盛房地產開發有限公司	Joint venture of the Group
Wuhu Yaxu Real Estate Development Co., Ltd. (note (i)) 蕪湖雅旭房地產開發有限公司	Joint venture of the Group
Chenzhou Agile Real Estate Development Co., Ltd. (note (i)) 郴州雅居樂房地產開發有限公司	Joint venture of the Group
Chongqing Jinbi Agile Real Estate Development Co., Ltd. (note (i)) 重慶金碧雅居房地產開發有限公司	Joint venture of the Group

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Weihai Yalan Investment Development Co., Ltd.(note (i)) 威海雅藍投資開發有限公司	Joint venture of the Group
Changzhou Yafeng Green Construction Technology Co., Ltd. (note (i)) 常州雅豐綠色建築科技有限公司	Joint venture of the Group
Xi'an Agile Enterprise Development Co., Ltd. (note (i)) 西安雅居樂實業發展有限公司	Joint venture of the Group
Xuzhou Jiale Real Estate Development Co., Ltd (note (i)) 徐州佳樂房地產開發有限公司	Joint venture of the Group
Guangzhou Yajingan Real Estate Development Co., Ltd (note (i)) 廣州雅景安房地產開發有限公司	Joint venture of the Group
Suzhou Meiju Real Estate Development Co., Ltd. (note (i)) 蘇州美居房地產開發有限公司	Joint venture of the Group
Kaifeng Fenghui Land Co., Ltd. (note (i)) 開封豐輝置業有限公司	Joint venture of the Group
Shenyang Agile Enterprise Management Consultation Co., Ltd. (note (i)) 沈陽雅居樂企業管理諮詢有限公司	Joint venture of the Group
Shenyang Yasong Real Estate Development Co., Ltd. (note (i)) 沈陽雅頌房地產開發有限公司	Joint venture of the Group
Huizhou Huiyang Agile Real Estate Development Co., Ltd. (note (i)) 惠州市惠陽雅居樂房地產開發有限公司	Joint venture of the Group
Tianjin Ruiya Real Estate Development co., Ltd. (note (i)) 天津瑞雅房地產開發有限公司	Joint venture of the Group
Chongqing Huayu Yefeng Enterprise Development Co., Ltd. (note (i)) 重慶華宇業豐實業有限公司	Joint venture of the Group

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(a) Name and relationship with related parties (Continued)

Name	Relationship
Guangzhou Hongsheng Hengju Investment Partnership Enterprises (Limited Partnership) (note (i)) 廣州鴻晟恒鉅投資合夥企業(有限合夥)	Joint venture of the Group
Xingyang Yaheng Land Co., Ltd. (note (i)) 滎陽市雅恒置業有限公司	Joint venture of the Group
Huizhou Yajian Real Estate Development Co., Ltd. (note (i)) 惠州市雅建房地產開發有限公司	Joint venture of the Group
Henry Fischer Real Estate Co., Limited. (note (i)) 亨利世家置業有限公司	Joint venture of the Group
Nanjing Qiya Land Co., Ltd. (note (i)) 南京奇雅置業有限公司	Joint venture of the Group
Gongqingcheng Investment (note (i)) 共青城投資	Controlled by a key management personnel of the Group

Note (i) The names of the companies represent management's best efforts at translating the Chinese names of these companies, as no English names have been registered or available.

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(b) Transactions with related parties

During the years ended 31 December 2019 and 2018, the Group had the following transactions with related parties, which are carried out in the normal course of the Group's business:

	2019	2018
Golf facilities service fee charged by Zhongshan Changjiang Golf Course (note (i))	14,635	12,919
Restaurant and hotel service fees charged by Zhongshan Agile Changjiang Hotel Co., Ltd. (note (i))	3,594	3,240
	18,229	16,159

	2019	2018
Loan to related parties		
– Associates	178,222	2,643,730
– Joint ventures	668,868	2,584,511
	847,090	5,228,241

	2019	2018
Repayment of loans to related parties		
– Associates	972,125	77,206
– Joint ventures	1,093,728	–
	2,065,853	77,206

	2019	2018
Interest income from (note (ii))		
– Associates	106,734	93,163
– Joint ventures	247,885	282,973
	354,619	376,136

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(b) Transactions with related parties (Continued)

	2019	2018
Guarantee in respect of borrowings		
– Associates	**1,096,112**	424,095
– Joint ventures	**5,831,507**	6,244,840
	6,927,619	6,668,935

Key management compensation

Key management includes executive directors and heads of major operational departments. The compensation paid or payable to key management for employee services is shown below:

	2019	2018
– Salaries and other short-term employee benefits	**42,738**	43,127
– Retirement scheme contributions	**167**	124
	42,905	43,251

Notes:

(i) Restaurant and hotel service fees and golf facilities service fee were charged in accordance with the terms of the underlying agreements which, in the opinion of the directors, were determined with reference to the market price at the prescribed year. In the opinion of the directors of the Company, the above related party transactions were carried out in the normal course of business and at terms mutually negotiated between the Group and the respective related parties.

(ii) Interest income were charged in accordance with the terms of the loan contracts which, in the agreement of the related parties and the Company.

(All amounts in RMB thousands unless otherwise stated)

43 Related party transactions (Continued)

(c) Balances with related parties

As at 31 December 2019 and 2018, the Group had the following significant non-trade balances with related parties:

	2019	2018
Receivables due from (note (i))		
– Associates	**1,326,119**	2,578,743
– Joint ventures	**10,341,884**	9,676,037
– Other related parties	**193,728**	195,484
	11,861,731	12,450,264

	2019	2018
Loan and interest receivables due from (note (ii))		
– Associates	**1,480,885**	2,701,516
– Joint ventures	**1,751,474**	3,840,425
	3,232,359	6,541,941

	2019	2018
Payables due to (note (i))		
– Associates	**314,038**	696,674
– Joint ventures	**7,778,832**	4,789,650
– Other related parties	**100,584**	104,194
	8,193,454	5,590,518

	2019	2018
Contract liabilities		
– Associates	**581**	–
– Joint ventures	**43,513**	3,530
	44,094	3,530

Notes:

(i) The balances are cash advances in nature, which are unsecured and interest free.

(ii) The balances are loan receivables and interest from associates and joint ventures, which are unsecured and interest bearing. The effective interest rate ranges from 4.35% to 15% per annum.

44 Ultimate holding company

The directors of the Company consider Full Choice Investments Limited, a company incorporated in Hong Kong, to be the ultimate holding company of the Group.

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries

(a) Particulars of principal subsidiaries of the Group at 31 December 2019 are set out below:

Name	Place of incorporation and legal status	Principal activities/place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Directly held by the Company					
Eastern Supreme Group Holdings Limited (formerly named Eastern Supreme Group Limited)	British Virgin Islands (the "BVI")/limited liability Company	Investment holding/ Hong Kong	100%	100%	–
Indirectly held by the Company					
雅居樂雅生活服務股份有限公司 A-Living Services Co., Ltd.	PRC/foreign invested enterprise	Property management/ Mainland China	–	54%	46%
雅居樂地產置業有限公司(前稱中山市雅居樂地產置業有限公司) Agile Property Land Co., Ltd. (formerly named Zhongshan Agile Property Land Co., Ltd)	PRC/wholly foreign owned enterprise	Management consultant/ Mainland China	–	100%	–
中山雅居樂雍景園房地產有限公司 Zhongshan Agile Majestic Garden Real Estate Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州番禺雅居樂房地產開發有限公司 Guangzhou Panyu Agile Realty Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州花都雅居樂房地產開發有限公司 Guangzhou Huadu Agile Realty Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
佛山市南海區雅居樂房地產有限公司 Foshan Nanhai Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
中山市凱茵豪園房地產開發有限公司 Zhongshan Greenville Realty Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
中山市雅建房地產發展有限公司 Zhongshan Ever Creator Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2019 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
廣州雅居樂房地產開發有限公司 Guangzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
佛山市雅居樂房地產有限公司 Foshan Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
南京雅居樂房地產開發有限公司 Nanjing Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
河源市雅居樂房地產開發有限公司 Heyuan Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
海南清水灣控股有限公司 Hainan Clearwater Bay Holdings Limited	BVI/Limited liability company	Investment holding/BVI	–	100%	–
海南雅居樂房地產開發有限公司 Hainan Agile Real Estate Development Co., Ltd. ("Hainan Agile") (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–
海南雅恒房地產發展有限公司 Hainan Yaheng Real Estate Development Co., Ltd. ("Hainan Yaheng") (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–
廣州從化雅居樂房地產開發有限公司 Guangzhou Conghua Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
四川雅居樂房地產開發有限公司 Sichuan Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2019 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
佛山市三水雅居樂房地產有限公司 Foshan Sanshui Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
惠州白鷺湖旅遊實業開發有限公司 Huizhou Bailuhu Tour Enterprise Development Co., Ltd. (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–
陝西昊瑞房地產開發有限責任公司 Shanxi Haorui Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
上海靜安城投重慶置業有限公司 Shanghai Jing'an Chengtou Chongqing Land Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
上海雅恒房地產開發有限公司(前稱上海金昌房地產開發有限公司) Shanghai Yaheng Real Estate Development Co., Ltd.(formerly named Shanghai Jinchang Real Estate Development Co., Ltd.) (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州雅居樂酒店有限公司 Guangzhou Agile Hotel Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Hotel operation/Mainland China	–	100%	–
佛山市雅居樂酒店有限公司 Foshan Agile Hotel Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Hotel operation/Mainland China	–	100%	–
廣州雅恒房地產開發有限公司 Guangzhou Yaheng Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2019 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
中山市雅信房地產開發有限公司 Zhongshan Yaxin Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
中山市雅創房地產開發有限公司 Zhongshan Yachuang Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
廣州雅生房地產開發有限公司 Guangzhou Yasheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
中山市雅景房地產開發有限公司 Zhongshan Yajing Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
廣州雅粵房地產開發有限公司 Guangzhou Yayue Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
廣州雅騰房地產開發有限公司 Guangzhou Yateng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
佛山市三水雅居樂雍景園房地產有限公司 Foshan Sanshui Agile Majestic Garden Real Estate Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
廣東西樵商貿廣場有限公司 Guangdong Xiqiao Commerce Plaza Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
南京江寧雅居樂房地產開發有限公司 Nanjing Jiangning Agile Real Estate Development Co.,Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2019 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
遼寧雅居樂房地產開發有限公司 Liaoning Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
西安雅居樂物業投資管理有限公司 Xi'an Agile Property Investment Management Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
佛山市順德區雅居樂房地產有限公司 Foshan Shunde Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
南京雅建置業有限公司 Nanjing Yajian Land Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
常州雅居樂房地產開發有限公司 Changzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
騰沖雅居樂旅遊置業有限公司 Tengchong Agile Resort Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
海南雅航旅遊置業有限公司 Hainan Yahang Travel Property Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
西雙版納雅居樂旅遊置業有限公司 (前稱：西雙版納雅居樂旅遊發展有限公司) Xishuangbanna Agile Resort Co., Ltd. (formerly named: Xishuangbanna Agile Resort Development Co., Ltd.) (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
瑞麗雅居旅遊置業有限公司 Ruili Agile Resort Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2019 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
西安曲江雅居樂房地產開發有限公司 Xi'an Qujiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	70%	30%
佛山市順德區雅新房地產開發有限公司 Foshan Shunde Yaxin Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
揚州雅居樂房地產開發有限公司 Yangzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/foreign invested enterprise	Property development/ Mainland China	–	100%	–
來安雅居樂房地產開發有限公司 Lai'an Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
無錫雅居樂房地產開發有限公司 Wuxi Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
上海松江雅居樂房地產開發有限公司 Shanghai SongJiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/wholly foreign owned enterprise	Property development/ Mainland China	–	100%	–
昆山市富恒房地產開發有限公司 Kunshan Fuheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
中山市雅尚房地產開發有限公司 Zhongshan Yashang Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
杭州余杭雅居樂房地產開發有限公司 Hangzhou Yuhang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–

(All amounts in RMB thousands unless otherwise stated)

45 Subsidiaries (Continued)

(a) Particulars of principal subsidiaries of the Group at 31 December 2019 are set out below: (Continued)

Name	Place of incorporation and legal status	Principal activities/place of operation	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
南京濱江雅居樂房地產開發有限公司 Nanjing Binjiang Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–
鄭州雅居樂房地產開發有限公司 Zhengzhou Agile Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	60%	40%
佛山市南海區雅恒房地產開發有限公司 Foshan Nanhai Yaheng Real Estate Development Co., Ltd. (note (i))	PRC/limited liability Company	Property development/ Mainland China	–	100%	–

Structured entity	Principal activities
The Company's Employee Share Trust	Purchases, administers and holds the Company's shares in respect of the Share Award Scheme set up for the benefit of eligible employees

As the Company's Employee Share Trust is set up solely for the purpose of purchasing, administrating and holding the Company's shares in respect of the Share Award Scheme, the Company has the rights to variable returns from its involvement with the Employee Share Trust and has the ability to affect those returns through its power over the trust. The assets and liabilities of the Employee Share Trust are included in the Group's consolidated financial statements and the shares held by the Employee Share Trust are presented as a deduction in equity as "Shares held for Share Award Scheme".

The above table lists the principal subsidiaries of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group. To give full details of subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Note (i): The names of the companies represent management's best efforts at translating the Chinese names of these companies as no English names have been registered or available.

(All amounts in RMB thousands unless otherwise stated)

46 Balance sheet and reserve movement of the Company

Balance sheet of the Company

	As at 31 December	
	2019	2018
Assets		
Non-current assets		
Investments in subsidiaries	448,520	448,520
Total non-current assets	448,520	448,520
Current assets		
Amounts due from subsidiaries	70,230,396	62,620,721
Other receivables and prepayments	151,927	149,185
Financial assets at fair value through profit or loss	–	139,189
Cash and cash equivalents	5,358,424	2,028,994
Total current assets	75,740,747	64,938,089
Total assets	76,189,267	65,386,609
Equity		
Equity attributable to shareholders of the Company		
Share capital and premium	3,421,883	3,421,883
Shares held for Share Award Scheme	(156,588)	(156,588)
Other reserves (note (a))	–	427,512
Retained earnings (note (a))	1,481,250	2,432,683
	4,746,545	6,125,490
Perpetual Capital Securities	13,566,867	8,334,875
Total equity	18,313,412	14,460,365
Liabilities		
Non-current liabilities		
Borrowings	27,544,324	31,906,734
Financial liabilities at fair value through profit or loss	12,656	6,144
	27,556,980	31,912,878
Current liabilities		
Borrowings	20,289,129	11,903,533
Amounts due to subsidiaries	9,132,545	6,429,197
Other payables and accruals	843,517	673,444
Financial liabilities at fair value through profit or loss	53,684	7,192
Total current liabilities	30,318,875	19,013,366
Total liabilities	57,875,855	50,926,244
Total equity and liabilities	76,189,267	65,386,609

The balance sheet of the Company was approved by the Board of Directors on 23 March 2020 and was signed on its behalf by:

Chen Zhuo Lin **Chan Cheuk Hung**

(All amounts in RMB thousands unless otherwise stated)

46 Balance sheet and reserve movement of the Company (Continued)

Balance sheet of the Company (Continued)

Note (a): Reserves movement of the Company

	Other reserves	Retained earnings
At 1 January 2018	427,512	2,526,254
Profit for the year	–	3,857,540
Dividends declared relating to 2018	–	(3,951,111)
At 31 December 2018	**427,512**	**2,432,683**
At 1 January 2019	**427,512**	**2,432,683**
Profit for the year	–	**2,932,068**
Redemption of Perpetual Capital Securities (note 23)	**(427,512)**	**(77,201)**
Dividends declared relating to 2019	–	**(3,806,300)**
At 31 December 2019	–	**1,481,250**

47 Events after the balance sheet date

(a) Pursuant to the agreement entered into by a third party acquirer (the "Acquirer"), Dragon Charm International Limited, Ma Lee International Holdings Limited, China Sharp Group Limited and Guangzhou Panyu Agile Realty Development Co., Ltd. (the relevant subsidiaries of the Company, "Agile Relevent Shareholders") in December 2019, it was agreed that the Acquirer and Agile Relevent Shareholders will jointly invest and develop the cooperative land ("Bailuhu Project") in the agreed proportion of 49% and 51%. The total consideration of RMB1,666,087,000, of which RMB733,485,000 would be paid to Agile Relevent Shareholders and RMB932,602,000 would be contributed to Bailuhu Project. The Acquirer has paid total consideration as an advanced payment in December 2019, which was recognised as other payable in the consolidated balance sheet. Up to report date, the transactions has not been completed.

(b) On 25 September 2019, the Group entered into a framework agreement to conditionally agree to acquire the 60% equity interest in CMIG Futurelife Property Management Limited ("CMIG PM") at the fixed consideration RMB 1,560,000,000 from Guangdong Fengxin Yinglong Equity Investment Partnership (Limited Partnership). The Circular had been despatched to the Group's Shareholders on 24 February 2020. Upon the completion of the acquisition, the CMIG PM would become a subsidiary of the Group.

(c) Entering 2020, the rapid outbreak of the novel coronavirus ("COVID-19") in different cities has led to a major challenge for the global economy. Under the effective control measures of the Chinese government, the epidemic has been gradually controlled. The Group has comprehensively evaluated its impact on sales activities and construction works in various cities, with an aim to fully support the prevention and control for the novel coronavirus and to effectively cut off the transmission of the virus. Under the premise of protecting the health and safety of customers and employees, the Group has gradually resumed its operation since February 2020 in accordance with the local governments' policies. Meanwhile, the Group has also established an online sales centre named Yajubao to provide professional online consultation to prospective buyers, with an aim to minimise the impact of the epidemic on the Group's sales activities.

(All amounts in RMB thousands unless otherwise stated)

47 Events after the balance sheet date (Continued)

(c) (Continued)

The pandemic has caused a short-term impact on all sectors and the sales of the real estate industry has also been affected by the short-term psychological impact of the public on the epidemic. Therefore, we foresee the sales performance of the real estate industry will decline significantly in the first quarter of 2020 when compared with the corresponding period of last year. However, a number of local governments in China have introduced relaxation policies to shore up the local real estate market in an effort to stabilise the future development of China's real estate market. The Group will closely monitor the development of novel coronavirus and assess the impact of the epidemic on the Group's finance and operation. The Group will adjust the marketing plans and development strategies in a timely manner, with an aim to ensure the effective implementation of the business model of "focusing on property development, supported by a diversified range of businesses".

48 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiaries undertaking:

For the year ended 31 December 2019:

	Fees	Salary	Housing allowance and contribution to a retirement benefit scheme	Total
Mr. Chen Zhuo Lin	4,356	–	16	4,372
Mr. Chan Cheuk Hung	3,108	–	16	3,124
Mr. Huang Fengchao	146	7,875	155	8,176
Mr. Chen Zhongqi	146	7,742	64	7,952
Mr. Chan Cheuk Yin	408	–	–	408
Madam. Luk Sin Fong, Fion	408	–	–	408
Mr. Chan Cheuk Hei	408	–	–	408
Mr. Chan Cheuk Nam	408	–	–	408
Dr. Cheng Hon Kwan (note (i))	408	–	–	408
Mr. Kwong Che Keung, Gordon (note (i))	408	–	–	408
Mr. Hui Chiu Chung, Stephen (note (i))	408	–	–	408
Mr. Wong Shiu Hoi, Peter (note (i))	408	–	–	408
	11,020	15,617	251	26,888

(All amounts in RMB thousands unless otherwise stated)

48 Benefits and interests of directors (Continued)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2018:

	Fees	Salary	Housing allowance and contribution to a retirement benefit scheme	Total
Mr. Chen Zhuo Lin	3,793	–	15	3,808
Mr. Chan Cheuk Hung	2,706	–	15	2,721
Mr. Huang Fengchao	127	7,329	129	7,585
Mr. Chen Zhongqi	127	7,371	54	7,552
Mr. Chan Cheuk Yin	355	–	–	355
Madam. Luk Sin Fong, Fion	355	–	–	355
Mr. Chan Cheuk Hei	355	–	–	355
Mr. Chan Cheuk Nam	355	–	–	355
Dr. Cheng Hon Kwan (note (i))	355	–	–	355
Mr. Kwong Che Keung, Gordon (note (i))	355	–	–	355
Mr. Cheung Wing Yui, Edward (note (i), (ii))	42	–	–	42
Mr. Hui Chiu Chung, Stephen (note (i))	355	–	–	355
Mr. Wong Shiu Hoi, Peter (note (i))	355	–	–	355
	9,635	14,700	213	24,548

Note (i): Independent non-executive directors of the Company.

Note (ii): Mr. Cheung Wing Yui, Edward has resigned as an non-executive director of the Company with effect from 13 February 2018.

(All amounts in RMB thousands unless otherwise stated)

48 Benefits and interests of directors (Continued)

(b) Directors' retirement benefits

During the year ended 31 December 2019, there were no additional retirement benefit received by the directors except for the attribution to a retirement benefit scheme as disclosed in note (a) above (2018: same).

(c) Directors' termination benefits

During the year ended 31 December 2019, there was no termination benefits received by the directors (2018: same).

(d) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2019, no consideration was paid for making available the services of the directors of the Company (2018: same).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year ended 31 December 2019, there was no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favour of directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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