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ZENSUN ENTERPRISES LIMITED

正商實業有限公司

(於香港註冊成立之有限公司)

(股份代號：185)

由

ZENSUN GROUP LIMITED

正商集團有限公司

(於英屬處女群島註冊成立之有限公司)

無條件及不可撤銷地擔保

於2023年到期之200,000,000美元
12.5厘優先票據(「票據」，股份代號：40836)

刊發發售備忘錄

本公佈根據香港聯合交易所有限公司證券上市規則(「上市規則」)第37.39A條發行。

除另有界定者外，本公佈所用詞彙與發售備忘錄(定義見下文)所界定者具有相同涵義。

請參閱本公佈隨附日期為2021年9月8日的發售備忘錄(「發售備忘錄」)，內容有關票據發行。誠如發售備忘錄所披露，票據擬僅供專業投資者(定義見上市規則第37章)購買，並已按此基礎於聯交所上市。因此，本公司、母公司擔保人、附屬公司擔保人及合營附屬公司擔保人(如有)確認票據不適合作為香港散戶的投資。投資者應審慎考慮所涉及的風險。

承董事會命
正商實業有限公司
主席、行政總裁兼執行董事
張敬國

香港，2021年9月14日

於本公佈日期，本公司執行董事為張敬國先生及張國強先生；本公司非執行董事為Huang Yanping女士；及本公司獨立非執行董事為劉達先生、劉俏博士及馬運弢先生。

於本公佈日期，正商集團有限公司之唯一董事為張敬國先生。

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE THE UNITED STATES

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

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

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

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

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

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

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

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

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

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US\$57,580,000

**ZENSUN ENTERPRISES LIMITED****正商實業有限公司***(incorporated in Hong Kong with limited liability)***Unconditionally and irrevocably guaranteed by****ZENSUN GROUP LIMITED****正商集團有限公司***(incorporated in the British Virgin Islands with limited liability)***12.5% Senior Notes due 2023****Issue Price: 100.0%**

Our 12.5% Senior Notes due 2023 (the "Notes") will bear interest at the rate of 12.5% per annum payable semi-annually in arrears on March 13 and September 13 of each year, beginning March 13, 2022 and will mature on September 13, 2023.

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

At any time and from time to time prior to September 13, 2023, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 112.5% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date. In addition, the Issuer may at our option redeem the Notes, in whole but not in part, at any time prior to September 13, 2023 at a redemption price equal to 100% of the principal amount of the Notes plus a premium as set forth in this offering memorandum and accrued and unpaid interest if any, to (but not including) the redemption date. Upon the occurrence of a Change of Control (as defined in the indenture governing the Notes (the "Indenture")), the Issuer must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

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

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

We are concurrently conducting an offer to exchange (the "Exchange Offer") any and all of our outstanding 2019 Notes (as defined herein) for additional Notes (the "Exchange Notes"). Any Exchange Notes issued will have the same terms as and form a single class with the Notes issued in this offering. Our obligation to consummate the Exchange Offer is subject to the satisfaction of certain conditions. The total principal amount of the Notes and Exchange Notes to be issued pursuant to the Exchange Offer and this offering is US\$200,000,000.

Investing in the Notes involves risks. Furthermore, investors should be aware that the Notes are guaranteed by Subsidiary Guarantors which do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees and that there are various other risks relating to the Notes, the Company and its subsidiaries, their business and their jurisdictions of operations which investors should familiarise themselves with before making an investment in the Notes. See the section entitled "Risk Factors" beginning on page 20.

Application will be made to The Stock Exchange of Hong Kong Limited (the "SEHK") for the listing of, and permission to deal in the Notes (as defined herein) by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) ("Professional Investors") only. This offering memorandum is for distribution to Professional Investors only. **Notice to Hong Kong investors:** The Issuer, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) confirm that the Notes are intended for purchase by Professional Investors only and will be listed on the SEHK on that basis. Accordingly, the Issuer, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) confirm that the Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

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

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

With reference to the Notice on Promoting the Reform of the Filing and Registration System for Issuance of Foreign Debt by Enterprises (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知發改外資[2015]2044號) (the "NDRC Notice") promulgated by National Development and Reform Commission (the "NDRC") of the PRC on September 14, 2015 which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC on February 4, 2021 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within ten PRC working days after the issue date of the Notes.

It is expected that delivery of the Notes will be made on or about September 13, 2021 through the book-entry facilities of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream") against payment therefor in immediately available funds.

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Guotai Junan International**BOCOM International****CCB International****Dongxing Securities
(Hong Kong)**

Joint Bookrunners and Joint Lead Managers

Haitong International**Sheng Yuan Securities****DL Securities****Zhongtai International**

The date of this offering memorandum is September 8, 2021

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

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

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

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

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

IN CONNECTION WITH THIS OFFERING, GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED, BOCOM INTERNATIONAL SECURITIES LIMITED, CCB INTERNATIONAL CAPITAL LIMITED, DONGXING SECURITIES (HONG KONG) COMPANY LIMITED, HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED, SHENG YUAN SECURITIES LIMITED, DL SECURITIES (HK) LIMITED AND ZHONGTAI INTERNATIONAL SECURITIES LIMITED, THE INITIAL PURCHASERS, APPOINTED AND ACTING IN THE CAPACITY AS STABILIZATION MANAGERS OR ANY PERSON ACTING FOR IT (THE “STABILIZATION MANAGER”), MAY PURCHASE AND SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF STABILIZATION MANAGER, AND NOT FOR US OR ON OUR BEHALF.

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

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

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

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

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

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

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

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

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

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

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

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

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

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

We record and publish our financial statements in Renminbi. Unless otherwise stated in this offering memorandum, all translations from Renminbi amounts to U.S. dollar amounts were made at the rate of RMB6.5250 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2020, and all translations from H.K. dollar amounts into U.S. dollar amounts were made at the rate of HK\$7.7534 to US\$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2020. All such translations in this offering memorandum are provided solely for your convenience and no representation is made that the Renminbi amounts referred to herein have been, could have been or could be converted into U.S. dollars or H.K. dollars, or vice versa, at any particular rate, or at all. For further information relating to the exchange rates, see “Exchange Rate Information.”

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

The financial statements of the Issuer and the Company are prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) which differ in certain respects from generally accepted accounting principles in the United States (“U.S. GAAP”) and certain other jurisdictions. Unless the context otherwise requires, references to “2018”, “2019” and “2020” in this offering memorandum are to our financial years ended December 31, 2018, 2019 and 2020, respectively.

“2019 Notes” means the Issuer’s 12.8% Senior Notes due 2021 issued on October 3, 2019 and December 19, 2019.

“2020 Notes” means the Issuer’s 12.5% Senior Notes due 2022 issued on March 13, 2020.

“ASP” means average selling price.

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

“BVI” means the British Virgin Islands.

“CBIRC” means China Banking and Insurance Regulatory Commission.

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

“GDP” means gross domestic product.

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

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

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

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

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

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

“REIT” means real estate investment trust.

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

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

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

“sq.m.” means square meter(s).

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

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

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

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

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

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

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

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

GLOSSARY OF TECHNICAL TERMS

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

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

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

SUMMARY

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

OVERVIEW

Founded in Zhengzhou in 1995, we have grown into a renowned multinational group with integrated real estate businesses. Now with our footprint across Henan Province, Beijing, Hubei, Shandong and Hainan Provinces, Hong Kong, as well as the United States, Singapore and other countries and regions, we are the largest residential property developer in Zhengzhou in terms of both contracted sales and GFA sold from 2012 to 2018, according to China Real Estate Association (中國房地產業協會) (“CREA”) and China Real Estate Appraisal (中國房地產測評中心) (“CRA”), and have established a strong presence in Henan Province. We ranked the 46th among “China Top 500 Real Estate Developers” (中國房地產500強企業) in 2020, according to the Top 500 China Real Estate Developers Research Report published by CREA and CRA in March 2020. As one of China’s focal points of economic development, Henan Province is the third most populous province in China and has been undergoing rapid urbanization and economic development. As the capital and largest city of Henan Province and a major transportation hub for central China, Zhengzhou has experienced substantial economic growth over the past few years, fostering a booming property development market. To capitalize on the fast-paced economic development and rapid-growing housing demand in this region, we have implemented a development strategy with strong focus on Zhengzhou, including its urban areas and emerging development districts, complemented by selected key cities in Henan Province. Leveraging our strong focus on and leading position in Zhengzhou, we have been and are well positioned to continue to benefit from the growth potential in the real estate market.

We have a proven track record in developing quality residential properties in Zhengzhou. We are the largest residential property developer in Zhengzhou in terms of both GFA sold and contracted sales from 2012 to 2018, according to CREA and CRA. Our market-leading position, brand value, and growth potential have earned us the accolades of “2020 Top 50 China Real Estate Development Enterprises” (中國房地產開發企業50強), “2020 Top 50 China Real Estate Developers”, “2019 Top 50 China Real Estate Development Enterprises” (中國房地產開發企業50強), “2019 Top 50 China Real Estate Developers”, “2018 Top 50 China Real Estate Development Enterprises” (中國房地產開發企業50強) and “2018 Top 50 China Real Estate Developers” in terms of brand value. Specifically, we were ranked the sixth of “2020 Top 10 China Real Estate Developers” in terms of efficiency, jointly selected by CREA and CRA. We further received the honor of “2018 Top 100 Private Enterprises in Henan Province” (2018河南民營企業100強) by Henan Province Association of Industry and Commerce (河南省公工商業聯合會) and a “China Well-known Trademark” (中國馳名商標) certificate by the Trademark Office of SAIC (國家工商行政管理總局商標局) in 2018.

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

residential properties that meet the needs of our target customers. As a result of our distinctive market positioning for a variety of segments among our target customers, we have maintained standardized residential property portfolios of the “Shangjing” (“上境”) series and “Quality Home” (“品質家”) series, each featuring its respective standardized designs, ambience, apartment layout, as well as plot, greening and parking ratios. In particular, the “Quality Home” series is subdivided into three sub-series, “Scholar Mansion” (“華府”), “Orchids Mansion” (“蘭庭”) and “Golden Mile House” (“世家”).

We adopt a disciplined approach to project selection by only acquiring land parcels that can be effectively managed by our available resources, fit into our investment budget and have the potential to meet our target project return criteria. We selectively participate in Urban Redevelopment Schemes, which we believe enables us to gain more insights into the land parcels and increases our chances to obtain land parcels situated in the urban areas of Zhengzhou, Luoyang and Xinxiang of Henan Province with significant appreciation potential in a cost-efficient manner. As of December 31, 2020, we had acquired land parcels or entered into land grant contracts with an aggregate site area of approximately 5.6 million sq.m. in Zhengzhou, Luoyang and Xinxiang of Henan Province for which we had participated in Urban Redevelopment Schemes.

We outsource the construction work to qualified general construction contractors. In 2018, 2019 and 2020, Henan Zensun Corporate Development Group Co., Ltd (河南正商企業發展有限責任公司) was our largest general contractor and was granted a fair amount of the construction work we had incurred. In 2018, 2019 and 2020, our total purchases from Henan Zensun Corporate Development Group Co., Ltd in respect of its construction services amounted to approximately RMB2,699.9 million, RMB4,242.3 million and RMB3,019.7 million (US\$462.8 million), representing approximately 18.7%, 32.2% and 23.2% of our total construction costs in 2018, 2019 and 2020, respectively.

Our strategic focus on Zhengzhou has enabled us to secure or obtain land at suitable locations in the region, which provides a solid foundation for our future development. As of December 31, 2020, we had acquired land parcels with an aggregate site areas of approximately 4.9 million sq.m. in Zhengzhou, comprising 77 property development projects with an aggregate GFA of approximately 12.2 million sq.m. We believe that we have sufficient land reserve in Zhengzhou to meet our development needs and sustain our business growth in the region.

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

Our Strengths

We believe the following strengths have contributed to the success of our business operations and leading position in the real estate industry:

- Leading position in and strategic focus on the residential property development industry in Zhengzhou;
- Diversified and high-quality property portfolio with continuously enhancing features aimed to satisfy market demands of various customer groups;
- Steady expansion of business with prudent project selection strategy and financial discipline;
- Standardized and scalable development process aiming at optimizing operating efficiency and maximizing economic returns; and
- Experienced management team, effective management system and performance-driven corporate culture.

Our Strategies

We aim to continue to grow as a leading property developer with a strong presence in Henan and expand into other rapidly developing cities outside Henan. We have developed the following business strategies to pursue our growth objectives:

- Continue to strengthen our leading position in Zhengzhou and Henan Province;
- Replicate our successful business model in other rapidly developing cities;
- Further enhance our brand competitiveness and customer loyalty;
- Ensure ample liquidity and diverse financing channels; and
- Continue to attract, retain and motivate skilled and talented employees.

General Information

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

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

RECENT DEVELOPMENTS

The Coronavirus Epidemic Outbreak

Towards the end of 2019, public health officials of the PRC informed the World Health Organization, or WHO, that a highly infectious novel coronavirus was detected. WHO later named the novel coronavirus as COVID-19. In March 2020, the WHO characterized the outbreak of COVID-19 a pandemic. The COVID-19 pandemic has adversely impacted the livelihood of the general population and economies worldwide.

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. The PRC real estate market is under pressure in the short term as the COVID-19 pandemic has curbed demand and pre-sales. 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, it is difficult to predict how long these conditions will persist and to what extent we may be affected. See “Risk Factors — Risks Relating to Conducting Business in the PRC — Natural disasters, acts of war, occurrence of epidemics, and other disasters could affect our business and the national and regional economies in the PRC.”

New Land Parcels

Subsequent to December 31, 2020, the Issuer acquired certain parcels of land as set forth in the table below:

Location	Interests Attributable to the Issuer	Number of Land Parcels	Site Area	Attributable Land Cost	Type
	(%)		(sq.m.)	(RMB in million)	
Dengzhou, Henan . .	51	1	41,127.0	97.5	residential
Yuanyang, Henan . .	100	1	51,292.7	100.0	residential and commercial
Huaiyang, Henan . .	100	1	42,841.0	156.7	residential and commercial
Dengfeng, Henan . .	100	1	12,185.0	46.8	residential and underground transport service station site usage
Shangcheng, Henan	100	1	45,755.7	164.7	residential and commercial
Huaibin, Henan . . .	90	1	12,122.4	29.0	residential and commercial
Luoyang, Henan . .	100	1	70,094.5	673.9	residential, commercial, underground car parking spaces and civil air defense facility usage
Shangqiu, Henan . .	100	1	45,563.9	239.2	residential
Luohe, Henan	100	1	47,604.5	203.9	residential and commercial
Luoshan, Henan . . .	100	1	33,819.4	149.5	residential and commercial
Yucheng, Henan . . .	100	1	51,410.1	111.8	residential and commercial
Zhengzhou, Henan . .	100	1	51,984.7	389.9	residential
Total			<u>505,800.9</u>	<u>2,362.9</u>	

Concurrent Offer to Exchange

Concurrent with the offering of the Notes, we are conducting the Exchange Offer pursuant to an exchange offer memorandum dated August 31, 2021. Pursuant to the Exchange Offer, we expect to issue the Exchange Notes. Any Exchange Notes issued will have the same terms as and form a single class with the Notes issued in this offering. The Exchange Notes are expected to be delivered on the same date as the Notes. Our obligation to consummate the Exchange Offer is subject to the satisfaction of certain conditions. The total principal amount of the Notes and Exchange Notes to be issued pursuant to the Exchange Offer and this offering is US\$200,000,000.

Unaudited Financial Information for the Six Months ended June 30, 2021

See “Recent Development” section for the unaudited consolidated financial information of the Issuer for the six months ended June 30, 2021 which are extracted from the announcement of interim results for the six months ended June 30, 2021 filed with the Hong Kong Stock Exchange on August 26, 2021 and the unaudited consolidated financial information of the Company for the six months ended June 30, 2021.

THE OFFERING

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

Issuer	Zensun Enterprises Limited (正商實業有限公司) (the “Issuer”)
Parent Guarantor	Zensun Group Limited (正商集團有限公司)
Subsidiary Guarantors	Certain subsidiaries of the Parent Guarantor outside the PRC.
Notes Offered	US\$57,580,000 aggregate principal amount of 12.5% Senior Notes due 2023 (the “Notes”).
Offering Price	100.0% of the principal amount of the Notes.
Issue Date of the Notes.	September 13, 2021.
Maturity Date	September 13, 2023.
Interest	The Notes will bear interest at the rate of 12.5% per annum, payable semi-annually in arrears on March 13 and September 13 in each year, commencing March 13, 2022.
Ranking of the Notes	The Notes are: <ul style="list-style-type: none">• general obligations of the Issuer;• senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;• at least <i>pari passu</i> in right of payment with all other unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);• guaranteed by the Guarantors on a senior basis, subject to the limitations described below under the caption “The Guarantees,” “Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Notes and the Guarantees”;

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

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

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

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

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

Ranking of Parent Guarantee . . . The Parent Guarantee:

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

Subsidiary Guarantees and JV
Subsidiary Guarantees

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

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

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

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

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

Ranking of Subsidiary Guarantees	The Subsidiary Guarantee of each Subsidiary Guarantor: <ul style="list-style-type: none"> • is a general obligation of such Subsidiary Guarantor; • is effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; • is senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; • ranks at least <i>pari passu</i> with all other unsecured and unsubordinated Indebtedness of such Subsidiary Guarantors (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable laws); and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.
Ranking of JV Subsidiary Guarantees	If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor: <ul style="list-style-type: none"> • will be a general obligation of such JV Subsidiary Guarantor; • will be enforceable only up to the JV Entitlement Amount; • will be effectively subordinated to the secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor; • will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; • will be limited to the JV Entitlement Amount, and will rank at least <i>pari passu</i> with all other unsecured and unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

Use of Proceeds	The Issuer intends to use the net proceeds to refinance the existing medium to long term offshore indebtedness, which will become due within one year.
Optional Redemption	At any time and from time to time prior to September 13, 2023, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor the Paying Agent is responsible for calculating or verifying the Applicable Premium.
	At any time and from time to time prior to September 13, 2023, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Parent Guarantor in an Equity Offering at a redemption price of 112.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; <i>provided</i> that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.
Repurchase of Notes Upon a Change of Control	Not later than 30 days following a Change of Control, the Issuer or the Parent Guarantor will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.
Redemption for Taxation Reasons	Subject to certain exceptions and as more fully described herein, the Notes may be redeemed, at the option of the Issuer or a Surviving Person, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Issuer or a Surviving Person, as the case may be, for redemption if the Issuer or a Guarantor or a Surviving Person would be required to pay Additional Amounts as a result of specified tax laws. See "Description of the Notes — Redemption for Taxation Reasons."

Covenants	<p>The Notes, the Indenture governing the Notes and the Guarantees will limit the Issuer’s ability and the ability of its Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> • incur or guarantee additional indebtedness and issue disqualified or preferred stock; • make investments or other specific restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • engage in any business other than permitted business; • enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger.
	<p>These covenants are subject to a number of important qualifications and exceptions described in “Description of the Notes — Certain Covenants.”</p>
Transfer Restrictions	<p>The Notes will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to certain restrictions on resale and transfer. See “Transfer Restrictions.”</p>
Form, Denomination and Registration	<p>The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global note in registered form without interest coupons attached and deposited with a common depository and registered in the nominee of the common depository for the accounts of Euroclear and Clearstream.</p>

Book-Entry Only	The Notes will be issued in book entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. For a description of certain factors relating to clearance and settlement, see “Description of the Notes — Book-Entry, Delivery and Form.”	
Delivery of the Notes	The Issuer expects to make delivery of the Notes on or about September 13, 2021 which the Issuer expects to be the third business day following the date of this offering memorandum, referred to as “T + 3.” You should note that initial trading of the Notes may be affected by the “T + 3” settlement. See “Plan of Distribution”.	
Trustee	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)	
Principal Paying Agent, Registrar and Transfer Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)	
Listing	Application will be made to the SEHK for the listing of, and permission to deal in, the Notes by way of debt issues to Professional Investors only as described in this offering memorandum.	
Ratings	We have been assigned a long-term corporate credit rating of B2 with a stable outlook by Moody’s. The Notes are expected to be rated B3 by Moody’s. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.	
Security Codes	ISIN	Common Code
	XS2382158207	238215820
Governing Law	The Notes, the Guarantees and the Indenture will be governed by and construed in accordance with the laws of the State of New York.	
Exchange Offer	We are concurrently conducting an offer to exchange (the “Exchange Offer”) any and all of our outstanding 2019 Notes for additional Notes (together, the “Exchange Notes”). Any Exchange Notes issued will have the same terms as and form a single class with the Notes issued in this offering.	
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “Risk Factors”.	

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present summary financial and other data of the Company and the Issuer.

The summary consolidated financial data of the Company (except for EBITDA data) has been derived from the Company's audited consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020, as audited by Ernst & Young, our independent certified public accountants.

The summary consolidated financial data of the Issuer (except for EBITDA data) has been derived from the Issuer's audited consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020, as audited by Ernst & Young, the Issuer's independent certified public accountants.

The financial statements of the Company and the Issuer have been prepared and presented in accordance with HKFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions.

The consolidated financial statements and the condensed financial information of the Company and the Issuer and the notes to those statements and information included elsewhere in this offering memorandum. Historical results are not necessarily indicative of results that may be achieved in any future period.

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND OTHER FINANCIAL DATA OF THE COMPANY

For the year ended December 31,

	For the year ended December 31,			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)
	(in thousands)			(unaudited)
REVENUE	19,415,987	26,560,404	15,063,150	2,308,529
Cost of sales	(14,152,491)	(18,192,812)	(11,290,580)	(1,730,357)
GROSS PROFIT	5,263,496	8,367,592	3,772,570	578,172
Other income	35,616	55,339	99,234	15,208
Other gains and losses	22,581	74,451	(81,323)	(12,463)
Sales and marketing expenses	(289,329)	(280,402)	(273,222)	(41,873)
Administrative expenses	(440,238)	(457,736)	(426,681)	(65,392)
Finance costs	(483,741)	(418,195)	(316,275)	(48,471)
PROFIT BEFORE TAX	4,108,385	7,341,049	2,774,303	425,181
Income tax expense	(1,724,923)	(3,181,602)	(1,000,755)	(153,372)
PROFIT FOR THE YEAR	<u>2,383,462</u>	<u>4,159,447</u>	<u>1,773,548</u>	<u>271,808</u>
Attributable to:				
Owners of the parent	2,382,824	3,861,748	1,559,039	238,933
Non-controlling interests	638	297,699	214,509	32,875
	<u>2,383,462</u>	<u>4,159,447</u>	<u>1,773,548</u>	<u>271,808</u>
Other financial data (unaudited)				
EBITDA ⁽¹⁾	6,089,783	9,798,392	4,135,975	633,866
EBITDA margin ⁽²⁾	31.4%	36.9%	27.5%	27.5%

Notes:

(1) EBITDA for any period primarily consists of profit before tax plus net finance cost, finance costs recognized in cost of sales, depreciation and amortization, and non-recurring gain or loss. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture. See the section entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.

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

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As of December 31,			
	2018 (RMB)	2019 (RMB) (in thousands)	2020 (RMB)	(US\$) (unaudited)
Non-current Assets				
Property, plant and equipment	33,034	119,693	142,701	21,870
Investment properties	717,043	727,031	624,941	95,776
Intangible assets	6,073	4,472	2,897	444
Right-of-use assets ⁽¹⁾	–	5,246	–	–
Investment in a joint venture	296,370	296,370	295,703	45,318
Investment in an associate	23,489	18,179	14,772	2,264
Equity investments designated at fair value through other comprehensive income	32,000	62,000	185,747	28,467
Deposits and prepayments paid for land acquisitions	266,297	351,018	–	–
Pledged deposits	33,915	22,525	27,935	4,281
Deferred tax assets	291,749	659,218	850,947	130,413
	<u>1,699,970</u>	<u>2,265,752</u>	<u>2,145,643</u>	<u>328,834</u>
Current Assets				
Inventories	217	–	–	–
Completed properties held for sale	7,547,378	10,673,330	11,905,797	1,824,643
Properties under development	46,447,603	48,702,175	56,993,523	8,734,640
Deposits, prepayments paid for land acquisition	6,019,567	2,616,028	3,158,948	484,130
Amount due from related companies	628,602	156,415	715,744	109,693
Accounts receivable, other receivables and other assets	9,276,441	9,901,745	8,079,280	1,238,204
Financial assets at fair value through profit or loss	335,325	486,479	550,434	84,358
Prepaid income tax and tax recoverable	2,456,528	1,777,290	2,093,684	320,871
Pledged deposits	2,056,651	3,152,091	1,769,777	271,230
Restricted bank balance	1,053,346	1,221,422	823,330	126,181
Cash and cash equivalents	1,653,777	6,112,303	3,488,063	534,569
Investment properties classified as held for sale	5,582	–	–	–
	<u>77,481,017</u>	<u>84,799,278</u>	<u>89,578,580</u>	<u>13,728,518</u>
Current Liabilities				
Accounts payables, deposits received and accruals	8,288,660	11,462,409	16,118,724	2,470,303
Contract liabilities	37,631,077	32,597,844	36,378,551	5,575,257
Amounts due to related companies	3,685,311	4,430,648	3,023,047	463,302
Lease liabilities ⁽²⁾	–	1,871	–	–
Bank and other borrowings	8,953,906	9,791,674	7,802,238	1,195,745
Tax payable	604,105	1,581,606	1,285,803	197,058
	<u>59,163,059</u>	<u>59,866,052</u>	<u>64,608,363</u>	<u>9,901,665</u>

	As of December 31,			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)
	(in thousands)			(unaudited)
Net Current Assets	18,317,958	24,933,226	24,970,217	3,826,853
Total Assets less Current Liabilities . . .	20,017,928	27,198,978	27,115,860	4,155,687
Non-Current Liabilities				
Rental deposits received	7,128	7,010	4,866	746
Lease liabilities ⁽²⁾	–	3,695	–	–
Bank and other borrowings	9,800,893	12,690,358	9,533,563	1,461,082
Deferred tax liabilities	18,403	114,077	95,276	14,602
	9,826,424	12,815,140	9,633,705	1,476,430
NET ASSETS	10,191,504	14,383,838	17,482,155	2,679,257
Equity attributable to:				
Owners of the parent	9,680,749	13,576,210	15,472,120	2,371,206
Non-controlling interests	510,755	807,628	2,010,035	308,051
TOTAL EQUITY	10,191,504	14,383,838	17,482,155	2,679,257

Notes:

(1) On January 1, 2019, the Company adopted the HKFRS 16. Prior to the adoption of HKFRS 16, the Company previously classified leases as either finance leases or operating leases. Upon the adoption of HKFRS 16, the Company applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

(2) On January 1, 2019, the Company adopted the HKFRS 16. Prior to the adoption of HKFRS 16, the Company previously classified leases as either finance leases or operating leases. Upon the adoption of HKFRS 16, the Company applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term.

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AND OTHER FINANCIAL DATA OF THE ISSUER

	For the year ended December 31,			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)
	(in thousands)			(unaudited)
REVENUE	601,470	8,887,186	8,069,061	1,236,638
Cost of sales	(326,329)	(6,600,707)	(6,322,783)	(969,009)
GROSS PROFIT	275,141	2,286,479	1,746,278	267,629
Other income	25,078	9,678	27,520	4,218
Other gains and losses, net	33,333	109,086	(86,030)	(13,185)
Sales and marketing expenses	(114,909)	(162,428)	(181,012)	(27,741)
Administrative expenses	(129,674)	(166,817)	(205,198)	(31,448)
Finance costs	(30,455)	(38,221)	(79,686)	(12,212)
PROFIT BEFORE TAX	58,514	2,037,777	1,221,872	187,260
Income tax expense	(30,022)	(886,319)	(443,499)	(67,969)
PROFIT FOR THE YEAR	28,492	1,151,458	778,373	119,291
Attributable to:				
Owners of the parent	29,971	1,151,571	782,988	119,998
Non-controlling interests	(1,479)	(113)	(4,615)	(707)
	28,492	1,151,458	778,373	119,291
Other financial data (unaudited)				
EBITDA ⁽¹⁾	37,990	2,846,788	2,019,027	309,429
EBITDA margin ⁽²⁾	6.3%	32.0%	25.0%	25.0%

Notes:

(1) EBITDA for any period primarily consists of profit before tax plus net finance cost, finance costs recognized in cost of sales, depreciation and amortization, and non-recurring gain or loss. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture. See the section entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.

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

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ISSUER

	As of December 31,			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)
		(in thousands)		(unaudited)
Non-current Assets				
Property, plant and equipment	23,126	17,711	47,322	7,252
Investment properties	646,620	654,244	552,154	84,621
Goodwill	–	–	424,722	65,091
Intangible assets	–	–	199,000	30,498
Right-of-use assets ⁽¹⁾	–	5,246	–	–
Pledged deposits	33,915	22,525	27,935	4,281
Deferred tax assets	63,168	194,154	324,652	49,755
	<u>766,829</u>	<u>893,880</u>	<u>1,575,785</u>	<u>241,500</u>
Current Assets				
Inventories	217	–	–	–
Completed properties held for sale	934,671	3,824,960	6,791,108	1,040,783
Properties under development	29,777,845	38,367,480	48,446,684	7,424,779
Deposits and prepayments paid for land acquisitions	4,603,632	1,198,992	2,646,093	405,531
Accounts receivable, other receivables and other assets	1,175,439	1,827,573	2,113,132	323,852
Financial assets at fair value through profit or loss	232,532	349,876	321,590	49,286
Prepaid income tax and tax recoverable	616,737	723,402	1,060,382	162,511
Pledged deposits	680,450	863,804	330,336	50,626
Restricted bank balance	101,913	691,992	648,635	99,408
Cash and cash equivalents	673,412	3,200,230	3,218,611	493,274
Investment properties classified as held for sale	5,582	–	–	–
	<u>38,802,430</u>	<u>51,048,309</u>	<u>65,576,571</u>	<u>10,050,049</u>
Current Liabilities				
Accounts payables, deposits received and accruals	1,271,149	3,096,086	7,299,395	1,118,681
Contract liabilities	11,304,291	15,852,697	23,379,862	3,583,121
Amounts due to related companies	473,199	956,458	4,100,961	628,500
Loans from a related company	12,876,310	7,490,728	8,374,973	1,283,521
Lease liabilities ⁽²⁾	–	1,871	–	–
Bank and other borrowings	3,658,396	6,957,950	6,351,627	973,429
Tax liabilities	109,621	461,608	509,833	78,135
	<u>29,692,966</u>	<u>34,817,398</u>	<u>50,016,651</u>	<u>7,665,387</u>

	As of December 31,			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)
				(unaudited)
Net Current Assets	9,109,464	16,230,911	15,559,920	2,384,662
Total Assets less Current Liabilities . . .	9,876,293	17,124,791	17,135,705	2,626,162
Non-Current Liabilities				
Rental deposits received	7,128	7,010	4,866	746
Lease liabilities ⁽²⁾	–	3,695	–	–
Bank and other borrowings	8,742,329	13,277,895	8,784,298	1,346,253
Deferred tax liabilities	5,324	99,150	457,726	70,150
	8,754,781	13,387,750	9,246,890	1,417,148
NET ASSETS	1,121,512	3,737,041	7,888,815	1,209,014
Equity attributable to:				
Share capital	587,529	2,014,112	5,326,923	816,387
Reserves	541,036	1,726,522	2,547,007	390,346
Non-controlling interests	(7,053)	(3,593)	14,885	2,281
TOTAL EQUITY	1,121,512	3,737,041	7,888,815	1,209,014

Notes:

(1) On January 1, 2019, the Issuer adopted the HKFRS 16. Prior to the adoption of HKFRS 16, the Issuer previously classified leases as either finance leases or operating leases. Upon the adoption of HKFRS 16, the Issuer applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.

(2) On January 1, 2019, the Issuer adopted the HKFRS 16. Prior to the adoption of HKFRS 16, the Issuer previously classified leases as either finance leases or operating leases. Upon the adoption of HKFRS 16, the Issuer applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term.

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS

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

The growth and success of our business depend on our ability to continue acquiring land reserves located in desirable locations at commercially reasonable prices. Our ability to acquire land depends on a variety of factors that we cannot control, such as general economic conditions, our effectiveness in identifying and acquiring land parcels suitable for development and competition for such land parcels. A majority of our completed projects were developed on land obtained through public tender, auction or listing-for-sale process organized by government authorities, and we may continue to acquire land for our property development projects through such methods. The availability and price of land acquired through public tender, auction or listing-for-sale process organized by government authorities depend on factors beyond our control, including government land policies and competition. The PRC government and relevant local authorities control the supply and price of new land parcels and approve the planning and use of such land parcels. Local governments control the availability of land acquisition by public tender, auction or listing-for-sale process organized by government authorities. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in the PRC. These policies and measures, including changes in local government's urban planning in Zhengzhou and other cities in which we operate, may limit the supply of suitable land for our project development. Furthermore, the rapid development of the cities in Zhengzhou and other major cities in Henan Province in recent years has resulted in a shortage in the supply of undeveloped land in desirable locations and increased land acquisition costs, which becomes one of the largest components of our cost of sales. Any increase in our land costs resulting from shortages of supply or our inability to procure land could have a material adverse effect on our business, financial condition, results of operations and prospects.

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

We principally develop and sell properties in Zhengzhou and other major cities in Henan Province. As of December 31, 2020, most of our property projects or phases in various stages of development were located in Zhengzhou and other major cities in Henan Province. Our business continues to be heavily dependent on the property markets in Zhengzhou and other major cities in Henan Province. These property markets may be affected by local, regional, national and global factors, including economic and financial developments, speculative activities in local markets, demand for and supply of properties, seasonality, availability of alternative investment choices of property buyers, inflation, government policies, interest rates and the availability of capital. Any adverse developments in the PRC property market generally or in the cities in which we have or expect to have operations could materially and adversely affect our business, financial condition, results of operations and prospects.

Furthermore, private ownership of property in China is still at a relatively early stage. Demand for private residential property has been increasing rapidly in recent years, which has

often been coupled with volatile market conditions and fluctuations in prices. Numerous factors may affect the development of the market and, accordingly, it is very difficult to predict when and how significantly demand will develop. Limited availability of accurate financial and market information and the general low level of transparency in China's property industry contribute to the overall market uncertainty. Investors may be discouraged from acquiring new properties due to the lack of a liquid secondary market for residential properties. In addition, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also inhibit the demand for residential property. The risk of oversupply is also increasing in parts of China where property investment, trading and speculation have become more active. If as a result of any one or more of these or similar factors, demand for residential property or market prices decline significantly, our business, results of operations, financial condition and prospects could be materially and adversely affected.

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

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

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

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

We had negative net operating cash flow in 2018 and we may not be able to obtain sufficient funding for our land acquisitions and future property developments whether through bank loans, trust financing or other arrangements, on commercially reasonable terms, or at all.

Property development usually requires substantial capital investment during the construction period. As of December 31, 2020, our liquidity requirements arose principally from the acquisition of land for, and development of, our property development projects. Our property development projects have been generally funded through cash generated from operations including proceeds from the pre-sale of our properties, bank loans and trust financings. We expect to continue to fund our projects through these sources and will look for additional financing opportunities.

However, we cannot assure you that such funds will be sufficient or that any additional financing can be obtained on satisfactory or commercially reasonable terms, or at all. In 2018, we recorded negative net cash flow used in operating activities of approximately RMB2,265.8 million. Our negative net operating cash flow in 2018 was principally attributable to our cost in land

acquisition and project development to fulfill our growth. We cannot assure you that in the future we will not experience negative net cash flow from our operating activities again. A negative net cash flow position for operating activities could impair our ability to make necessary capital expenditures, constrain our operational flexibility and adversely affect our ability to expand our business and enhance our liquidity. For example, if we do not have sufficient net cash flow to fund our future liquidity, pay our trade payables and repay the outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

We finance our property projects primarily through a combination of internally generated funds, including proceeds from pre-sales and sales of our properties and borrowings from financial institutions, such as CBRC-licensed commercial banks and trust financing companies. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including:

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

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

- the PBOC has adjusted the Renminbi deposit reserve ratio for major banks several times since 2010. The PBOC also makes adjustment of the Renminbi deposit reserve ratio from time to time to control the available financing in the real estate sector;
- the PBOC has adjusted the benchmark one-year bank lending rate many times since 2008. The PBOC lowered the benchmark one-year bank lending rate to 5.35% on March 1, 2015, to 5.10% on May 11, 2015, to 4.85% on June 27, 2015, to 4.6% on August 26, 2015, and further lowered it to 4.35% on October 24, 2015. The benchmark one-year bank lending rate was maintained at 4.35%;
- requiring that property developer's registered capital shall be at least (i) 20% of total investment in property projects is for affordable housing or commodity housing; and (ii) 25% of the total investment for all other types of property projects is funded by the developer's own capital, and the highest percentage had been at 30%;
- restricting commercial banks from granting property developers loans which will be used to pay land premium;
- restricting trust companies from providing financing to property developers that have not obtained the relevant land use rights certificates, construction land planning permits, construction work planning permits or construction work commencement permits, or to projects that fail to meet project capital ratio requirements;

- restricting trust companies from funding projects developed by property developers which, or whose controlling shareholders, do not have second-level or above qualification;
- prohibiting PRC commercial banks from extending any existing loans or granting any new or revolving credit facilities in any form to property developers with noncompliance records in relation to, among other things, holding and speculating idle lands, using the land outside the scope of the designated purpose, postponing construction commencement or completion, hoarding properties and rigging price for properties;
- prohibiting PRC commercial banks from taking commodity properties that have been vacant for more than three years as security for loans to property developers;
- limiting the availability of and increasing the cost of mortgage financing for property buyers; and
- prohibiting property developers from using borrowings obtained from local banks to fund property developments outside the regions in which the lending banks reside.

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

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

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

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

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

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

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

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

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

We participated in certain Urban Redevelopment Schemes in Zhengzhou, Luoyang and Xinxiang as part of the local governments' zoning process and entered into a series of master agreements or letters of intent with the local governments, their affiliated entities or the relevant villagers' autonomous organizations as the original land use rights owners. Our primary obligation under such agreements is to provide funding to the counterparty(ies) for the expenses to be incurred in the land resettlement operations prior to such land being put up for auction. Through

such process, we are able to be involved in the Urban Redevelopment Schemes at early stages and gain insights into the particular land parcels that we believe have the potential to meet our investment return target based on our market research and financial analysis. See “Business — Urban Redevelopment Schemes.”

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

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

In addition, there is no assurance that these master agreements or letters of intent will be implemented as agreed or will not be terminated and there are risks with respect to the enforcement of these agreements, particularly in light of their relatively long execution periods and, in some cases, potential conflicts between the local governments/local villagers’ autonomous organizations and the local villagers for the demolition and land clearance and resettlement operations as well as potential changes in PRC government policies. Although we are generally entitled to be refunded by the local governments for the prepayment and advances we have extended, notwithstanding whether or not the relevant agreements are terminated and whether or not we are successful in the land bidding process, based on contracts or general legal principles related to unjust enrichment, the laws, regulations and practices relating to enforcement of contracts or claims in unjust enrichment against PRC government entities involve uncertainties and such proceedings could deteriorate our relationships with such government entities and place strains on our managerial and financial resources. We cannot assure you that we will be successful in claiming the full refund, or at all, or that we will be adequately compensated for the expenses we have incurred. In particular, the relevant agreements we directly entered into with the villagers’ autonomous organizations do not include specific refund or repayment provisions and our claim for refund rests upon the general legal principles related to unjust enrichment or policies implemented by the local governments.

We have not encountered any material difficulties with respect to the execution of these agreements or Urban Redevelopment Schemes that we participated in the past. Nevertheless, PRC

government policies related to our projects may change in the future and there may be changes in the manner of implementation of these agreements. If any of these master agreements or letters of intent are not implemented as agreed, our business, financial condition, results of operations and prospects could be materially and adversely affected.

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

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

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

We are required to reassess the fair value of our investment properties at the end of each reporting period. Under HKFRS, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of profit or loss for the period in which they arise. We recognized the aggregate fair value of our investment properties and relevant deferred tax on our consolidated statements of financial position and changes in fair value of investment properties and movements of the relevant deferred tax on our consolidated statements of profit or loss. In 2018 and 2019, our fair value gain on investment properties was RMB20.7 million and RMB4.6 million, respectively. In 2020, our fair value loss on investment properties was RMB33.5 million (US\$5.1 million).

Despite their impact on the reported profit, fair value gains or losses do not change our cash position as long as the relevant investment properties are held by us. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. As a result, we cannot assure you that changes in the market conditions will continue to create fair value gains on

our investment properties or that the fair value of our investment properties will not decrease in the future. In addition, the fair value of our investment properties may materially differ from the amounts we would receive in actual sales of the investment properties. Any significant decreases in the fair value of our investment properties or any significant decreases in the amount we could receive in actual sales of the investment properties as compared with the recorded fair value of such properties would materially and adversely impact our results of operations.

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

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

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

As of December 31, 2020, our deferred tax assets amounted to RMB850.9 million (US\$130.4 million). We periodically assess the probability of the realization of deferred tax assets, using significant judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, we cannot assure you that our expectation of future earnings could be accurate due to factors beyond our control, such as general economic conditions and negative development of the regulatory environment, in which case, we may not be able to recover our deferred tax assets which thereby could have an adverse effect on our results of operations.

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

Our revenue increased from RMB19,416.0 million in 2018 to RMB26,560.4 million in 2019. However, our revenue decreased to RMB15,063.2 million (US\$2,308.5 million) in 2020. We cannot assure you that we will continue to grow. Our sales may vary from period to period due to a combination of various factors, including but not limited to general market conditions of property market in China and in the cities we operate including Zhengzhou, national and local government and bank policies, the overall development schedules of our projects, sales and completion plans of our projects, mix in, geographic locations, property series, and product types, that we launch pre-sales in a particular period, the timing and amount of GFA approved by governmental authorities for our pre-sales. Such fluctuations may adversely affect our cash position and revenue. We have faced and will continue to face challenges including rising development and administrative costs and increasing competition for employees and future growth opportunities. We have established a set of policies, controls and procedures to manage our subsidiaries, including personnel management policies, internal control policies and internal audit procedures. However, as our business continues to expand, we cannot assure you that these policies, controls and procedures will prove as effective as we hope. As a result, our past results of operations may not be indicative of our future performance.

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

Our business model is to sell certain properties for immediate return of capital to fund our business, operations and expansion plans, while strategically retaining other properties for stable recurring rental income and long-term capital appreciation. In 2018, 2019 and 2020, our revenue generated from property development and sales amounted to 99.5%, 99.6% and 99.5%, respectively, of our total revenue. Our results of operations may fluctuate due to factors such as the schedule of our property development projects and the timing of property sales.

We generally recognize revenue from the sale of our properties upon delivery to purchasers. There is a time difference between pre-sales of projects under development and the delivery of

completed properties. Because the timing of completion of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA sold or pre-sold, and the timing between our pre-sales and completion and the delivery of the properties to purchasers. Periods in which we pre-sell a large amount of aggregate GFA, may not be periods in which we generate a correspondingly high level of revenue, if the properties pre-sold are not completed and delivered within the same period. The effect of timing of delivery on our operational results is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to the substantial capital requirements for land acquisition and construction costs.

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

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

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

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

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

The cost of construction materials, such as steel and cement, and labor costs, are subject to a high degree of volatility. As most of our major construction contracts are fixed unit price contracts, the risk of fluctuations in construction material and labor costs during the terms of the contracts are absorbed by our construction contractors to a large extent as we outsource our construction work to them as they are responsible for purchasing most of the construction materials and bear relevant labor costs during the terms of the relevant contracts. However, for certain raw materials such as concrete and steel, our contractors only bear the risk of fluctuation within 3% of the contract price and we bear the risk of fluctuation exceeding 3% of the contract price. In addition, if there is any significant increase in the cost of construction materials and labor costs, our construction contractors may require us to renegotiate construction fees or we may be subject to higher construction fees when our existing construction contracts expire. Furthermore, we

typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if the costs of construction materials and labor increase subsequent to the pre-sales. If any of these occur, our business, financial condition and results of operations may be materially and adversely affected.

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

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

We cannot guarantee that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to the property industry or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. Although in 2018, 2019 and 2020, we didn't encounter any material non-compliance in relation to governmental approvals or licenses, we cannot assure you that we will not be subject to such fines or penalties in the future. In the event that we fail to obtain or renew or abide by, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our major property projects, we will not be able to continue with our development plans, and our business, financial condition and results of operations may be adversely affected.

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

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

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

Pursuant to PRC regulations on LAT, both domestic and foreign investors in real estate development in the PRC are subject to LAT on income from the sale or transfer of land use rights,

properties and their attached facilities, at progressive rates ranging from 30% to 60% on the appreciation of land value. In accordance with a circular issued by the State Administration of Taxation, which became effective on February 1, 2007, LAT obligations are required to be settled with the relevant tax bureaus within a specified time after the completion of a property development project.

We make provisions for LAT by reference to our sales recognized and in accordance with our estimates of the LAT which will be payable under relevant PRC laws and regulations. As we often develop our projects in several phases, deductible items for calculation of LAT, such as land costs, are apportioned among such different phases of development. Provisions for LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses which are subject to final confirmation by the relevant tax authorities upon settlement of the LAT. In 2018, 2019 and 2020, we made LAT provisions of RMB862.4 million, RMB1,636.2 million and RMB323.9 million (US\$49.6 million), respectively. In 2018, 2019 and 2020, we made LAT payments of RMB848.0 million, RMB533.3 million and RMB672.8 million (US\$103.1 million), respectively. LAT liabilities are subject to determination by the tax authorities upon the completion of the property development projects and may be different from the amounts that were initially provided for. Any such differences may impact our profit after tax and deferred tax provision in the periods in which such taxes are finalized with the relevant tax authorities. Our financial condition may be materially and adversely impacted if our LAT liabilities as calculated by the relevant tax authorities are higher than our provisions.

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

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

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

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

- natural catastrophes and adverse weather conditions;
- changes in market conditions, economic downturns and decreases in business and consumer sentiments in general;

- failure to obtain necessary licenses, permits and approvals from relevant government authorities in a timely manner;
- changes in relevant regulations, government policies and government planning;
- relocation of existing residents and/or demolition of existing structures;
- shortages of raw materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents; and
- errors in judgment on the selection and acquisition of potential sites.

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

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

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

The success of a joint venture or an associated company depends on a number of factors, some of which are beyond our control. We may not be able to force our partners to fully perform their obligations to us pursuant to our cooperation agreements. As a result, we may not be able to realize the anticipated economic and other benefits from our joint ventures and associated companies or even suffer losses. In addition, in accordance with PRC laws, our joint venture agreements and the articles of association of our joint ventures and associated companies, certain matters relating to joint ventures or associated companies may require the consent of all parties to the joint ventures and associated companies. Therefore, such joint venture agreements involve a number of risks, including that (i) we may not be able to pass certain important board resolutions requiring unanimous consent of all of the directors of our joint ventures and associated companies if there is a disagreement between us and our joint venture or associated company partners; or (ii) our joint venture or associated company partners may have economic or business interests or goals or philosophies that are inconsistent with ours.

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

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

We currently have, and will continue to require, a substantial amount of indebtedness. Our bank loans and other borrowings as of December 31, 2018, 2019 and 2020, were RMB18,754.8

million, RMB22,482.0 million and RMB17,335.8 million (US\$2,656.8 million), respectively. Our indebtedness and gearing could have significant implications, including, among others:

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

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

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

Our financing costs are subject to changes in interest rates.

We have incurred and are expected to continue to incur a significant amount of interest expense relating to our borrowings from banks, as well as from our trust and other financing arrangements. Accordingly, changes in interest rates have affected and will continue to affect our financing costs. Because a majority of our borrowings are in Renminbi, the interest rates on our borrowings are primarily affected by the benchmark interest rates set by the PBOC, which have fluctuated significantly in recent years. We recorded finance costs of RMB483.7 million, RMB418.2 million and RMB316.3 million (US\$48.5 million) in 2018, 2019 and 2020, respectively. Future increases in the PBOC benchmark interest rate may lead to higher lending rates, which may increase our finance costs and thereby materially and adversely affect our business, financial condition, results of operations and prospects.

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

We engage third parties to carry out various services relating to our property development projects, including project design, pile setting, foundation building, construction, equipment installation, elevator installation and landscaping. We generally select third-party contractors through a tender process and endeavor to engage companies with a strong reputation and track record, high performance reliability and adequate financial resources. Our third-party contractors may fail to provide satisfactory services at the level of quality or within the time required by us. In addition, completion of our property developments may be delayed, and we may incur additional costs, due to the financial or other difficulties of our contractors. If the performance of any

third-party contractor is unsatisfactory, we may need to replace such contractor or take other remedial actions, which could increase the costs and adversely affect the development schedules of our projects and materially and adversely affect our reputation, credibility, financial condition and business operations. Moreover, we cannot assure you that our employees will be able to consistently apply our quality standards in carrying out quality control, and to detect all defects in the services rendered by third-party service providers or contractors. In addition, as we enter into new geographical areas in the PRC, there may be a shortage of third-party contractors that meet our quality standards and other requirements in such locations and, as a result, we may not be able to engage a sufficient number of high-quality third-party contractors, which may adversely affect the construction schedules and development costs of our property development projects. Furthermore, if our relationship with any of the third-party service providers or contractors deteriorates, a serious dispute with such third-party service provider or contractor may arise, which may in turn result in costly legal proceedings. The occurrence of any of the above events may have a material adverse effect on our business, financial condition, results of operations and prospects.

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

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

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

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

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

Our investment properties compete for tenants with other property developers on factors including location, quality, maintenance, property management, rental rates, services provided and other lease terms. We cannot assure you that our existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which compete with us would increase the competition for tenants and, as a result, we may have to reduce rental rates or incur

additional costs to make our properties more attractive. Also, we may not be able to lease our properties to a desirable mix of tenants to achieve our business objectives or for rental rates that are consistent with our projections. If we are unable to retain our existing tenants, attract new tenants to replace those that leave or lease our vacant properties, our occupancy rates may decline and our investment properties may become less attractive and competitive. This in turn may have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

Because property investments in general are relatively illiquid, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the sale of a property. Moreover, we may also need to incur capital expenditure to manage and maintain our properties or to correct defects or make improvements to these properties before selling them. We cannot assure you that financing for such expenditures would be available when needed, or at all. In addition, if we sell an investment property during the term of that property's tenancy agreement, we may have to pay termination fees to our retail tenants.

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

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

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

As of December 31, 2020, our outstanding guarantees in respect of the residential mortgages of our customers amounted to RMB39,903.7 million (US\$6,115.5 million). However, should any material default occur and if we were called upon to honor our guarantees, our financial condition and results of operations could be adversely affected.

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

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

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

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

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

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

Changes of PRC laws and regulations with respect to pre-sales may adversely affect our business.

We depend on cash flows from pre-sales of properties as an important source of funding for our property developments. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sales of the relevant properties and pre-sales proceeds may only be used to finance the related development. Any ban or additional restrictions on pre-sales may require us to seek alternative sources of funding to finance our developments, and if sufficient alternative funding is not available to use on attractive terms, or at all, our cash flow and prospects, and business, results of operations and financial condition could be materially and adversely affected.

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

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

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

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

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

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

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

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

In September 2007, the Ministry of Land and Resources issued a new notice to further enhance control of the land supply by requiring developers to develop land according to the terms of the land grant contracts and restricting or prohibiting any non-compliant developers from participating in future land auctions. In January 2008, the State Council issued a Notice of the State Council on Promoting Land Saving and Efficient Use (《國務院關於促進節約集約用地的通知》) to escalate the enforcement of existing rules on idle land management. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (《關於嚴格建設用地管理促進批而未用土地利用的通知》) in August 2009, which reiterated the applicable rules with regard to idle land management. On June 1, 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land (《閒置土地處置辦法》), which went into effect July 1, 2012. These further measures may prevent competent land authorities from accepting any application for new land use rights or processing any title transfer transaction, lease transaction, mortgage transaction or land registration application with respect to idle land prior to the completion of the required rectification procedures.

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

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

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

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

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

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

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

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

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

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

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

We engage external construction contractors, construction supervision companies, other service providers and suppliers to provide us with construction and related services and various types of construction materials as well as other services such as design and landscaping. We select general contractors for most of our property projects through tender by invitation. In 2018, 2019 and 2020, certain of our properties were constructed by Henan Zensun Corporate Development Group Co., Ltd.

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

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

Our urban complexes and lifestyle and shopping centers utilize a large amount of utilities such as gas, water and electricity. We are generally not able to influence the prices which utility providers charge, nor can we easily switch to different utilities providers. Any price increase or change in the pricing structure from these utility providers could have an adverse effect on our operating costs. As a result, increases in the prices of products and services which we procure to maintain our services to our tenants and guests could increase our operating costs if we are not able to pass these higher costs on to our customers.

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

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

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

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

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

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

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

We may be involved in legal and other disputes arising out of our operations and may face significant liabilities as a result.

We may be involved from time to time in disputes with various parties involved in the development and the sale of our properties, including (without limitation) contractors, suppliers, construction workers, original residents, partners, banks and purchasers. These disputes may lead to protests and may result in damage to our reputation, substantial costs and diversion of resources and management's attention. As most of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may commence legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have compliance issues with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that result in liabilities and cause delays to our property developments. See "Business — Legal Proceedings." We may be involved in other proceedings or disputes in the future that may have an adverse effect on our business, financial condition, results of operations or cash flows.

We may be exposed to intellectual property infringement, misappropriation or other claims by third parties and deterioration in our brand image which could adversely affect our business.

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

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

Historically, we experienced certain non-compliance incidents. For example, we commenced or proceeded with construction work with respect to certain of our property projects before completing requisite administrative procedures and/or obtaining requisite permits. We commenced construction work with respect to certain of our property projects before being reviewed by the administrative department of planning. We also experienced non-compliance in connection with violation of advertising law and pricing issues. We were subject to penalties or ordered to rectify such non-compliances, as the case may be. We cannot assure you that our internal control measures will be effective and there will not be any non-compliance incidents in the future. In addition, PRC laws, rules or regulations governing our industry have been evolving rapidly, and we cannot assure

you that we will not be subject to fines or penalties arising from non-compliance incidents if we fail to adapt to the new regulatory regime in a timely manner, or at all, which may have a material adverse effect on our business, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

Under current PRC land grant policies, the relevant authorities generally will not issue the formal land use rights certificates until the developer (i) has paid the land premium in full; (ii) has completed the resettlement process; and (iii) is in compliance with other land grant conditions. As of December 31, 2020, we had not yet obtained the land use rights certificates for a portion of our land bank. We are undergoing customary procedures for obtaining the land use rights certificates for these properties. Under current land grant policies, we will be allowed to commence development of these properties as soon as we have paid the land premium and obtained other required approvals and permits. However, the land use rights regarding these properties and land that we may acquire in the future will not be formally vested to us until we have received the corresponding formal land use rights certificates. We may be required to pay land grant fees and obtain land use rights certificates in the future regarding the land on which such properties are located. There can be no assurance that there will not be delays in the authorities' issuance of the formal land use rights certificates regarding these properties. Any failure or delay in obtaining the formal land use rights certificate will adversely affect our property development schedule and our business development plan and may have a material adverse effect on our business, financial condition and results of operations.

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

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

We discovered historic relics in our Zensun Orchids Mansion (Valley-view Garden) construction site in 2018 and the construction was thus delayed by approximately six months. We cannot assure you that we will not experience such problems in the future again. In such event, our business, financial condition and results of operations may be materially adversely affected.

RISKS RELATING TO OUR INDUSTRY

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

Our business is subject to extensive governmental regulation and, in particular, we are sensitive to policy changes in the PRC property sector. The PRC government exerts considerable direct and indirect influence on the growth and development of the PRC property market through industry policies and other economic measures, such as setting interest rates, controlling the supply of credit by changing bank reserve ratios and implementing lending restrictions, increasing

tax and duties on property transfers and imposing restrictions on foreign investment and currency exchange. Since 2004, the PRC and local governments introduced a series of regulations and policies designed to generally control the growth of the property market, including, among others:

- strictly enforcing the idle land-related laws and regulations;
- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio lower than certain prescribed percentage;
- restricting PRC commercial banks from granting loans to property developers for the purpose of paying land grant premiums;
- limiting the maximum amount of monthly mortgage and the maximum amount of total monthly debt service payments of an individual borrower;
- imposing a business tax levy on the sales proceeds for second-hand transfers subject to the length of holding period and type of properties;
- raising the minimum percentage of down payment of the purchase price of the residential property of a family;
- restricting purchasers from acquiring second and more residential properties and imposing property purchase restrictions on non-local residents who cannot provide any proof of local tax or social security payments for more than a specified time period in certain cities; and
- restricting the availability of individual housing loans in the property market to individuals and their family members with more than one residential property, and raising interest rates of such loans.

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

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

The PRC government has eased certain restrictive measures starting in the third quarter of 2014 to foster the growth of the residential property market in China, encourage transactions and reduce idle housing inventories. However, such measures have resulted in signs of overheating in the property markets in first-and certain second-tier cities. As a response, in certain first-and second-tier cities including Shanghai, Shenzhen, and Suzhou, local governments have again enhanced restrictive measures such as raising the minimum percentage of down payment of the purchase price of the second and more residential property of a family, requiring longer social insurance records in such cities for citizens whose household registration were not in such cities, and restriction on the percentage of price increases by real estate developers during a year. In 2015, the PRC government raised percentage of down payment and changed the calculation base of business tax concerning transfer of individual housing, pursuant to which, where an individual sells a property purchased within two years, business tax shall be levied on the full amount of the sales income; where an individual sells a non-ordinary property that was purchased more than two years ago, business tax shall be levied on the difference between the sales income and the original purchase price of the house; the sale of an ordinary residential property purchased by an individual more than two years ago is not subject to such business tax. In 2016, such tax policies have been further refined.

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

On April 1, 2017, the Ministry of Land and Resources and Ministry of Housing and Urban-Rural Development issued the Circular of the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources on Tightening the Management and Control over Intermediate Residential Properties and Land Supply (《住房城鄉建設部、國土資源部關於加強近期住房及用地供應管理和調控有關工作的通知》). To maintain a housing supply-demand balance, cities facing serious demand over supply and overheating market shall increase the supply of housing land, especially for ordinary commercial houses; and cities with excessive housing supply shall reduce or suspend the land supply for housing. All the local governments shall build inspection systems to monitor the source of funds for land acquisition to ensure that the real estate developers use their own legal funds to purchase lands. These measures reduced the transaction volumes in certain major cities in the PRC in the second quarter of 2017.

On May 21, 2021, the Ministry of Finance (the “MOF”), the Ministry of Natural Resources, the State Taxation Administration of the PRC (the “STA”) and the PBOC jointly issued the “Notice on Relevant Issues to Allocate the Tax Administrations to Collect Four Non-tax Governmental Revenues including State-owned Land Use Rights Grant Premiums, Mineral Resources Special Revenues, Sea Area Use Premiums and Uninhabited Islands Use Premiums” (關於將國有土地使用權出讓收入、礦產資源專項收入、海域使用金、無居民海島使用金四項政府非稅收入劃轉稅務部門徵收有關問題的通知) under which, the tax administrations, will be responsible for the collection of, among others, state-owned land use rights premiums. The pilot scheme has taken effect from July 1, 2021 in certain selected provinces and 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.

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

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

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

The PRC property market industry is highly competitive.

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

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

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

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

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

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

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

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

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

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

The PRC legal system has inherent uncertainties that could limit the legal protection available to you.

Our business is conducted in mainland China and is governed by PRC laws and regulations. All of our operating subsidiaries are located in China and are subject to PRC laws and regulations. The PRC legal system is based on written statutes. Prior court decisions are not legally binding and can only be cited as reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies in applying and enforcing such laws. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. 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, if at all, and some of which may have a retroactive effect. The PRC may not accord equivalent rights, or protection for such rights, to those that you might expect in countries with more sophisticated real estate laws and regulations.

Furthermore, the PRC is geographically large and divided into various provinces and municipalities. As such, when PRC laws, rules, regulations and policies apply in different parts in the PRC, there may be varying applications and interpretations. Legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations. There is at present no integrated system in the PRC from which information can be obtained in respect of legal actions, arbitrations or administrative actions. Even if an individual court-by-court search were performed, certain courts might refuse to make their documentation available for inspection. As a result, the legal protections available to you under the PRC legal system may be limited.

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

The global economic slowdown 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 affected the PRC real estate industry and many other industries. Subsequently, global markets and economic conditions were adversely affected by the credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. The United Kingdom (the "UK") ceased to be a member of the European Union (the "EU") on January 31, 2020 ("Brexit"). During the period from that date to December 31, 2020, certain transitional arrangements were in effect, such that the UK continued to be treated, in most respects, as if it were still a member of the EU, and generally remained subject to EU law. On December 24, 2020, the EU and the UK reached an agreement in principle on the terms of certain agreements and declarations governing the ongoing relationship between the EU and the UK, including the EU-UK Trade and Cooperation Agreement (the "TCA"). On December 29, 2020, the Council of the European Union adopted a decision authorizing the signature of the TCA and its provisional application in the EU for a limited period (the "Provisional Period"), pending ratification of the TCA by the European Parliament. The TCA was subsequently signed on behalf of the EU on

December 30, 2020; and the Provisional Period commenced on January 1, 2021, and is expected to end no later than April 30, 2021. Legislation to implement the TCA in the UK came into effect beginning on December 31, 2020. However, the TCA is limited in its scope to primarily the trade of goods, transport, energy links and fishing, and uncertainties remain relating to certain aspects of the UK's future economic, trading and legal relationships with the EU and with other countries. In addition, it is possible that the TCA may not be ratified by the European Parliament prior to the end of the Provisional Period, or at all, which would lead to further uncertainty as to the nature and terms of any subsequent relationships between the EU and the UK, and disruption may arise as a result. The actual or potential consequences of Brexit, and the associated uncertainty, could adversely affect economic and market conditions in the UK, in the EU and its member states and elsewhere, and could contribute to instability in global financial markets.

The outlook for the world economy and financial markets remains uncertain. In Europe, several countries are facing difficulties in refinancing sovereign debt. In the United States, the unemployment rate remains relatively high. In Asia and other emerging markets, some countries are expecting to increase inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow and outflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. PRC's economic growth may also slow down due to weakened exports as well as recent developments surrounding the trade war with the United States. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US\$550 billion worth of Chinese products. In retaliation, the Chinese government responded with tariffs on cumulatively US\$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "Phase I Agreement"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The amicable resolution of the trade war remains elusive, and the lasting impact it may have on PRC's economy and the real estate industry in which we operate remains uncertain.

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

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

The Notes are denominated in U.S. dollars, while substantially all of our revenue is denominated in Renminbi. Pursuant to reforms of the exchange rate system announced by the PBOC on July 21, 2005, Renminbi-to-foreign currency exchange rates are allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, rather than being effectively linked to the U.S. dollar. Further, from May 18, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate, effective on May 21, 2007. This allows Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0% on April 16, 2012 and to

2.0% on March 17, 2014. These changes in currency policy resulted in Renminbi appreciating against the U.S. dollar and the H.K. dollar by approximately 33% from July 21, 2005 to December 31, 2014. The International Monetary Fund announced on September 30, 2016 that the Renminbi joins its Special Drawing Rights currency basket. Such change and additional future changes may increase the volatility in the trading value of the Renminbi against foreign currencies. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of Renminbi against the U.S. dollar, our financial condition and results of operations could be adversely affected because of our U.S. dollar-denominated indebtedness. Such a devaluation could also adversely affect the value, translated or converted into U.S. dollars or otherwise, of our earnings and our ability to satisfy our obligations under the Notes.

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

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

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

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

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

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

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

The PRC government may further tighten financing policies on PRC financial institutions for the property development sector. More recently, there were reports that the PRC government may start to restrict financing available to property developers by reference to leverage ratios such as gearing ratios. These property-related financing policies may limit our ability and flexibility to use bank borrowings to finance our property projects and therefore may require us to maintain a relatively high level of internally generated cash.

We cannot assure you that the PRC government will not introduce other initiatives, which may further limit our access to capital and the ways we finance our property development projects, or that we will be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms, or at all. If we fail to secure adequate financing or renew our existing loans prior to their expiry as a result of these governmental actions and policy initiatives, there may be a material adverse effect on our business, results of operations and financial condition.

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

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

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

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

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

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

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

Under the EIT Law and Implementation Regulations, assuming that we are treated as a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to us by our PRC subsidiaries, unless we are entitled to reduction or elimination of such tax, including by tax treaty. According to a tax treaty between the PRC and Hong Kong, dividends paid by a foreign-invested enterprise in China to a shareholder incorporated in Hong Kong may be subject to withholding tax at a rate of 5% if the Hong Kong shareholder directly holds a 25% or more interest in the PRC enterprise and certain other conditions are met, including that the Hong Kong shareholder is considered the beneficial owner of such interest income. We cannot assure you, however, that the current tax treaty between the PRC and Hong Kong will remain in place or that we will otherwise satisfy the conditions and be able to enjoy a reduced withholding tax on dividends we receive from our PRC subsidiaries.

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

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

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

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

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

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

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

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

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu or severe acute respiratory syndrome (“SARS”), the Ebola virus or, most recently, the COVID-19 pandemic and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including certain cities where we operate, are under the threat of flood, earthquake, fire, drought or epidemics. Our business, financial position and results of operations may be materially and adversely affected if natural disasters or other such events occur. More recently, in July 2021, there had been instances of flooding in Zhengzhou and other cities in Henan Province which have caused economic loss and may affect our business and economic activities to a certain extent. Cities which have been affected by the flood have carried out rescue and reconstruction activities and local governments have introduced relevant policies to support enterprises. For example, qualified enterprises would be allowed to delay the payments of three social insurance premiums. We cannot assure you that such natural disaster will not have any material impact on our operations in the regions affected, which may in turn adversely affect our business, financial condition and results of operation.

For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008, resulting in tremendous loss of life and injury, as well as destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. The PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in

various parts of the PRC, including several confirmed human cases and deaths. The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. Several cities in China where we have significant land bank and operations had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19 pandemic. 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 are 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 lock-downs 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. A recurrence of SARS or an outbreak of a health epidemic or contagious disease, including, for example, the ongoing COVID-19 epidemic, could result in a widespread health crisis and restrict the level of business activities in affected areas, which may in turn adversely affect our business, results of operations and financial condition.

RISKS RELATING TO THE NOTES AND NOTES GUARANTEES

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

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

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

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

Moreover, under the terms of the Notes, a Subsidiary Guarantee required to be provided by a subsidiary of the PRC Parent Guarantor under the terms of the Notes may be replaced by a JV Subsidiary Guarantee, following the sale or issuance to, or a purchase from, a third party of an

equity interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under the JV Subsidiary Guarantees provided by a JV Subsidiary Guarantor and its shareholders and subsidiaries is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Parent Guarantor. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

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

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. As of December 31, 2020, our total borrowings amounted to RMB17,335.8 million (US\$2,656.8 million). As of December 31, 2020, we had bank and other borrowings amounting to RMB7,802.2 million (US\$1,195.7 million) due within one year. As a result, we are subject to refinancing risks against such maturing indebtedness. In 2019, we slowed down our land acquisition to improve our leverage and cash flow. As a result, our land bank as of December 31, 2019 decreased as compared with our land bank as of December 31, 2018. In 2020, we sped up our land acquisition to maintain the land bank for our continuous growth. We may need to incur more external debt to fund our land acquisitions, which will increase our leverage. See “— Risks Relating to Our Business — We may not be able to acquire land reserves in desirable locations that are suitable for development at commercially acceptable prices in the future, which may affect our business, financial condition, results of operations and prospects.” We cannot assure you that we would be able to refinance our indebtedness, including those due in 2021, in a timely manner on acceptable terms or at all. The risk is exacerbated by the current volatility in the global capital and credit markets.

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

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

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities. Under the Indenture and the indentures governing the Existing Pari Passu Secured Indebtedness (as defined in the “Description of the Notes”), our ability to incur additional debt is subject to limitations on indebtedness and preferred stock covenants. Under such covenants, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) for the Notes includes our unrealized gains on valuation adjustments on our investment

properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenants could be substantially larger when compared to other similarly situated PRC senior notes issuers whose covenants may not include such unrealized gains in the definition of consolidated net income. In addition, because our definition of Consolidated Interest Expense for the Notes excludes, among others, the interest expense on indebtedness of third parties that we guarantee (except to the extent that such interest expense is actually paid by us), our Consolidated Interest Expense and our ability to incur additional debt could be even larger when compared to other similarly situated PRC senior notes issuers whose covenants would typically include such interest expense in the definition of consolidated interest expense. If we or our subsidiaries incur additional debt, the risks that we face as a result of our already substantial indebtedness and leverage could intensify.

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We anticipate that our operating cash flow will be sufficient to meet our anticipated operating expenses and to service our debt obligations as they become due. However, we cannot assure you that we will be able to generate sufficient cash flow for these purposes. We will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing our indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms, if at all.

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

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

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

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

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

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

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

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with IFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. In addition, dividends paid by our PRC subsidiaries to their non-PRC parent companies are subject to a 10% withholding tax, unless there is a tax treaty between the PRC and the jurisdiction in which the overseas parent company is incorporated, which specifically exempts or reduces such withholding tax. Pursuant to an avoidance of double taxation arrangement between Hong Kong and the PRC, if the non-PRC parent company is a Hong Kong resident and directly holds a 25% or more interest in the PRC enterprise, such withholding tax rate may be lowered to 5% provided that certain conditions are met. As a result of such restrictions, there could be limitations on payments from our PRC subsidiaries to meet payments required by the Notes or satisfy the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be, and there could be restrictions on payments required to redeem the Notes at maturity or as required for any early redemption.

Furthermore, although we currently do not have any offshore shareholder loan to our PRC subsidiaries, we may resort to such offshore lending in the future, rather than equity contribution, to our PRC subsidiaries to finance their operations. In such events, the market interest rates that our PRC subsidiaries can pay with respect to offshore loans generally may not exceed comparable interest rates in the international finance markets. The interest rates on shareholder loans paid by our subsidiaries, therefore, are likely to be lower than the interest rate for the Notes. Our PRC subsidiaries are also required to pay a 10% (or 7% if the interest is paid to a Hong Kong resident and certain conditions are met) 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.

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

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

The Notes are subject to optional redemption by us.

As set forth in “Description of the Notes — Optional Redemption,” the Notes may be redeemed at our option in the circumstances set out therein. An optional redemption feature is likely to limit the market value of the Notes. During any period when we may elect to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

We may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. In such case, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. It may therefore cause a negative financial impact on the Noteholders. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

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

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

We may be treated as a PRC resident enterprise for PRC tax purposes. See “— Risks Relating to Our Business — We may be deemed a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income.” If the Issuer or any Guarantor is deemed a PRC resident enterprise, the interest and redemption premium payable on the Notes by the Issuer or any Guarantor may be considered to be sourced within China. In that case, PRC income tax at the rate of 10% will be withheld from interest paid by us to investors that are “non-resident enterprises” so long as such “non-resident enterprise” investors do not have an establishment or place of business in China or, if despite the existence of such establishment or place of business in China, the relevant income is not effectively connected with such establishment or place of business in China. Any gain realized on the transfer of the Notes by such investors will be subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China. Furthermore, if the Issuer or any Guarantor is considered a PRC resident enterprise and the relevant PRC tax authorities consider interest or redemption premium we pay with respect to the Notes, or any gains realized from the transfer of Notes, to be income derived from sources within the PRC, such

interest or gains earned by nonresident individuals may be subject to PRC income tax (which in the case of interest, may be withheld by us) at a rate of 20%. It is uncertain whether we will be considered a PRC “resident enterprise.” In addition, pursuant to Circular 36 promulgated by the MOF and SAT on March 23, 2016, if the Issuer or the Parent Guarantor is treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Notes are providing loans within the PRC, the holders of the Notes shall be subject to VAT at the rate of 6% when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%. Any PRC VAT on interest payment may be withheld by us.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may be unable to obtain and remit foreign exchange.

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

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

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

indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

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

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

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

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

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

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

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

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

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

The Notes are a new issue of securities for which there is currently no trading market. Although application will be made to the Hong Kong Stock Exchange for listing of the Notes by

way of debt issues to Professional Investors only as described in this offering memorandum, we cannot assure you that we will obtain or be able to maintain a listing on the Hong Kong Stock Exchange, or that, if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the U.S. Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the U.S. Securities Act or in transactions not subject to or exempt from registration under the U.S. Securities Act. See the section entitled "Transfer Restrictions." No assurance can be given as to the liquidity of, or the development and continuation of an active trading market for the Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the Notes could be adversely affected.

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

The Notes are expected to be rated B3 by Moody's Investors Service, Inc. (Moody's). The rating addresses our ability to perform our obligations under the Terms of the Notes and the credit risks in determining the likelihood that payments will be made when due under the Notes. We have been assigned a long-term corporate credit rating of B2 with a stable outlook by Moody's. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. In February 2021, Moody's downgraded our corporate family rating from B1 to B2, and the rating outlook has been changed to stable from negative, which reflected Moody's expectation that our credit metrics will likely deteriorate over the next six to 12 months to levels that are weak for our current rating. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency in the future if in its judgment circumstances so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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

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

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

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

The unaudited interim condensed consolidated results of the Issuer for the six months ended June 30, 2021 included in this Offering Memorandum (“Results Announcement”) have been extracted from the Issuer’s announcement dated August 26, 2021. The unaudited condensed consolidated financial information of the Issuer for the six months ended June 30, 2021 will be included in the Issuer’s 2021 interim report, which is expected to be published later by the Issuer pursuant to the rules of the Hong Kong Stock Exchange applicable to the Issuer. You are advised therefore not to unduly rely on such Results Announcement.

The Issuer released its Results Announcement on August 26, 2021 in accordance with the rules of the Hong Kong Stock Exchange as applicable to the Issuer, together with comparative figures for the six months ended June 30, 2020. The Issuer has included the Results Announcement in this Offering Memorandum for your information only. You should note that the Results Announcement is preliminary in nature, does not include statements of changes in equity or statements of cash flows, and includes only partial explanatory notes as required in accordance with the rules of the Hong Kong Stock Exchange. The unaudited condensed consolidated financial information of the Issuer for the six months ended June 30, 2021, together with a copy of the auditors’ review report thereon, will be included in the Issuer’s 2021 interim report, currently expected to be published in September 2021 in line with the relevant requirements of the Hong Kong Stock Exchange. Accordingly, you should not unduly rely on the Results Announcement included in this Offering Memorandum when you decide whether to invest in the Securities.

USE OF PROCEEDS

We estimate that the net proceeds from this offering, taking into account the issue price and after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with this offering, will be approximately US\$56.2 million, which we plan to use for refinancing the existing medium to long term offshore indebtedness, which will become due within one year.

EXCHANGE RATE INFORMATION

China

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi against a basket of currencies in the market during the prior day. PBOC also takes into account other factors, such as the general conditions existing in the international foreign exchange markets. From 1994 to July 20, 2005, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and U.S. dollars, was based on rates set daily by PBOC on the basis of the previous day's inter-bank foreign exchange market rates and then current exchange rates in the world financial markets. During this period, the official exchange rate for the conversion of Renminbi to U.S. dollars remained generally stable. Although the PRC government introduced policies in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currencies for current account items, conversion of Renminbi into foreign currencies for capital items, such as foreign direct investment, loan principals and securities trading, still requires the approval of SAFE and other relevant authorities. On July 21, 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of the Renminbi appreciated by approximately 2% against the U.S. dollar. The PRC government has since made and in the future may make further adjustments to the exchange rate system.

On May 18, 2007, 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 PBOC. The floating band was further widened to 1.0% on April 16, 2012 and 2.0% on March 17, 2014. The PBOC announces the closing price of a foreign currency traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each working day, and makes it the central parity for 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 PRC government may adopt further reforms of its exchange rate system, including but not limited to making the Renminbi freely convertible in the future.

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
	(RMB per US\$1.00)			
2016	6.9430	6.6549	6.9580	6.4480
2017	6.5063	6.7564	6.9060	6.5063
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				
February	6.4730	6.4601	6.4869	6.4344
March	6.5518	6.5109	6.5716	6.4932
April	6.4749	6.5186	6.5649	6.4710
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 (through August 20, 2021) . . .	6.5012	6.4789	6.5012	6.4608

Source: Federal Reserve H.10 Statistical Release

Note:

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

Hong Kong

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

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

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

Period	Noon buying rate			
	Period end	Average ⁽¹⁾	High	Low
(HK per US\$1.00)				
2016	7.7534	7.7620	7.8270	7.7505
2017	7.8128	7.7926	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				
February	7.7567	7.7529	7.7567	7.7515
March	7.7746	7.7651	7.7746	7.7562
April	7.7664	7.7691	7.7849	7.7596
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 (through August 20, 2021) . . .	7.7897	7.7819	7.7915	7.7735

Source: Federal Reserve H.10 Statistical Release

Note:

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

CAPITALIZATION AND INDEBTEDNESS OF THE COMPANY

The following table sets forth the capitalization and indebtedness of the Company as of December 31, 2020 on an actual basis and on an adjusted basis after giving effect to the issuance of the Notes in this offering, in each case, taking into account the issue price and after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with the issuance of this offering. The following table should be read in conjunction with the Company's selected consolidated financial information and related notes included in this offering memorandum. For the avoidance of doubt, the as-adjusted information below does not take into account the Exchange Offer and the issuance of any Exchange Notes.

	As of December 31, 2020 ⁽¹⁾			
	Actual		As adjusted	
	(RMB)	(US\$)	(RMB)	(US\$)
	(in thousands)			
Cash and cash equivalents⁽²⁾	3,488,063	534,569	3,854,520	590,731
Short-term borrowings⁽³⁾				
Bank loans — secured	3,009,906	461,288	3,009,906	461,288
Bank loans — unsecured	345,000	52,874	345,000	52,874
Other loans — secured	1,705,753	261,418	1,705,753	261,418
Bonds — unsecured	546,647	83,777	546,647	83,777
2019 Notes ⁽⁴⁾⁽⁶⁾	2,194,932	336,388	2,194,932	336,388
Total short-term borrowings	7,802,238	1,195,745	7,802,238	1,195,745
Long-term borrowings⁽³⁾				
Bank loans — secured	4,744,413	727,113	4,744,413	727,113
Bank loans — unsecured	700,000	107,280	700,000	107,280
Other loans — secured	2,048,600	313,962	2,048,600	313,962
2020 Notes ⁽⁵⁾	1,291,285	197,898	1,291,285	197,898
Bonds — unsecured	749,265	114,830	749,265	114,830
Notes to be issued ⁽⁶⁾	—	—	366,457	56,162
Total long-term borrowings	9,533,563	1,461,083	9,900,020	1,517,245
Total equity	17,482,155	2,679,257	17,482,155	2,679,257
Total capitalization⁽⁷⁾	27,015,718	4,140,340	27,382,175	4,196,502

Notes:

- (1) *The translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.5250 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2020.*
- (2) *Cash and cash equivalents exclude restricted bank balances of RMB823.3 million (US\$126.2 million) and pledged bank deposits of RMB1,797.7 million (US\$275.5 million).*
- (3) *Subsequent to December 31, 2020, we have, in the ordinary course of business, entered into additional financing arrangements to finance our property developments and for general corporate purposes. As of December 31, 2020, we had total borrowings of approximately RMB17,335.8 million (US\$2,656.8 million). See "Description of Other Material Indebtedness." Some of these additional borrowings are not reflected in the table above.*
- (4) *On October 3, 2019 and December 19, 2019, the Issuer issued the 2019 Notes. See "Description of Other Material Indebtedness — 2019 Notes" for more details.*
- (5) *On March 13, 2020, the Issuer issued the 2020 Notes. See "Description of Other Material Indebtedness — 2020 Notes" for more details.*
- (6) *For the avoidance of doubt, the as-adjusted information for the 2019 Notes and Notes to be issued hereby does not give effect to the Concurrent Offer to Exchange.*
- (7) *Total capitalization includes total long-term borrowings plus total equity.*

Since December 31, 2020, we have incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding our operations in the ordinary course of business. Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in our capitalization since December 31, 2020. See "Description of Other Material Indebtedness."

CAPITALIZATION AND INDEBTEDNESS OF THE ISSUER

The following table sets forth the capitalization and indebtedness of the Issuer as of December 31, 2020 on an actual basis and on an adjusted basis after giving effect to the issuance of the Notes in this offering, in each case, taking into account the issue price and after deducting the underwriting discounts and commissions and other estimated expenses payable by us in connection with the issuance of this offering. The following table should be read in conjunction with the Issuer's selected consolidated financial information and related notes included in this offering memorandum.

	As of December 31, 2020 ⁽¹⁾			
	Actual		As adjusted	
	(RMB)	(US\$)	(RMB)	(US\$)
	(in thousands)			
Cash and cash equivalents ⁽²⁾	3,218,611	493,274	3,585,068	549,436
Current borrowings: ⁽³⁾				
Bank loans — secured	2,505,742	384,021	2,505,742	384,021
Other loans — secured	1,650,953	253,020	1,650,953	253,020
2019 Notes ⁽⁴⁾⁽⁶⁾	2,194,932	336,388	2,194,932	336,388
Total current borrowings	6,351,627	973,429	6,351,627	973,429
Non-current borrowings: ⁽³⁾				
Bank loans — secured	5,223,614	800,554	5,223,614	800,554
Other loans — secured	2,269,400	347,801	2,269,400	347,801
2020 Notes ⁽⁵⁾	1,291,284	197,898	1,291,284	197,898
Note to be issued ⁽⁶⁾	—	—	366,457	56,162
Total non-current borrowings	8,784,298	1,346,253	9,150,755	1,402,415
Total equity	7,888,815	1,209,014	7,888,815	1,209,014
Total capitalization ⁽⁷⁾	16,673,113	2,555,267	17,039,570	2,611,429

Notes:

- (1) The translations from Renminbi amounts to U.S. dollars were made at the rate of RMB6.5250 to US\$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2020.
- (2) Cash and cash equivalents exclude restricted bank balances of RMB648.6 million (US\$99.4 million) and pledged bank deposits of RMB358.3 million (US\$54.9 million).
- (3) Subsequent to December 31, 2020, the Issuer has from time to time entered into additional loan agreements to finance our property developments or for general corporate purposes in the ordinary course of business. As of December 31, 2020, the Issuer had total borrowings of approximately RMB15,135.9 million (US\$2,319.7 million). See "Description of Other Material Indebtedness. These changes in our borrowings and any repayments after December 31, 2020 have not been reflected in this capitalization table.
- (4) On October 3, 2019 and December 19, 2019, the Issuer issued the 2019 Notes. See "Description of Other Material Indebtedness — 2019 Notes" for more details.
- (5) On March 13, 2020, the Issuer issued the 2020 Notes. See "Description of Other Material Indebtedness — 2020 Notes" for more details.
- (6) For the avoidance of doubt, the as-adjusted information for the 2019 Notes and Notes to be issued hereby does not give effect to the Concurrent Offer to Exchange.
- (7) Total capitalization equals total non-current debt plus total equity.

Since December 31, 2020, the Issuer has incurred additional indebtedness. In addition, the Issuer has incurred, and will continue to incur, indebtedness from time to time for general corporate purposes, including but not limited to refinancing of existing indebtedness and funding the Issuer's operations in the ordinary course of business. Except as otherwise disclosed in this offering memorandum, there has been no material adverse change in the Issuer's capitalization since December 31, 2020. See "Description of Other Material Indebtedness."

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following tables present selected financial and other data of the Company and the Issuer.

The selected consolidated financial data of the Company (except for EBITDA data) has been derived from the Company's audited consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020, as audited by Ernst & Young, our independent certified public accountants.

The selected consolidated financial data of the Issuer (except for EBITDA data) has been derived from the Issuer's audited consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020, as audited by Ernst & Young, the Issuer's independent certified public accountants.

The financial statements of the Company and the Issuer have been prepared and presented in accordance with HKFRS, which differ in certain respects from U.S. GAAP and generally accepted accounting principles in other jurisdictions.

The consolidated financial statements and the condensed financial information of the Company and the Issuer and the notes to those statements and information included elsewhere in this offering memorandum. Historical results are not necessarily indicative of results that may be achieved in any future period.

SELECTED CONSOLIDATED INCOME STATEMENT AND OTHER FINANCIAL DATA OF THE COMPANY

	For the year ended December 31,			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)
	(in thousands)			(unaudited)
REVENUE	19,415,987	26,560,404	15,063,150	2,308,529
Cost of sales	(14,152,491)	(18,192,812)	(11,290,580)	(1,730,357)
GROSS PROFIT	5,263,496	8,367,592	3,772,570	578,172
Other income	35,616	55,339	99,234	15,208
Other gains and losses	22,581	74,451	(81,323)	(12,463)
Sales and marketing expenses	(289,329)	(280,402)	(273,222)	(41,873)
Administrative expenses	(440,238)	(457,736)	(426,681)	(65,392)
Finance costs	(483,741)	(418,195)	(316,275)	(48,471)
PROFIT BEFORE TAX	4,108,385	7,341,049	2,774,303	425,181
Income tax expense	(1,724,923)	(3,181,602)	(1,000,755)	(153,372)
PROFIT FOR THE YEAR/PERIOD	2,383,462	4,159,447	1,773,548	271,808
Attributable to:				
Owners of the parent	2,382,824	3,861,748	1,559,039	238,933
Non-controlling interests	638	297,699	214,509	32,875
	2,383,462	4,159,447	1,773,548	271,808
Other financial data (unaudited)				
EBITDA ⁽¹⁾	6,089,783	9,798,392	4,135,975	633,866
EBITDA margin ⁽²⁾	31.4%	36.9%	27.5%	27.5%

Notes:

- (1) *EBITDA for any period primarily consists of profit before tax plus net finance cost, finance costs recognised in cost of sales, depreciation and amortization, and non-curring gain or loss. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture. See the section entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.*
- (2) *EBITDA margin is calculated by dividing EBITDA by revenue.*

SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As of December 31,			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)
		(in thousands)		(unaudited)
Non-current Assets				
Property, plant and equipment	33,034	119,693	142,701	21,870
Investment properties	717,043	727,031	624,941	95,776
Intangible assets	6,073	4,472	2,897	444
Right-of-use assets ⁽¹⁾	–	5,246	–	–
Investment in a joint venture	296,370	296,370	295,703	45,318
Investment in an associate	23,489	18,179	14,772	2,264
Equity investments designated at fair value through other comprehensive income	32,000	62,000	185,747	28,467
Deposits and prepayments paid for land acquisitions	266,297	351,018	–	–
Pledged deposits	33,915	22,525	27,935	4,281
Deferred tax assets	291,749	659,218	850,947	130,413
	<u>1,699,970</u>	<u>2,265,752</u>	<u>2,145,643</u>	<u>328,834</u>
Current Assets				
Inventories	217	–	–	–
Completed properties held for sale	7,547,378	10,673,330	11,905,797	1,824,643
Properties under development	46,447,603	48,702,175	56,993,523	8,734,640
Deposits, prepayments paid for land acquisition	6,019,567	2,616,028	3,158,948	484,130
Amount due from related companies	628,602	156,415	715,744	109,693
Accounts receivable, other receivables and other assets	9,276,441	9,901,745	8,079,280	1,238,204
Financial assets at fair value through profit or loss	335,325	486,479	550,434	84,358
Prepaid income tax and tax recoverable	2,456,528	1,777,290	2,093,684	320,871
Pledged deposits	2,056,651	3,152,091	1,769,777	271,230
Restricted bank balance	1,053,346	1,221,422	823,330	126,181
Cash and cash equivalents	1,653,777	6,112,303	3,488,063	534,569
Investment properties classified as held for sale	5,582	–	–	–
	<u>77,481,017</u>	<u>84,799,278</u>	<u>89,578,580</u>	<u>13,728,518</u>
Current Liabilities				
Accounts payables, deposits received and accruals	8,288,660	11,462,409	16,118,724	2,470,303
Contract liabilities	37,631,077	32,597,844	36,378,551	5,575,257
Amounts due to related companies	3,685,311	4,430,648	3,023,047	463,302
Lease liabilities ⁽²⁾	–	1,871	–	–
Bank and other borrowings	8,953,906	9,791,674	7,802,238	1,195,745
Tax payable	604,105	1,581,606	1,285,803	197,058
	<u>59,163,059</u>	<u>59,866,052</u>	<u>64,608,363</u>	<u>9,901,665</u>

	As of December 31,			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)
		(in thousands)		(unaudited)
Net Current Assets	18,317,958	24,933,226	24,970,217	3,826,853
Total Assets less Current Liabilities	20,017,928	27,198,978	27,115,860	4,155,687
Non-Current Liabilities				
Rental deposits received	7,128	7,010	4,866	746
Lease liabilities ⁽²⁾	–	3,695	–	–
Bank and other borrowings	9,800,893	12,690,358	9,533,563	1,461,082
Deferred tax liabilities	18,403	114,077	95,276	14,602
	9,826,424	12,815,140	9,633,705	1,476,430
NET ASSETS	<u>10,191,504</u>	<u>14,383,838</u>	<u>17,482,155</u>	<u>2,679,257</u>
Equity attributable to:				
Owners of the parent	9,680,749	13,576,210	15,472,120	2,371,206
Non-controlling interests	510,755	807,628	2,010,035	308,051
TOTAL EQUITY	<u>10,191,504</u>	<u>14,383,838</u>	<u>17,482,155</u>	<u>2,679,257</u>

Notes:

- (1) On January 1, 2019, the Company adopted the HKFRS 16. Prior to the adoption of HKFRS 16, the Company previously classified leases as either finance leases or operating leases. Upon the adoption of HKFRS 16, the Company applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.
- (2) On January 1, 2019, the Company adopted the HKFRS 16. Prior to the adoption of HKFRS 16, the Company previously classified leases as either finance leases or operating leases. Upon the adoption of HKFRS 16, the Company applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term.

SELECTED CONSOLIDATED INCOME STATEMENT AND OTHER FINANCIAL DATA OF THE ISSUER

	For the year ended December 31,			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)
		(in thousands)		(unaudited)
REVENUE	601,470	8,887,186	8,069,061	1,236,638
Cost of sales	(326,329)	(6,600,707)	(6,322,783)	(969,009)
GROSS PROFIT	275,141	2,286,479	1,746,278	267,629
Other income, net	25,078	9,678	27,520	4,218
Other gains and losses	33,333	109,086	(86,030)	(13,185)
Sales and marketing expenses	(114,909)	(162,428)	(181,012)	(27,741)
Administrative expenses	(129,674)	(166,817)	(205,198)	(31,448)
Finance costs	(30,455)	(38,221)	(79,686)	(12,212)
PROFIT BEFORE TAX	58,514	2,037,777	1,221,872	187,260
Income tax expense	(30,022)	(886,319)	(443,499)	(67,969)
PROFIT FOR THE YEAR/PERIOD	28,492	1,151,458	778,373	119,291
Attributable to:				
Owners of the parent	29,971	1,151,571	782,988	119,998
Non-controlling interests	(1,479)	(113)	(4,615)	(707)
	28,492	1,151,458	778,373	119,291
Other financial data (unaudited)				
EBITDA ⁽¹⁾	37,990	2,846,788	2,019,027	309,429
EBITDA margin ⁽²⁾	6.3%	32.0%	25.0%	25.0%

Notes:

- (1) EBITDA for any period primarily consists of profit before tax plus net finance cost, finance costs recognized in cost of sales, depreciation and amortization, and non-recurring gain or loss. EBITDA is not a standard measure under HKFRS. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance or as an indicator of our operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, we believe that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. We have included EBITDA because we believe it is a useful supplement to cash flow data as a measure of our performance and our ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare our EBITDA to EBITDA presented by other companies because not all companies use the same definition. Investors should also note that EBITDA as presented herein may be calculated differently from Consolidated EBITDA as defined and used in the Indenture. See the section entitled "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ISSUER

	As of December 31,			
	2018	2019	2020	
	(RMB)	(RMB) (in thousands)	(RMB)	(US\$)
				(unaudited)
Non-current Assets				
Property, plant and equipment	23,126	17,711	47,322	7,252
Investment properties	646,620	654,244	552,154	84,621
Goodwill	–	–	424,722	65,091
Intangible assets.	–	–	199,000	30,498
Right-of-use assets ⁽¹⁾	–	5,246	–	–
Pledged deposits	33,915	22,525	27,935	4,281
Deferred tax assets	63,168	194,154	324,652	49,755
	<u>766,829</u>	<u>893,880</u>	<u>1,575,785</u>	<u>241,500</u>
Current Assets				
Inventories	217	–	–	–
Completed properties held for sale	934,671	3,824,960	6,791,108	1,040,783
Properties under development	29,777,845	38,367,480	48,446,684	7,424,779
Deposits and prepayments paid for land acquisitions	4,603,632	1,198,992	2,646,093	405,531
Accounts receivable, other receivables and other assets	1,175,439	1,827,573	2,113,132	323,852
Financial assets at fair value through profit or loss	232,532	349,876	321,590	49,286
Prepaid income tax and tax recoverable	616,737	723,402	1,060,382	162,511
Pledged deposits	680,450	863,804	330,336	50,626
Restricted bank balance	101,913	691,992	648,635	99,408
Cash and cash equivalents	673,412	3,200,230	3,218,611	493,274
Investment properties classified as held for sale	5,582	–	–	–
	<u>38,802,430</u>	<u>51,048,309</u>	<u>65,576,571</u>	<u>10,050,049</u>
Current Liabilities				
Accounts payables, deposits received and accruals	1,271,149	3,096,086	7,299,395	1,118,681
Contract liabilities	11,304,291	15,852,697	23,379,862	3,583,121
Amounts due to related companies	473,199	956,458	4,100,961	628,500
Loans from a related company	12,876,310	7,490,728	8,374,973	1,283,521
Lease liabilities ⁽²⁾	–	1,871	–	–
Bank and other borrowings	3,658,396	6,957,950	6,351,627	973,429
Tax liabilities	109,621	461,608	509,833	78,135
	<u>29,692,966</u>	<u>34,817,398</u>	<u>50,016,651</u>	<u>7,665,387</u>

	As of December 31,			
	2018	2019	2020	
	(RMB)	(RMB)	(RMB)	(US\$)
		(in thousands)		(unaudited)
Net Current Assets	9,109,464	16,230,911	15,559,920	2,384,662
Total Assets less Current Liabilities	9,876,293	17,124,791	17,135,705	2,626,162
Non-current Liabilities				
Rental deposits received	7,128	7,010	4,866	746
Lease liabilities ⁽²⁾	–	3,695	–	–
Bank and other borrowings	8,742,329	13,277,895	8,784,298	1,346,253
Deferred tax liabilities	5,324	99,150	457,726	70,150
	8,754,781	13,387,750	9,246,890	1,417,148
NET ASSETS	1,121,512	3,737,041	7,888,815	1,209,014
Equity attributable to:				
Share capital	587,529	2,014,112	5,326,923	816,387
Reserves	541,036	1,726,522	2,547,007	390,346
Non-controlling interests	(7,053)	(3,593)	14,885	2,281
TOTAL EQUITY	1,121,512	3,737,041	7,888,815	1,209,014

Notes:

- (1) On January 1, 2019, the Issuer adopted the HKFRS 16. Prior to the adoption of HKFRS 16, the Issuer previously classified leases as either finance leases or operating leases. Upon the adoption of HKFRS 16, the Issuer applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities.
- (2) On January 1, 2019, the Issuer adopted the HKFRS 16. Prior to the adoption of HKFRS 16, the Issuer previously classified leases as either finance leases or operating leases. Upon the adoption of HKFRS 16, the Issuer applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term.

RECENT DEVELOPMENT

EXTRACTED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2021 OF THE ISSUER

The following unaudited consolidated results for the year ended June 30, 2021, together with comparative figures for the six months ended June 30, 2020, are extracted from the announcement of interim results for the six months ended June 30, 2021 filed with the Hong Kong Stock Exchange.

Condensed Consolidated Statement of Comprehensive Income For the six months ended June 30, 2021

	Unaudited	
	Six months ended June 30,	
	2020 (RMB)	2021 (RMB)
	(in thousands)	
REVENUE	2,237,563	5,595,511
Cost of sales	(1,627,916)	(5,161,644)
GROSS PROFIT	609,647	433,867
Other income	10,472	11,929
Other gains and losses, net	(83,656)	13,175
Administrative expenses	(90,033)	(113,674)
Sales and marketing expenses	(33,628)	(120,323)
Finance costs	(52,978)	(21,947)
PROFIT BEFORE TAX	359,824	203,027
Income tax expense	(250,738)	(97,525)
PROFIT FOR THE PERIOD	<u>109,086</u>	<u>105,502</u>
Attributable to:		
Owners of the parent	108,881	111,349
Non-controlling interests	205	(5,847)
	<u>109,086</u>	<u>105,502</u>

Condensed Consolidated Statement of Financial Position as of June 30, 2021

	Unaudited	Audited
	June 30, 2021 (RMB)	December 31, 2020 (RMB)
	(in thousands)	
Non-current Assets		
Property, plant and equipment	46,360	47,322
Investment Properties	540,776	552,154
Goodwill	424,722	424,722
Intangible assets	188,526	199,000
Deferred tax assets	368,038	324,652
Pledged deposits	17,200	27,935
	1,585,622	1,575,785
Current Assets		
Completed properties held for sale	10,068,424	6,791,108
Properties under development	48,393,181	48,446,684
Deposits and prepayments paid for land acquisitions	1,438,980	2,646,093
Accounts receivable, other receivables and other assets	2,750,515	2,113,132
Financial assets at fair value through profit or loss	358,639	321,590
Prepaid income tax and tax recoverable	1,394,354	1,060,382
Pledged deposits	383,171	330,336
Restricted bank balances	1,151,677	648,635
Cash and cash equivalents	1,671,735	3,218,611
	67,610,676	65,576,571
Current Liabilities		
Accounts payable, deposits received and accruals	7,330,407	7,229,395
Contract liabilities	29,286,513	23,379,862
Amounts due to related companies	3,533,835	4,100,961
Loans from a related companies	6,892,256	8,374,973
Bank and other borrowings	6,823,332	6,351,627
Tax liabilities	495,502	509,833
	54,361,845	50,016,651
Net Current Assets	13,248,831	15,559,920
Total Assets Less Current Liabilities	14,834,453	17,135,705
Non-current Liabilities		
Rental deposits received	5,426	4,866
Bank and other borrowings	6,507,862	8,784,298
Deferred tax liabilities	456,089	457,726
	6,969,377	9,246,890
NET ASSETS	7,865,076	7,888,815
Equity attributable to:		
Share capital	5,326,923	5,326,923
Reserves	2,529,194	2,547,007
Non-controlling interests	8,959	14,885
TOTAL EQUITY	7,865,076	7,888,815

MANAGEMENT DISCUSSION AND ANALYSIS OF THE INTERIM RESULTS OF THE ISSUER

For the six months ended June 30, 2021, the Issuer recorded revenue of approximately RMB5,595.5 million and gross profit of RMB433.9 million. Revenue increased by approximately 150.1% as compared RMB2,237.6 million for the same period of 2020. Revenue and gross profit were primarily derived from the property development business in the PRC. The substantial growth in revenue was arising from the delivery of the Issuer's newly completed property development projects in the second half of 2020 and first half of 2021. During the six months ended June 30, 2021, the Issuer newly completed four property development projects and delivered approximately properties with saleable/leasable GFA of 367,000 sq.m. During the six months ended June 30, 2021, the Issuer recorded gross profit of approximately RMB433.9 million, representing a decrease by approximately 28.8% as compared to the gross profit of RMB609.6 million for the same period of 2020. The decrease in gross profit was resulted from the recognition of certain lower profit margin property projects during the six months ended June 30, 2021, which included (i) property projects which were subject to price control polices; and (ii) property projects which had a higher unexpected construction cost due to the outbreak of the COVID-19 pandemic in 2020 which prolonged development progress and resulted in a lower profit margin at the time of revenue recognition during the six months ended June 30, 2021.

The Issuer had net other gains of approximately RMB13.2 million during the six months ended June 30, 2021, as compared to net other losses of approximately RMB83.7 million for the same period of 2020. The Issuer's net other gains during the six months ended June 30, 2021 were attributable to an increase in the fair value gain on financial assets at fair value through profit or loss from RMB51.7 million for the six months ended June 30, 2020 to RMB40.8 million for the same period in 2021, partially offset by (i) an increase of write-down of completed properties held for sale from nil for the six months ended June 30, 2020 to RMB25.0 million for the same period in 2021 and (ii) a decrease in net exchange losses from RMB4.1 million for the six months ended June 30, 2020 to RMB2.4 million for the same period in 2021.

The Issuer's sales and marketing expenses increased by approximately 257.8% from RMB33.6 million for the six months ended June 30, 2020 to approximately RMB120.3 million for the six months ended June 30, 2021. The Issuer's administrative expenses increased by approximately 26.3% from RMB90.0 million the six months ended June 30, 2020 to approximately RMB113.7 million for the six months ended June 30, 2021. Such increases were in line with the business expansion of the Issuer in relation to its property development business in the PRC, as demonstrated by the increasing number of ongoing property projects under development during the six months ended June 30, 2021.

The Issuer's income tax expenses decreased from approximately RMB250.7 million for the six months ended June 30, 2020 to approximately RMB97.5 million for the six months ended June 30, 2021 are due to a decrease on PRC CIT and PRC LAT resulting from lower operating net profits generated from the completed property development projects delivered during the six months ended June 30, 2021 in the PRC.

As a result of the foregoing, the Issuer's profit attributable to owners of the Company increased from RMB108.9 million for the six months ended June 30, 2020 to RMB111.3 million for the six months ended June 30, 2021. The basic earnings per share decreased from RMB10.3 cents for the six months ended June 30, 2020 to RMB5.8 cents for the six months ended June 30, 2021.

REVIEW OF PROPERTY DEVELOPMENT BUSINESS OF THE ISSUER

During the six months ended June 30, 2021, the Issuer recorded revenue of approximately RMB5,542.0 million and profit of approximately RMB124.6 million for its property development business, as compared to revenue of RMB2,104.6 million and net profit of RMB354.3 million for the same period in 2020. The increase in revenue for property development was attributable to the increase of GFA delivered during the six months ended June 30, 2021, which was contributed from the Issuer's four newly completed property development projects, namely, Beijing Zensun Grand Garden* (北京正商明苑), Beijing Zensun Yazhu Garden* (北京正商雅築佳苑), Zhengzhou Zensun Voyage International Plaza (Phase I)* (鄭州正商啟航國際廣場一期) and Zhengzhou Zensun Orchids Mansion (Valley-view Garden)* (鄭州正商蘭庭華府(峪景佳苑)). Together with the Issuer's existing property projects completed in prior years, there were approximately 367,000 sq.m. GFA delivered during the six months ended June 30, 2021 as compared to that of approximately 170,000 sq.m. GFA delivered during the same period of 2020.

Though there was an overall increase in GFA delivered, a decrease in gross profit resulted from the recognition of certain lower profit margin property projects during the six months ended June 30, 2021, which included (i) property projects which are designated as policy-related housing of which the selling prices are strictly controlled by the government; and (ii) property projects which had a higher unexpected construction cost due to the outbreak of the COVID-19 pandemic in 2020 which prolonged development progress and resulted a lower profit margin at the time of revenue recognition during the six months ended June 30, 2021. In addition, as a result of the implementation of the price control measures causing the selling price of certain property projects to be lower than expected, write-down of completed property held for sale of approximately RMB25.0 million was provided during the six months ended June 30, 2021. In addition, following the increasing number of ongoing property projects under development, sales and marketing and administrative expenses in property development business increased accordingly and resulted in an overall decrease in segment profit.

The Issuer maintained its concrete expansion strategy and persisted in its efforts to expand its land reserves. During the six months ended June 30, 2021, the Issuer successfully acquired 12 land parcels, contributing an aggregate site area of approximately 505,801 sq.m. and aggregate saleable/leasable GFA of approximately 1.24 million sq.m. These successful land acquisitions further complemented the Issuer's strategy in expanding its business operation in Zhengzhou, Henan Province and other first- and second-tier cities.

In line with the concrete expansion strategy adopted since 2017, the Issuer's maintains sufficient land reserves. As of June 30, 2021, the Issuer had 23 completed property projects and/or sub-phases and 62 ongoing property projects with 127 land parcels under development and planning with an aggregate site area of approximately 5.39 million sq.m. and aggregate estimated GFA of approximately 11.3 million sq.m. In return, the Issuer's land reserves include 6.93 million sq.m. of saleable/leasable GFA under development and 4.37 million sq.m of GFA under planning.

FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2021 OF THE COMPANY

Based on the Company's management account, which is unaudited, the Company experienced steady growth in revenue for the six months ended June 30, 2021 as compared with the same period in 2020, which was in line with the Company's business expansion. The Company's gross profit and net profit, as well as the gross profit margins and net profit margins, decreased for the six months ended June 30, 2021 as compared with the same period in 2020, primarily because (i) certain property projects delivered were subject to local governments' price control measures, which led to lower selling prices; and (ii) certain property projects incurred higher construction costs as a result of the prolonged construction time due to the COVID-19 outbreak. The financial trends highlighted above should not be relied upon by investors as information derived from financial statements that have been subject to an audit or review by independent auditors, and should not be taken as an indication of the expected financial condition or results of operations of the Group for the full financial year ending December 31, 2021. Potential investors must exercise caution when using such information to evaluate the Company's financial condition and results of operations.

DESCRIPTION OF THE PARENT GUARANTOR

OVERVIEW

Founded in Zhengzhou in 1995, we have grown into a renowned multinational group with integrated real estate businesses. Now with our footprint across Henan Province, Beijing, Hubei, Shandong and Hainan Provinces, Hong Kong, as well as Japan, Singapore and other countries and regions, we are the largest residential property developer in Zhengzhou in terms of both contracted sales and GFA sold from 2012 to 2018, according to China Real Estate Association (中國房地產協會) (“CREA”) and China Real Estate Appraisal (中國房地產測評中心) (“CRA”), and have established a strong presence in Henan Province. We ranked the 46th among “China Top 500 Real Estate Developers” (中國房地產500強企業) in 2020, according to the Top 500 China Real Estate Developers Research Report published by CREA and CRA in March 2020. As one of China’s focal points of economic development, Henan Province is the third most populous province in China and has been undergoing rapid urbanization and economic development. As the capital and largest city of Henan Province and a major transportation hub for central China, Zhengzhou has experienced substantial economic growth over the past few years, fostering a booming property development market. To capitalize on the fast-paced economic development and rapid-growing housing demand in this region, we have implemented a development strategy with strong focus on Zhengzhou, including its urban areas and emerging development districts, complemented by selected key cities in Henan Province. Leveraging our strong focus on and leading position in Zhengzhou, we have been and are well positioned to continue to benefit from the growth potential in the real estate market.

We have a proven track record in developing quality residential properties in Zhengzhou. We are the largest residential property developer in Zhengzhou in terms of both GFA sold and contracted sales from 2012 to 2018, according to CREA and CRA. Our market-leading position, brand value, and growth potential have earned us the accolades of “2020 Top 50 China Real Estate Development Enterprises” (中國房地產開發企業50強), “2020 Top 50 China Real Estate Developers”, “2019 Top 50 China Real Estate Development Enterprises” (中國房地產開發企業50強), “2019 Top 50 China Real Estate Developers”, “2018 Top 50 China Real Estate Development Enterprises” (中國房地產開發企業50強) and “2018 Top 50 China Real Estate Developers” in terms of brand value. Specifically, we were ranked the sixth of “2020 Top 10 China Real Estate Developers” in terms of efficiency, jointly selected by CREA and CRA. We further received the honor of “2018 Top 100 Private Enterprises in Henan Province” (2018河南民營企業100強) by Henan Province Association of Industry and Commerce (河南省公工商業聯合會) and a “China Well-known Trademark” (中國馳名商標) certificate by the Trademark Office of SAIC (國家工商行政管理總局商標局) in 2018.

We focus on developing a range of residential properties that cater to the various demands and preferences of middle to upper-middle class customers in Zhengzhou and selected cities with solid industrial base and high growth potential, including Xinyang, Luoyang, Xinxiang, Xuchang, Nanyang, Shangqiu and Zhoukou of Henan Province, Wenchang of Hainan Province, Wuhan of Hubei Province, Qingdao of Shandong Province and Beijing. Based on our in-depth knowledge of local markets, we design and offer standardized series of residential properties with distinctive market positioning that appeal to the evolving needs of the middle and upper-middle class customers as their disposable income increases. Our property development processes, starting from land selection and acquisition to project planning and design, are centered on the preferences and needs of such target customers. We only pursue land opportunities that complement our standard product portfolio and are suitable for developing residential properties that meet the needs of our target customers. As a result of our distinctive market positioning for a variety of segments among our target customers, we have maintained standardized residential property portfolios of the “Shangjing” (“上境”) series and “Quality Home” (“品質家”) series, each featuring its respective standardized designs, ambience, apartment layout, as well as plot, greening and parking ratios. In particular, the “Quality Home” series is subdivided into three sub-series, “Scholar Mansion” (“華府”), “Orchids Mansion” (“蘭庭”) and “Golden Mile House”) (“世家”).

We adopt a disciplined approach to project selection by only acquiring land parcels that can be effectively managed by our available resources, fit into our investment budget and have the potential to meet our target project return criteria. We selectively participate in Urban Redevelopment Schemes, which we believe enables us to gain more insights into the land parcels and increases our chances to obtain land parcels situated in the urban areas of Zhengzhou, Luoyang and Xinxiang of Henan Province with significant appreciation potential in a cost-efficient manner. As of December 31, 2020, we had acquired land parcels or entered into land grant contracts with an aggregate site area of approximately 5.6 million sq.m. in Zhengzhou, Luoyang and Xinxiang of Henan Province for which we had participated in Urban Redevelopment Schemes.

We outsource the construction work to qualified general construction contractors. In December 31, 2018, 2019 and 2020, Henan Zensun Corporate Development Group Co., Ltd (河南正商企業發展有限責任公司) was our largest general contractor and was granted a fair amount of the construction work we had incurred. In 2018, 2019 and 2020, our total purchases from Henan Zensun Corporate Development Group Co., Ltd in respect of its construction services amounted to approximately RMB2,699.9 million, RMB4,242.3 million and RMB3,019.7 million (US\$462.8 million), representing approximately 18.7%, 32.2% and 23.2% of our total construction costs in such periods, respectively.

Our strategic focus on Zhengzhou has enabled us to secure or obtain land at suitable locations in the region, which provides a solid foundation for our future development. As of December 31, 2020, we had acquired land parcels with an aggregate site areas of approximately 4.9 million sq.m. in Zhengzhou, comprising 77 property development projects with an aggregate GFA of approximately 12.2 million sq.m. We believe that we have sufficient land reserve in Zhengzhou to meet our development needs and sustain our business growth in the region.

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

OUR STRENGTHS

We believe the following strengths have contributed to the success of our business operations and leading position in the real estate industry:

Leading position in and strategic focus on the residential property development industry in Zhengzhou

We are the largest residential property developer in Zhengzhou in terms of both contracted sales and GFA sold from 2012 to 2018, according to China Real Estate Association (中國房地產業協會) (“CREA”) and China Real Estate Appraisal (中國房地產測評中心) (“CRA”), and have established a strong presence in Henan Province. As one of China’s focal points of economic development, Henan Province has benefited and is expected to continue to benefit from the PRC central government’s “Central China Economic Region” policies, one of the core missions outlined in the Thirteenth Five-Year Plan. Henan Province is the third most populous province in China and has been undergoing rapid urbanization and economic development, with its urbanization rate increased from 43.8% in 2013 to 51.7% in 2018 and its nominal GDP growing at a CAGR of 8.4% during the same period, according to the Henan Bureau of Statistics. As the capital and largest city of Henan Province and a major transportation hub for central China, Zhengzhou has experienced substantial economic growth over the past few years, fostering a booming property development market. The nominal GDP of Zhengzhou grew at a CAGR of 9.9% from 2013 to 2020, a faster pace than that of Henan Province as a whole, and the average per capita disposable income in Zhengzhou amounted to RMB36,661 in 2020, 47.77% higher than the provincial average. In 2020, the real estate market of Zhengzhou represented the largest segment in Henan Province with its sales revenue and GFA sold constituting approximately 32.6% and 18.7% of those of Henan Province in aggregate, respectively. To capitalize on the economic development and growing housing demand in this region, we have implemented a development strategy with strong focus on Zhengzhou, including its urban areas and emerging development districts, such as Air Harbor Comprehensive Economic Trial Zone (鄭州航空港經濟綜合實驗區), Baisha Industrial Park (白沙園區), Zhengzhou National High and New Technology Industries Development Zone (鄭州國家高

新技術產業開發區) and Zhengzhou Economic and Technological Development Zone (鄭州經濟技術開發區), complemented by selected key cities in Henan Province, such as Xuchang, Xinxiang, Xinyang and Luoyang. Leveraging our strong focus on and leading position in Zhengzhou, we have been and are well positioned to continue to benefit from the growth potential in the real estate market.

We believe that as one of the early entrants in the real estate development industry in Zhengzhou and with our strategic focus and deep roots in this region, we have gained a deeper understanding of the local market, customer preferences and urban planning trends and have established strong working relationships with local governments, providing us with home-market advantages. In particular, our strategic focus on Zhengzhou has enabled us to secure land at suitable locations in the region, which provides a solid foundation for our future development. As of December 31, 2020, we had acquired land parcels with an aggregate site areas of approximately 4.9 million sq.m. in Zhengzhou, comprising 77 property development projects with an aggregate GFA of approximately 12.2 million sq.m. Attributable to our leading position, strong execution capabilities and reputable brand image, we have also been selected by certain local governments and villagers' autonomous organizations to participate in certain Urban Redevelopment Schemes. We believe our involvement in the Urban Redevelopment Schemes enables us to gain more insight into the land parcels at the preliminary stages, which increases our chance in the subsequent public tender process and obtain land parcels situated in urban areas of Zhengzhou and Luoyang with significant appreciation potential in a cost-efficient manner. Because the average acquisition cost for the land acquired through such methods is generally lower, we are able to achieve better gross profit margin. As of December 31, 2020, we had acquired land parcels or entered into land grant contracts with an aggregate site area of approximately 5.6 million sq.m. in Zhengzhou, Luoyang and Xinxiang of Henan Province for which we had participated in Urban Redevelopment Schemes. We believe that we have sufficient land reserve in Zhengzhou to meet our development needs and sustain our business growth in the region.

Diversified and high-quality property portfolio with continuously enhancing features aimed to satisfy market demands of various customer groups

We believe a key contributor to our success is our focus on developing a range of residential properties that cater to the various demands and preferences of middle to upper-middle class customers in Zhengzhou and selected cities with solid industrial base and high growth potential, including Dengfeng, Xinxiang and Xuchang of Henan Province, Wenchang of Hainan Province, Wuhan of Hubei Province, and Qingdao of Shandong Province. We believe that there is significant demand among these customers for high-quality residential properties, and such demand will continue to increase as the purchasing power of these customers continues to grow.

Based on our in-depth knowledge of local markets, we design and offer standardized series of residential properties with distinctive market positioning that appeal to the evolving needs of the middle and upper-middle class customers as their disposable income increases. Our property development processes, starting from land selection and acquisition to project planning and design, are centered on the preferences and needs of such target customers. We only pursue land opportunities that complement our standard product portfolio and are suitable for developing residential properties that meet the needs of our target customers. We typically identify and pursue land opportunities with established or anticipated transportation access and ancillary public facilities, representing sites where our target customers would likely choose to live.

As a result of our distinctive market positioning for a variety of segments among our target customers, we have maintained standardized residential property portfolios of the the “Shangjing” (“上境”) series and “Quality Home” (“品質家”) series, each featuring its respective standardized designs, ambience, apartment layout, as well as plot, greening and parking ratios, among others:

- Our “Shangjing” series, with its construction style inspired by the palace architecture of Ming and Qing Dynasty, features squared layout with a central axis, comprising new Chinese-style bungalows. Our “Shangjing” series comprises units with GFA of approximately 140 to 210 sq.m. In our “Shangjing” series, we deliver audacious oriental concepts of health, intelligence, safety, quality, and culture. Featuring oriental elegant living style, we position our “Shangjing” series as high-end properties for elite living in central China; and
- Our “Quality Home” series is subdivided into three sub-series, “Scholar Mansion” (“華府”), which features New Asian style mid-rise apartments, “Orchids Mansion” (“蘭庭”), which features New Chinese style high-rise apartments, and “Golden Mile House” (“世家”), which features modern-simplistic style high-rise apartments. Each sub-series is typically located in downtown areas with convenient transportation and amenities and mainly targets first-time home buyers and home upgraders.

To ensure quality and the precise positioning of our property products, each of our product series follows its respective specifications throughout the development process, including construction materials, quality standards, landscaping and ancillary facilities. We maintain a proprietary bank of product designs encompassing various structure layouts, property styles and landscapes, which are continuously fine-tuned based on customer feedback through extensive surveys and market research as to the latest trends and developments in the local property markets and can be readily applied to suit the tastes of a broad range of target customers. For each project, our in-house design team work closely with external architectural and design partners who are experienced in planning and landscaping properties to develop high-quality product designs based on standardized templates, which incorporate design features based on varying themes and concepts as well as the surrounding landscape of the property with the aim of enhancing the ambience of our properties. For example, we acquired the land parcel for Zhengzhou Smart City in 2017, in view of the rising upper-middle class in Zhengzhou and taking into account the general public demand for quality life. We worked together with renowned design firms to position this project as a quality town that integrates shopping, catering, leisure and entertainment, and access to quality education and medial resources. The first phase of our Zhengzhou Smart City project covers a total GFA of approximately 370,000 sq.m., consisting of five bungalows and five waterfront townhouses, with greening ratio (calculated by dividing the total site area by the greening area) no less than 35%. The Zhengzhou Smart City project also has a lake park of approximately 666,667 sq.m.

In recognition of the high quality and dedicated designs of our projects, we have received numerous awards, such as the “Guangsha Prize” (廣廈獎) from the MOHURD for our Luxuriance Plaza project in 2017 and 2020. We strive to improve our designs based on customer feedback and accumulated experience from prior projects, in order to better meet customers’ demand with user-friendly designs. We believe that our diversified product offerings have allowed us to effectively fulfill the differentiated demands of our target customers, which in turn has enabled us to capitalize on the large population and strong purchasing power of the rising middle class in Zhengzhou and other selected cities we focus on.

In addition, to complement our product portfolio, we have been developing office buildings in emerging business districts in Zhengzhou since 2012. As of December 31, 2020, we had five office development projects under development or planned for future development with an aggregate GFA of approximately 0.6 million sq.m. These office buildings offer a compelling value proposition for small- to medium-sized enterprises which are typically seeking properties with the appropriate balance of cost, quality and location.

Steady expansion of business with prudent project selection strategy and financial discipline

We have adopted consistent strategies in project selection and business expansion, which involve prudent and disciplined use of financial leverage. These strategies are well balanced for quality growth and financial stability, and enable us to lower risks and remain poised to capture strategic market opportunities as they arise.

We adopt a disciplined approach to project selection by only acquiring land parcels that can be effectively managed by our available resources, fit into our investment budget and have the potential to meet our target project return criteria. We selectively participate in Urban Redevelopment Schemes, which we believe enables us to gain more insight into the land parcels and increases our chances of obtaining land parcels situated in the urban areas of Zhengzhou, Luoyang and Xinxiang with significant appreciation potential in a cost-efficient manner. Because the average acquisition cost for the land acquired through such methods is generally lower, we are able to achieve better gross profit margin. We generally do not acquire land from third parties in the secondary market and substantially all of our land parcels under development as of December 31, 2018, including the ones for which we were involved in the urban redevelopment process, were acquired through public tenders, auctions or listings-for-bidding. Land parcels granted through such methods are generally free of title or planning issues or other legal disputes which may prolong property development cycles or incur additional costs.

We exercise return-driven expansion strategy while ensuring financial discipline over key aspects of our operations from land acquisition to construction. Before a project is selected, we analyze the local real estate market and decision as to project selection is made generally after we perform in-depth market research and financial analysis, taking into account criteria such as estimated costs, average selling price, expected profit margin, impact on cash flow position, land size, location, available transportation, ancillary facilities and the availability of other regional resources. Our land development center, technology center and sales and marketing center jointly prepare a feasibility study, which is subject to the approval of our investment strategy committee, comprised of our executive directors and other senior management. The report will then be submitted to our chief executive officer for final confirmation. As a result of such decision-making process, we are able to effectively manage our land acquisition costs and avoid potential adverse impact on our cash flows. Upon selecting a project, we implement a budget control system and monitor the development costs for each project on a phase-by-phase basis, including construction costs and marketing expenses, in order to maximize our profitability and ensure compliance with our project budget. In particular, as part of our standardized development process, we establish strategic relationships with qualified third-party construction contractors, designers, raw materials suppliers and sales agents pre-approved to control the procurement costs while ensuring quality. Moreover, our construction cost, tendering and procurement management center collects and analyzes the relevant data gathered from prior projects or extracted from industry reports in order to form a database to guide our future property development projects. Attributable to our cost control system and financial discipline, we recorded a gross margin of 27.1%, 31.5% and 25.0% in 2018, 2019 and 2020, respectively.

Since we acquired our first project, “Lu Xingzhuang project” (蘆邢莊柵戶區改造項目), through Urban Redevelopment Schemes in 2006, we have over 14 years of experience being an active member of the Schemes, during which we have participated in 25 shantytown renovation projects in Zhengzhou, Luoyang and Xinxiang, with a total site area of 5.6 million sq.m. and a total GFA of 17.5 million sq.m. that has been completed or under development (excluding those land for which we have not obtained land use rights). In addition, as of December 31, 2020, our total GFA for the urban village renovation project amounts to 66.3 million sq.m. For more information, see “Business — Urban Redevelopment Schemes”.

Standardized and scalable development process aiming at optimizing operating efficiency and maximizing economic returns

We have established a standardized development process for developing property with the use of distinctive procedures, components and units since 2006, which we believe constitutes one of the key factors to our success and enables us to achieve high growth rates and investment returns while maintaining a healthy profit margin for each of our projects.

Our standardized development process covers the full spectrum, including site selection and land acquisition, project planning and design, selection of construction contractors and suppliers, bidding and procurement, construction supervision and quality control, cost control and document management. Our typical property development process involves constant market monitoring efforts and the compilation of project feasibility study reports pursuant to our established procedures with an aim to identify land acquisition opportunities suitable for our property series. Once a property series is determined for the development of a specific land parcel, we follow our set operating procedures, which are generally repeatable across different projects within the same series, to commence project planning, raw materials sourcing and project construction. Our standardized approach also centralizes many critical aspects of our project development processes at our headquarters, including project selection and approval processes, construction material procurement and product design. This involves the collection of template product designs, apartment layouts, blueprints, modules, contracts, bidding documents and strategic relationships with qualified third-party suppliers pre-approved through stringent selection processes. We have developed five product lines to better serve the market needs, which include (i) “Quality Home” series that focuses on delivering great living atmosphere, (ii) “Shangjing” series that targets higher-end users, (iii) townhouses that emphasize on integrated residential service, (iv) serviced apartments that cater to convenient and trendy life style, and (v) high-end offices that aim to create smart and intelligent supporting system. In addition, we have implemented a uniform financial management and reporting system, under which the finance department of each project company is directly managed by our headquarters, which allows us to consolidate and centralize our capital management.

We have also established a centralized contract processing and approval system to monitor contract execution and strengthen internal control. Last but not the least, we supplement our standardized development process with a standardized system of marketing and customer relations. Through standardization of case management, marketing management, marketing technology and our marketing system, we aim to ensure smooth flow of all aspects our marketing work. In terms of customer service and relations, we are committed to organizing activities and events that further promote our long-term customer care initiatives and maintain positive relationship with our property owners.

Leveraging our standardized development process, we are able to replicate our property projects, shorten project development cycles and reduce development costs while improving total sales volume and ensuring consistent quality. We believe that such efficient and scalable development schedules for our projects have enabled us to capitalize on the growing purchasing power in our target cities, optimize the allocation of capital and other resources and maximize efficiency and investment returns. In addition, our standardized development process enables us to replicate our operations from one city to another in a cost-efficient manner. As a result, we believe we are able to shorten our project development cycle and initiate sales relatively quickly and achieve operational economy of scale when entering into a new region.

Attributable to our standardized development process, we were recognized as “2020 Top 50 China Real Estate Development Enterprises” (中國房地產開發企業50強), “2020 Top 50 China Real Estate Developers”, “2019 Top 50 China Real Estate Development Enterprises”, “2019 Top 50 China Real Estate Developers”, “2018 Top 50 China Real Estate Development Enterprises” and “2018 Top 50 China Real Estate Developers” in terms of brand value. Specifically, we were ranked the seventh of “2018 Top 10 China Real Estate Developers” in terms of efficiency, jointly selected by CREA and CRA. We further received the honor of “2018 Top 100 Private Enterprises in Henan Province” (2018河南民營企業100強) by Henan Province Association of Industry and Commerce (河南省公工商業聯合會).

Experienced management team, effective management system and performance-driven corporate culture

Our success has been, and will continue to be, dependent on our experienced management team, a team with in-depth understanding of the real estate industry in China. Mr. Zhang Jingguo,

our chairman and chief executive officer, started his career in the real estate industry in Zhengzhou as early as 1994 and has accumulated extensive experience in this industry since then. In recognition of his influence and outstanding contribution to the real estate industry, Mr. Zhang was awarded “2013 China Top 100 Real Estate Entrepreneurs” (2013中國房地產百強企業家) by the Top 10 China Real Estate Research Group (中國房地產Top 10 研究組) in 2013 and “Meritorious Entrepreneur” (功勳企業家) by Henan Real Estate Chamber of Commerce (河南省房地產商會) and Henan Real Estate Appraisal Center (河南省房地產測評中心) in 2018. We maintain a stable management team, most of whom have been with us for over ten years with an average of 12 years of experience in their respective fields. Our management team is also supported by a well-trained and dedicated workforce. We endeavor to recruit and train employees with the potential to become long-term effective management staff. We have implemented a “4R” management system that is centered around the concept of “Results,” “Responsibility,” “Review” and “Reward.” We emphasize management’s evaluation of employees based primarily on the results each employee is able to achieve, enhancing each employee’s sense of individual responsibility and fostering the development of their execution powers, helping employees to complete every task quickly and effectively, advancing us toward rapid expansion and the completion of our strategic goals. By implementing and maintaining various internal management measures such as daily and weekly planning, periodic results checks and weekly and monthly internal consultations that are set forth in our internal management manuals, we maximize the ability of our teams to carry out daily operations and ensure strong execution capabilities. We have implemented an incentive scheme combining competitive compensation packages together with performance-based bonuses based on semi-annual evaluations, so as to align the interests of our employees with the interests of our Group. We also maintain an individually tailored career development platform to provide in-house training sessions and sponsor short-term business administration and property development courses at renowned universities and institutions for our senior management. The “4R” system is integrated into our working environment and corporate culture, empowering our employees with greater responsibilities based on their performance and ensuring strong execution capabilities and streamlined operations.

OUR STRATEGIES

We aim to continue to grow as a leading property developer with a strong presence in Henan and expand into other rapidly developing cities outside Henan. We have developed the following business strategies to pursue our growth objectives:

Continue to strengthen our leading position in Zhengzhou and Henan Province

Leveraging over 20 years of operational experience in Zhengzhou and Henan Province along with our leading market position in this region, we plan to grow our business and strengthen our leadership position to take advantage of the continuously increasing demand for high-quality residential properties and office buildings resulting from rapid growth in urbanization and general local economies.

We expect that the demand for residential properties and office buildings in Zhengzhou and other major cities in Henan Province will remain significant. As the third most populous province in the PRC, Henan Province currently has a greater rural population than many other provinces, most notably provinces on China’s eastern coast with a greater level of industrialization, and its urbanization rate still lags behind the national average. We believe this provides tremendous growth potential, especially for the segments of first time home buyers and home upgraders, as the PRC government continues to implement urbanization policies which are expected to contribute to an increase in Henan Province’s urban population in the next few years. With increasing urbanization in Henan Province, we foresee greater demand for the type of projects that we develop. We intend to continue to focus on developing high-quality residential communities in Zhengzhou, in particular, the emerging new development districts which constitute future development focus of the Zhengzhou government and represent high growth potential, such as Zhengzhou Air Harbor Comprehensive Economic Trial Zone (鄭州航空港經濟綜合實驗區), Baisha Industrial Park (白沙園區), Zhengzhou National High and New Technology Industries Development Zone (鄭州國家高新技術產業開發區) and Zhengzhou Economic and Technological Development Zone (鄭州經濟技術開發區). In addition, we plan to penetrate into additional major cities around Zhengzhou with solid industrial base and high-growth potential in Henan Province, such as Luoyang and Xinxiang, where we have entered into two master agreements with the local

governments and the relevant villagers' autonomous organizations relating to certain Urban Redevelopment Schemes. We believe our in-depth knowledge of the local property development markets, our property development expertise, our active participation in Urban Redevelopment Schemes and highly scalable business model based on our application of standardized development processes to diversified product offerings well position us to maintain our lead over competitors and capitalize on the fast economic growth and rising urbanization in this region.

Replicate our successful business model in other rapidly developing cities

As part of our strategic expansion plans, we intend to replicate our success in Henan Province to tap into strategically selected cities with established industrial base and high growth potential, by leveraging our systematic management approach, standardized development process and established brand name and reputation. We recognize that these rapidly developing cities will play an increasingly important role in the real estate market in China resulting from the rapid urbanization and expect to benefit from the strong economic growth in these regional property markets. We have established operations in 1995, with 93 completed property projects, 60 property projects under development and 35 property projects held for future development with an aggregate GFA of approximately 12.7 million sq.m. as of December 31, 2020. We plan to expand our operations, branch out in first- and second-tier cities such as Beijing and Wuhan and deepen market penetration in these fast-growing cities. Moreover, we are in the process of actively exploring opportunities in a few carefully evaluated cities and regional economic hubs.

Before entering into a new market, we thoroughly evaluate potential demand based on our experience in existing markets and focus on areas with favorable attributes in the following areas: (i) local policies and regulatory environment; (ii) industrial base and composition of population; (iii) economic development and urban planning; (iv) natural environment and facilities in the vicinity and (v) supply of land and housing price outlook. We plan to continue implementing our prudent project selection strategy, standardized development process and financial discipline in executing our geographic expansion plans in strategically selected new regions. We seek quality land parcels that are conveniently located in regions with rapid economic development at competitive costs and evaluate the financial impact of the site selection and land acquisitions. We will continue to focus our site selection in cities with sensible pricing and strong growth potential that we believe are well suited for our market positioning and standardized development processes. We intend to manage our business expansion with financial discipline, perform comprehensive and in-depth market research and financial analysis and gradually establish our market presence and brand recognition in the new regions by developing one or two representative projects in a prudent and sustainable manner.

Further enhance our brand competitiveness and customer loyalty

We place significant emphasis on enhancing our reputation and improving brand premium, which we believe will further increase our profitability, drive our customer loyalty and facilitate our efforts to expand into new regions.

We strive to continue to develop diversified and high-quality residential properties that cater to the varying needs and preferences of our target customer groups and further enhance our profile and brand image. We have integrated local lake views and wetland landscapes into the ambience of certain properties we have developed and plan to continue to develop notable architectural and landscape designs in future projects. We have also been continuously improving the ancillary facilities for our completed residential projects, including clubhouses and other public facilities, in order to enhance the attractiveness of our properties and maintain brand premium. In the meantime, we never cease to branch out through developing commercial projects and livable composite towns, continuously enriching our product mix to meet our customers' needs at different levels.

In addition, we plan to allocate more resources to brand management and brand promotion, communicate with our customers in a more effective manner and incorporate customers' satisfaction and loyalty as an integral and significant part of our management evaluation system. We have established the "Zensun Community" (正商會), a membership program through which our project development team and management team maintain close contact with our customers through customer satisfaction surveys, hotlines and our website, to understand their latest purchase demands and changing spending preferences, as well as to encourage them to make purchase recommendations and business referrals to their family and friends. Our membership program also provides our customers with reward points redeemable for free gifts when they purchase properties from us as well as discounts at our merchant partners. We intend to further leverage this customer communication platform to improve and strengthen our relationships with customers, build customer loyalty, foster brand awareness and enhance the efficiency of our marketing efforts, which in turn, can contribute to increases in our revenues. We expect to organize more diversified events to promote neighborhood relations, foster communications with our customers, enlist more participating merchants to expand our client database and offer more discounts and privileges to our "Zensun Community" members.

Ensure ample liquidity and diverse financing channels

We pay close attention to and maintain the health of key financial indicators to achieve our steady growth, ensuring that our financing channels are diverse and our liquidity ample. As of December 31, 2020, our financing channels included but were not limited to bank loans, entrusted loans, domestic corporate bonds, offshore corporate bonds, asset-backed securities and trust loans, supplying us with abundant access to capital.

We maintain strong credit history. In particular, we have established long-term cooperative relationship with various financial institutions such as banks to ensure ample cash liquidity. As of December 31, 2020, we had obtained RMB70 billion (US\$10.8 billion) committed bank loan facilities, of which RMB60.7 billion (US\$9.3 billion) remain unused. We have also entered into strategic cooperative arrangement with commercial loaners and obtained continuous credit support. Leveraging on our robust credit history and cooperative relationship with financial institutions, we aim to maintain and empower our financing capability.

Continue to attract, retain and motivate skilled and talented employees

We are committed to building a professional and skilled team with strong execution capabilities that identifies with our corporate values, vision and culture. We emphasize attracting and recruiting experienced individuals and university graduates with growth potential. We design and offer employee training programs tailored for various positions and managerial skill levels, and will continue to fine-tune such programs, further arrange for seminars and external training opportunities to suit the respective skills and expertise of our employees. More specifically, we will continue to sponsor our senior management personnel to take courses at reputable business schools in China and abroad in order to improve their leadership skills. Furthermore, we will continue to implement the mentor system that has been put in place across various departments to ensure that knowledge and expertise are passed on and valued.

We will continue to offer competitive remuneration packages to attract and retain talented employees. We will offer our employees a wide range of performance incentives, including bonuses and internal promotion opportunities based on regular performance evaluations. In addition, we will continue to implement our existing "4R" management system and maintain an entrepreneurial working environment. We believe such an entrepreneurial corporate culture will enhance knowledge sharing, collaboration and innovation among employees, lead to increased efficiency, foster greater loyalty, job satisfaction, engagement and commitment to their work, resulting in improved return on the overall operation of our Group.

OUR BUSINESS

Our Property Projects

Overview

As of December 31, 2020, our property portfolio consisted of 87 property projects or phases with an aggregated GFA of approximately 15.5 million sq.m., which were located in thirteen cities, including Zhengzhou, Xinyang, Xinxiang, Xuchang, Wuhan, Wenchang and Beijing, Nanyang, Luoyang, Shangqiu, Anyang, Pingdingshan, and Zhoukou. As of December 31, 2020, we had completed property projects or project phases with an aggregated GFA of approximately 2.9 million sq.m., projects or project phases with an aggregate GFA of approximately 8.2 million sq.m. that were under development, and an aggregate GFA of approximately 4.4 million sq.m. that were planned for future development. In addition, as of December 31, 2020, we had a total site area of approximately 33.1 million sq.m. intended, but not committed, to be acquired for future development in Zhengzhou, Luoyang and Xinxiang of Henan Province, which is attributed to our Urban Redevelopment Schemes in respect of which we have only entered into master urban redevelopment agreements or cooperation agreements but had not, as of December 31, 2020, entered into the relevant land grant contracts or obtained the relevant land use right certificates. Our property projects developed in 2018, 2019 and 2020 were mainly residential properties. We currently offer two standardized series of residential properties, namely “Shangjing” series and “Quality Home” series. These two property series delineate the different positioning for a variety of segments among our target customers and differ in terms of site selection, ambience, design and artistic styles, apartment layout, plot, greening and parking ratio, materials and components used, target customers, among others. Our “Shangjing” series represent the high-end properties we develop.

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

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

Classifications of Our Property Projects

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

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

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

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

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

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

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

Detailed descriptions of each of our projects as set forth in this offering memorandum are as of December 31, 2020, unless otherwise dated. The commencement date relating to each project or each phase of a project refers to the date construction commenced on the first building of the project or phase. The completion date set out in the description of our completed projects or phases refers to the date on which the completion examination and acceptance form is obtained for each project or each phase of a multi-phase project. For projects or phases under development or for future development, the completion date reflects our best estimate based on our current development plans.

Site area is calculated as follows:

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

Total GFA is calculated as follows:

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

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

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

Saleable/leasable GFA is calculated as follows:

- for projects and phases that are completed, based on the relevant property ownership certificate or property measurement report;
- for projects and phases under development, based upon the relevant pre-sale permit, or based upon other documentation issued by relevant government authorities if the pre-sale permit is not available or applicable; and
- for projects and phases that are planned for future development as well as projects and phases intended to be acquired for future development, based upon our internal records and development plan. The total GFA we intend to sell does not exceed the product of multiplying the site area and the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from the local governments.

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

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

Our Property Projects

The following table sets forth a summary of all our property projects and project phases, including projects and project phases planned for future development but excluding property projects and project phases intended to be acquired for future development, as of December 31, 2020:

No.	Project	Site Area (sq.m.)	COMPLETED			UNDER DEVELOPMENT			FUTURE DEVELOPMENT			Group's interest in the Project	Type
			GFA Completed (sq.m.)	Saleable/Leasable GFA (sq.m.)	GFA remaining unsold/Leasable (sq.m.)	GFA under development (sq.m.)	Saleable/Leasable GFA (sq.m.)	Saleable/Leasable pre-sold (sq.m.)	Planned GFA (sq.m.)	Land Use Rights Not Yet Obtained (sq.m.)			
Zhengzhou													
1	Zensun Shanshuishangjing	68,333	170,992	170,992	179	-	-	-	-	-	-	100.0%	Residential
2	Purple Garden	29,343	102,701	101,398	62	-	-	-	-	-	-	100.0%	Commercial
3	Riverview Garden (Phase I & Phase II) ⁽¹⁾	31,462	119,556	119,251	325	-	-	-	-	-	-	72.0%	Commercial
4	Zensun Princess Lake (Phase II) ⁽¹⁾	154,901	-	-	-	308,773	308,773	285,303	-	-	-	72.0%	Residential
5	Zensun Princess Lake III (Huanhuxi'an) ⁽¹⁾	40,819	81,551	80,244	8,095	-	-	-	-	-	-	72.0%	Residential
6	Zensun Wisdom City	423,546	548,194	469,843	-	883,214	676,488	622,994	-	-	-	100.0%	Residential
7	Zensun City • Courtyard No.2 of Peace Garden	11,291	-	-	-	67,745	67,242	67,040	-	-	-	100.0%	Commercial
8	Zensun City • Xiang Garden	21,194	-	-	-	127,166	127,166	42,799	-	-	-	100.0%	Commercial
9	Zensun International Building ⁽¹⁾	13,442	-	-	-	107,388	107,388	100,629	-	-	-	72.0%	Office
10	Aerospace Mansion	27,806	-	-	-	125,126	124,461	122,494	-	-	-	49.0%	Commercial
11	Zensun Scholar Garden ⁽¹⁾	25,357	101,426	100,662	149	-	-	-	-	-	-	72.0%	Commercial
12	Zensun Longhushangjing ⁽¹⁾	62,286	96,420	93,399	136	-	-	-	-	-	-	72.0%	Residential
13	Zensun Voyage Mansion ⁽¹⁾	55,631	194,709	95,020	12,710	98,831	98,831	98,831	-	-	-	72.0%	Commercial
14	Zhengzhou Zensun River Valley (Phase I) ⁽¹⁾	94,426	188,852	176,845	-	132,031	131,046	121,279	-	-	-	72.0%	Residential
15	Zhengzhou Zensun River Valley (Phase II) ⁽¹⁾	89,025	63,824	60,925	-	84,277	84,185	-	-	-	-	72.0%	Residential
16	Green Commercial Center ⁽¹⁾	28,062	-	-	-	-	-	-	-	-	-	72.0%	Commercial
17	Zensun River Home (Phase I) ⁽¹⁾	98,973	289,951	289,951	-	-	-	-	-	-	-	72.0%	Residential
18	Zensun River Home (Phase II) ⁽¹⁾	84,310	-	-	-	210,275	210,275	208,632	-	-	-	72.0%	Residential
19	Zhengzhou Zensun Boyue Commercial Centre and Jiahe commercial centre ⁽¹⁾	45,651	-	-	-	108,519	108,519	28,552	32,223	-	-	72.0%	Commercial
20	Dengfeng Zensun City (Xi Garden, Tai Garden, Rui Garden and Jing Garden) ⁽¹⁾	145,156	-	-	-	322,822	322,271	264,768	-	-	-	72.0%	Residential
21	Dengfeng Zensun City (Yu Garden, Xiang Garden and He Garden) ⁽¹⁾	124,545	278,488	264,549	-	-	-	-	-	-	-	72.0%	Residential
22	Zensun Prosperity Court ⁽¹⁾	8,051	26,476	26,476	-	-	-	-	-	-	-	72.0%	Residential
23	Voyage International Plaza (Phase I) ⁽¹⁾	11,215	-	-	-	39,250	38,029	37,143	-	-	-	72.0%	Office

No.	Project	Site Area (sq.m.)	COMPLETED			UNDER DEVELOPMENT			FUTURE DEVELOPMENT			Group's interest in the Project	Type
			GFA Completed (sq.m.)	Saleable/Leasable GFA (sq.m.)	GFA remaining unsold/Leasable (sq.m.)	GFA under development (sq.m.)	Saleable/Leasable GFA (sq.m.)	Saleable/Leasable GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	Land Use Rights Not Yet Obtained (sq.m.)			
24	Zensun Longshuishangjing ⁽¹⁾	58,338	99,175	96,549	8,345	-	-	-	-	-	-	72.0%	Residential
25	Zensun Voyage Garden (Phase I) ⁽¹⁾	35,702	-	-	-	107,105	106,903	106,903	-	-	-	72.0%	Residential
26	Zensun Voyage Garden (Phase II) ⁽¹⁾	50,921	-	-	-	203,684	203,216	168,007	-	-	-	72.0%	Residential
27	Zensun Orchids Mansion (Valley-view Garden) ⁽¹⁾	43,470	-	-	-	130,135	130,135	130,135	-	-	-	72.0%	Residential
28	Zensun Orchids Mansion (Valley-view Court) ⁽¹⁾	93,497	-	-	-	276,963	152,497	94,947	127,994	-	-	72.0%	Residential
29	Zhengzhou Zensun Lehuo City ⁽¹⁾	987,701	-	-	-	190,570	190,570	11,594	950,677	-	-	72.0%	Residential and commercial
30	Gongyi Project	33,616	-	-	-	146,838	146,838	-	-	-	-	100.0%	Commercial
31	Voyage International Plaza (Phase II) ⁽¹⁾	10,701	-	-	-	39,092	37,454	32,530	-	-	-	72.0%	Office
32	Zensun Zhenruishangjing ⁽¹⁾	68,819	-	-	-	106,882	103,228	99,331	-	-	-	72.0%	Residential
33	Zensun Yating Mansion ⁽¹⁾	54,298	-	-	-	146,603	146,603	127,837	-	-	-	72.0%	Residential
34	Zensun Fenghuashangjing ⁽¹⁾	45,505	-	-	-	77,358	77,118	61,275	-	-	-	72.0%	Residential
35	Skyline Lake Court (Phase I & II) ⁽¹⁾	97,995	-	-	-	139,240	139,240	135,734	56,632	-	-	72.0%	Residential
36	Zensun Jingkai Plaza ⁽¹⁾	47,736	214,812	211,748	6,434	-	-	-	-	-	-	72.0%	Office
37	Zensun West Lakeside Scholar Mansion ⁽¹⁾	51,395	-	-	-	132,121	128,489	123,716	-	-	-	72.0%	Residential
38	Zensun Zhengshang Commercial Centre ⁽¹⁾	93,643	-	-	-	53,881	53,881	49,676	180,227	-	-	72.0%	Commercial
39	Zensun Ecological City ⁽¹⁾	228,239	-	-	-	282,193	282,193	119,324	307,791	-	-	72.0%	Residential
40	Zensun Xin Harbour Home ⁽¹⁾	84,186	-	-	-	241,602	212,465	159,490	-	-	-	72.0%	Residential
41	Xinmi Zensun City ⁽¹⁾	79,029	-	-	-	114,316	114,316	11,083	-	-	-	72.0%	Residential
42	Dengfeng Zensun Yinghe Mansion ⁽¹⁾	30,727	-	-	-	76,819	76,819	16,070	-	-	-	72.0%	Residential
43	Dengfeng Zensun Yingbin House • Qiyue House ⁽¹⁾	41,543	-	-	-	-	-	-	78,932	-	-	72.0%	Residential
44	Dengfeng Zensun Songyue Horizons ⁽¹⁾	146,813	-	-	-	-	-	-	220,220	-	-	72.0%	Residential
45	Dengfeng Zensun Yingbin House • Yingbin House ⁽¹⁾	98,972	-	-	-	68,482	68,482	14,893	188,047	-	-	72.0%	Residential
46	Zhengzhou Zensun Zuolan ⁽¹⁾	57,015	-	-	-	56,697	56,697	7,879	22,829	-	-	72.0%	Residential
47	Gongyi Zensun Scholar Mansion ⁽¹⁾	99,101	-	-	-	-	-	-	121,685	-	-	72.0%	Residential
48	Zhengzhou Zensun Xinrui Scholar Mansion ⁽¹⁾	13,734	-	-	-	-	-	-	68,672	-	-	72.0%	Residential
49	Gongyi Zensun Hele Horizons ⁽¹⁾	20,004	-	-	-	-	-	-	40,008	-	-	72.0%	Residential
50	Zhengzhou Zensun Boya Court (Phase I & II) ⁽¹⁾	76,354	-	-	-	108,080	108,080	63,845	113,561	-	-	72.0%	Residential
51	Zensun Wisdom City Commercial area	15,448	-	-	-	-	-	-	61,792	-	-	100.0%	Commercial

No.	Project	Site Area (sq.m.)	COMPLETED			UNDER DEVELOPMENT			FUTURE DEVELOPMENT			Group's interest in the Project	Type
			GFA Completed (sq.m.)	Saleable/Leasable GFA (sq.m.)	GFA remaining unsold/Leasable (sq.m.)	GFA under development (sq.m.)	Saleable/Leasable GFA (sq.m.)	Saleable/Leasable GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	Land Use Rights Not Yet Obtained (sq.m.)			
Xuchang													
52	Xuchang Zensun Scholar Mansion ⁽¹⁾	115,449	218,626	207,760	6,459	127,721	97,558	84,171	-	-	-	72.0%	Residential
53	Xuchang Zensun Golden Mile House ⁽¹⁾	60,948	-	-	-	167,991	167,093	149,219	-	-	-	72.0%	Residential
54	Xuchang Zensun Orchids Mansion ⁽¹⁾	62,832	-	-	-	174,777	173,708	79,001	-	-	-	72.0%	Residential
Xinyang													
55	Xinyang Huaibin Zensun Scholar Mansion (Phase I & II) ⁽¹⁾	96,944	-	-	-	58,561	58,561	4,365	131,827	-	-	64.8%	Residential
56	Xinyang Zensun Golden Mile House ⁽¹⁾	46,435	-	-	-	58,561	58,561	7,872	43,595	-	-	72.0%	Residential
57	Guangshan Zensun Scholar Mansion ⁽¹⁾	51,847	-	-	-	58,269	58,269	7,794	71,347	-	-	72.0%	Residential
Xinxiang													
58	Xinxiang Zensun Golden Mile House (Phase I) ⁽¹⁾	45,591	-	-	-	232,406	159,569	145,233	-	-	-	72.0%	Residential
59	Xinxiang Zensun Golden Mile House (Phase II) ⁽¹⁾	36,712	-	-	-	176,469	128,492	127,579	-	-	-	72.0%	Residential
60	Zensun Smart City • Rong Garden ⁽¹⁾	40,279	64,446	61,343	638	-	-	-	-	-	-	72.0%	Residential
61	Zensun Smart City • Xiang Garden ⁽¹⁾	58,642	-	-	-	94,537	94,537	-	-	-	-	72.0%	Residential
62	Zensun Smart City ⁽¹⁾	30,360	-	-	-	-	-	-	91,081	-	-	72.0%	Residential
63	Zensun Smart City ⁽¹⁾	66,051	-	-	-	-	-	-	105,682	-	-	72.0%	Residential
64	Zensun Smart City ⁽¹⁾	54,107	-	-	-	-	-	-	86,571	-	-	72.0%	Residential
65	Zensun Smart City ⁽¹⁾	52,387	-	-	-	-	-	-	83,819	-	-	72.0%	Residential
66	Xinxiang Zensun Orchids Mansion (Phase I & II) ⁽¹⁾	85,053	-	-	-	91,017	91,017	64,410	79,089	-	-	64.8%	Residential
67	Weihui Zensun Golden Mile Court ⁽¹⁾	43,964	-	-	-	63,456	63,456	57,392	46,455	-	-	64.8%	Residential
68	Huixian Zensun Scholar Mansion ⁽¹⁾	37,065	-	-	-	13,215	13,215	5,898	68,327	-	-	72.0%	Residential
Wuhan													
69	Wuhan Zensun Golden Mile House	95,530	-	-	-	238,824	221,712	220,028	-	-	-	100.0%	Residential
70	Wuhan Zensun Scholar Mansion ⁽¹⁾	46,888	-	-	-	164,108	164,108	155,558	-	-	-	72.0%	Residential
Wenchang													
71	Hainan Red Coconut Bay(Phase IV)	45,082	-	-	-	73,994	67,205	14,979	-	-	-	100.0%	Residential
72	Hainan Red Coconut Bay(Phase V)	45,410	-	-	-	-	-	-	113,616	-	-	100.0%	Residential

No.	Project	Site Area (sq.m.)	COMPLETED			UNDER DEVELOPMENT			FUTURE DEVELOPMENT			Group's interest in the Project	Type
			GFA Completed (sq.m.)	Saleable/Leasable GFA (sq.m.)	GFA remaining unsold/Leasable (sq.m.)	GFA under development (sq.m.)	Saleable/Leasable GFA (sq.m.)	Saleable/Leasable GFA pre-sold (sq.m.)	Planned GFA (sq.m.)	Land Use Rights Not Yet Obtained (sq.m.)			
Beijing													
73	Beijing Zensun Xinghai Court ⁽¹⁾	47,892	-	-	-	103,979	103,979	62,695	-	-	-	72.0%	Residential
74	Beijing Zensun Grand Garden ⁽¹⁾	53,214	-	-	-	90,890	89,017	89,017	-	-	-	72.0%	Residential
75	Beijing Zensun Yazhu Garden ⁽¹⁾	41,170	-	-	-	60,109	59,397	59,397	-	-	-	72.0%	Residential
Nanyang													
76	Nanyang Zensun Scholar Court ⁽¹⁾	25,293	-	-	-	88,524	88,460	6,341	-	-	-	72.0%	Residential
77	Dengzhou Zensun Kaiyue Mansion ⁽¹⁾	64,028	-	-	-	79,591	77,016	5,872	80,478	-	-	72.0%	Residential
78	Fengan Garden ⁽¹⁾	16,809	-	-	-	33,516	33,516	33,516	-	-	-	36.7%	Residential
79	Dengzhou Zensun Xintiandi ⁽¹⁾	42,393	-	-	-	-	-	-	42,393	-	-	36.7%	Residential
80	Dengzhou Zensun Pearl Lake ⁽¹⁾	53,734	-	-	-	-	-	-	150,454	-	-	36.7%	Residential
Luoyang													
81	Luoyang Zensun City North Garden (Phase II & III) ⁽¹⁾	122,327	-	-	-	406,418	406,418	148,421	-	-	-	72.0%	Residential
82	Yichuan Zensun Yihe Horizons ⁽¹⁾	202,883	-	-	-	45,156	41,144	2,765	198,304	-	-	72.0%	Residential
83	Ruyang Zensun Scholar Court ⁽¹⁾	84,043	-	-	-	89,484	89,412	4,568	87,008	-	-	72.0%	Residential
Shangqiu													
84	Shangqiu Zensun Scholar Mansion ⁽¹⁾	67,802	-	-	-	-	-	-	196,625	-	-	72.0%	Residential
Anyang													
85	Huaxian Zensun Orchids Mansion ⁽¹⁾	55,720	-	-	-	53,235	53,235	-	58,205	-	-	72.0%	Residential
Pingdingshan													
86	Lushan Zensun Golden Mile Mansion ⁽¹⁾	32,602	-	-	-	33,093	33,093	-	15,810	-	-	72.0%	Residential
Zhoukou													
87	Zhoukou Zensun Golden Mile House ⁽¹⁾	52,941	-	-	-	49,363	49,363	-	109,461	-	-	40.3%	Residential
Total		6,639,751	2,860,198	2,626,953	43,532	8,241,341	7,681,008	5,070,824	4,431,436	-	-		

Note:

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

Urban Redevelopment Schemes

Overview

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

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

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

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

Our Participation in Urban Redevelopment Schemes

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

We have adopted a disciplined and return-driven approach to the participation of Urban Redevelopment Schemes and select only those projects that can be effectively managed by our available resources, fit into our investment budget and have the potential to meet our target project return criteria. Since we acquired our first project, “Lu Xingzhuang project”, through Urban Redevelopment Schemes in 2006, we have over 14 years of experience being an active member of the Schemes, during which we have participated in 25 shantytown renovation projects in Zhengzhou Luoyang and Xinxiang. As of December 31, 2020, the GFA we redeveloped for the urban village renovation project area amounted to 17.5 million sq.m and the GFA planned for the urban village renovation project area amounted to 66.3 million sq.m..

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

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

- location, transportation access, availability of infrastructure support and other regional resources of the land parcel;
- appreciation potential of the land parcel;
- estimated development timespan. The agreements related to the Urban Redevelopment Schemes usually involve relatively long execution periods and it typically takes three to five years from the time we enter into the relevant master agreements or letters of intent till the time the land parcels are put up for auction; and
- amount of upfront funding, estimated land premium and expected refund schedule. According to the relevant agreements we have entered into, we will provide upfront funding for the expenses to be incurred in the land resettlement operations, which will be accounted for in our total land cost. The magnitude of upfront funding can be ascertained before we enter into the master agreements or letters of intent. Although we have the legal right, pursuant to express provisions of the master agreements or letters of intent, or general PRC Law, for the reimbursement of the expenses incurred, as part of the established practice in Zhengzhou, for the Urban Redevelopment Schemes in which we thereafter successfully obtain the land use rights, we generally expect to be refunded with an amount equivalent to approximately 60% of the land premium according to the relevant local regulations and the redevelopment plans as approved by the competent local government authorities. The refund received from the governments is less than the resettlement costs funded by us in all the Urban Redevelopment Schemes we have obtained the relevant land use rights. The shortfall is born by us and accounted for as our land costs. Such refund is generally made in instalments over the course of two to three years upon our entering into the land grant contract. In the case that the upfront funding and resettlement costs are less than 60% of the land premium abovementioned in our other Urban Redevelopment Schemes in the future, we would expect to be reimbursed with the actual cost and expenses incurred in the land resettlement operations. However, based on our past experience, upfront funding and resettlement costs incurred by us were generally expected to be more than 60% of the land premium in all the Urban Redevelopment Schemes we have obtained the relevant land use rights during the three years ended December 31, 2020.

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

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

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

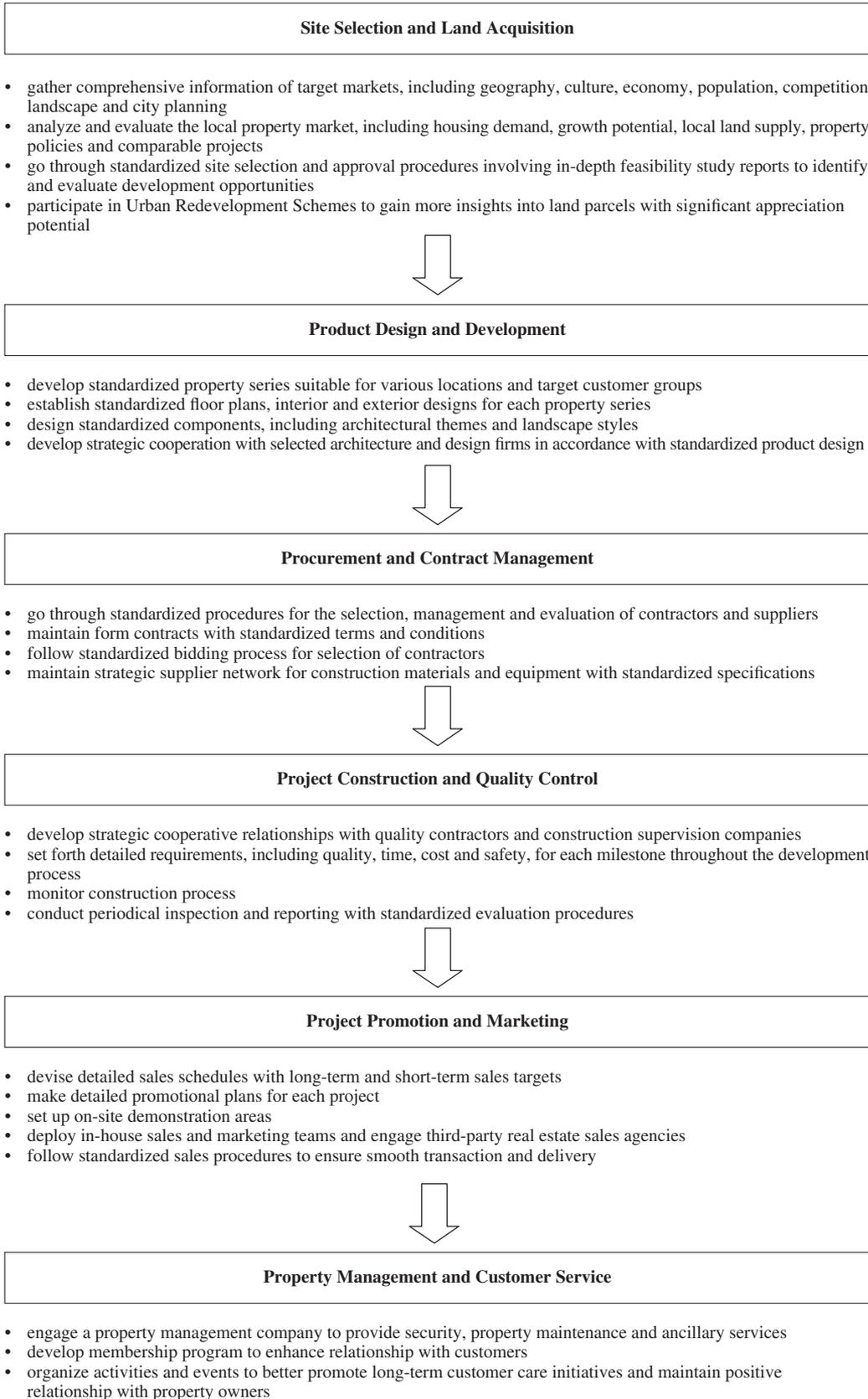
We primarily finance the contractual arrangements relating to such Urban Redevelopment Schemes using internal funds and borrowings from commercial banks and trust financing companies. We are entitled to be refunded the deposits and advances by the local governments based on the relevant provisions set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

Property Development Management

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

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

The following diagram sets forth our standardized property development process:



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

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

Market Research and Site Selection

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

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

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

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

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

Land Acquisition

We generally follow certain procedures in our land acquisitions. In the initial evaluation, which is generally led by our land development center and involves management at the relevant local project company, our land development center, technology center and sales and marketing

center jointly prepare a feasibility study by cooperating with local project companies, as necessary. The feasibility study generally presents general regional or city analysis, property market analysis, project positioning, project design, marketing strategy, construction schedule, cost and return analysis, and is subject to the approval of our investment strategy committee, comprised of our executive directors and other senior management. The report, if approved, will be submitted to our internal investment committee and chief executive officer for final confirmation. Certain material land investment will also be submitted to our Board of Directors for approval.

We generally refrain from acquiring land from the secondary market. During 2018, 2019 and 2020, substantially all of the land parcels for our property developments, including the ones for which we were involved in the Urban Redevelopment Schemes, were acquired directly from the PRC government through the bidding process in public tenders, auctions or listings-for-bidding for land use rights held by local governments in accordance with the Provisions on Bidding, Auction and Sale of Land Use Rights. Land parcels granted through such methods are generally free of title or planning issues or other legal disputes, which may have otherwise prolonged our development cycle and incurred additional costs. In addition, we established certain joint ventures with other real estate developers who hold land use rights of land parcels that suit our investment portfolio and involve lower investment risks and less legal concerns. As we believe that acquiring land parcels at competitive prices is critical to our development strategy, we will employ the acquisition strategy that will best meet such goal.

We adopt proactive and strategic approaches to replenish our land bank and have a strong project acquisition pipeline. In addition to acquiring target land by directly participating in the tender process held by local governments, we also cooperate with various local governments in Zhengzhou, Luoyang and Xinxiang in their Urban Redevelopment Schemes. Such practice is common in the real estate market of Zhengzhou as well as other cities in Henan Province. Through such participation, we have entered into a number of master agreements or letters of intent with the local governments, affiliated entities of the local governments or the relevant villagers' autonomous organizations and have been granted land use rights in the subsequent bidding process for sites located in Zhengzhou, Luoyang and Xinxiang with a total GFA of 17.5 million sq.m. as of December 31, 2020. See “— Urban Redevelopment Scheme.” As of December 31, 2020, 61.1% of our total land bank was acquired through Urban Redevelopment Schemes and 38.9% of our total land bank was acquired through public tenders, auctions or Listings-for-bidding.

Project Planning and Design

We have in-house design capabilities with a dedicated product design team of 93 employees at both headquarters and project companies levels as of December 31, 2020. We have established standardized designs, components and modules for our projects to ensure operating efficiency and to reduce costs. Our comprehensive product database includes standardized design and specifications for building types, floor plans, building decorative styles and appearances, specific ratios such as plot, greening and parking ratios, landscaping and interior components. Most notably, we have maintained standardized residential property portfolios of “Shangjing” series and “Quality Home” series, each featuring its respective standardized designs, ambience, layout and construction materials, among others. See “— Our Property Projects — Overview.”

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

Our product design team is responsible for generating the master plans and overall designs for the project under development, based on its respective product positioning, whereas the detailed project design work is outsourced to reputable architecture and design firms. Our product design team works closely with these architecture and design firms to implement design specifications, adjust detailed blueprints and select raw materials, in order to ensure quality control and that the products will be in line with our standardized designs, components and modules. We typically use a tender process in selecting these architecture and design firms by inviting pre-selected firms to

provide a proposal with a fee quote. In making our decision, we consider their proposed design concepts, reputation, reliability and quality as well as our previous experience working with them and the price of their proposed services. As of December 31, 2020, we maintained strategic relationships with a number of leading third-party architecture and design firms, and expect to deepen our cooperation with such firms in the future. As these pre-selected firms are familiar with our standardized property series, they will be able to efficiently assist us and reduce the overall timeframe for design and product development.

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

Pre-Construction

To comply with relevant PRC laws and regulations, prior to the commencement of construction work, we must first obtain the development rights to the relevant land parcel and the necessary permits and certificates, which include the construction land planning permit, the construction work planning permit and the construction work commencement permit (which will only be issued after the land use rights certificate, the construction land planning permit and the construction work planning permit are obtained). Our Zensun Orchids Mansion (Valley-view Court) experienced delay in obtaining certain such permits or certificate due to the historical relics discovered there. During 2018, 2019 and 2020 and as disclosed in this offering memorandum, except the delay caused by the historical relics discovered, we did not experience any significant delays in obtaining the aforesaid certificates and permits. As of the date of this offering memorandum, except for the projects we had not commenced construction, we had obtained all the relevant certificates and permits as required by PRC laws and regulations for all of our projects under development and projects planned for future development according to the respective project development schedules.

Contractors and Procurement

General Contractors

We outsource the construction work to qualified general construction contractors. In 2018, 2019 and 2020, Henan Zensun Corporate Development Group Co., Ltd (河南正商企業發展集團有限公司), one of our affiliates, was our largest general contractor. In 2018, 2019 and 2020, our total purchases from Henan Zensun Corporate Development Group Co., Ltd in respect of its construction services amounted to approximately RMB2,699.9 million, RMB4,242.3 million and RMB3,019.7 million (US\$462.8 million), representing approximately 18.7%, 32.2% and 23.2% of our total construction costs during the same years, respectively. As part of its construction services, Henan Zensun Corporate Development Group Co., Ltd procured most of our construction materials for us, such as steel and concrete, in the past and such purchase amounts were included in the total construction fees paid by us to Henan Zensun Corporate Development Group Co., Ltd. Other construction costs mainly included certain construction materials and equipment such as elevators, doors, windows and electronic and fire equipment which we purchase through direct procurement. See “— Procurement.”

We select our general construction contractors through a tendering process. According to the PRC Tendering and Bidding Law (《中華人民共和國招標投標法》), which became effective on January 1, 2000, and the Provisions on Engineering Projects Compulsorily Subject to the Bidding Process (《必須招標的工程項目規定》), the tendering process is compulsory with respect to construction projects within the PRC for projects such as (i) large-scale infrastructure and public utilities relating to social public interests or public security, (ii) projects invested completely or partly with State-owned funds or financed by the State, and (iii) projects using loans or aid funds from international organizations or governments of other countries, including the exploration, design, construction, construction supervision thereof as well as procurements pertaining to important equipment and materials in connection with project construction. The tendering process

can be conducted via open tender or tender by invitation. As our projects do not involve the above situations of compulsory bidding, we may, but are generally not required to, select our construction companies through an open tender process.

In 2018, 2019 and 2020, the majority of our property projects have involved tender by invitation process and all construction contractors with competent qualification may submit bids. The successful bidder is selected based on an independent assessment by the assessment committee, having taken into account, among others, the following factors: the fee quote, the construction schedule for completion, the quality of construction work, professional qualifications and the construction plan, which includes allocation of manpower, safety measures and standard, equipment and facilities to be adopted, technical specifications, and capacity and track record of the bidder. In general, the fee quote will be given the greatest importance, followed by the construction plan and quality and service of construction work. For all the bids for which Henan Zensun Corporate Development Group Co., Ltd was selected in 2018, 2019 and 2020, it won the bids because its overall score was among the highest taking into consideration the above factors.

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

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

Our general construction contractors are obliged to undertake the entire construction project in strict compliance with laws and regulations as well as our design specifications, requirements and time schedules, as specified in our construction contracts. Under relevant PRC laws and regulations, construction contractors need to obtain the relevant construction qualification certificate for the type of construction work they carry out before they can undertake such property construction work. In 2018, 2019 and 2020, most of construction contractors we appointed hold Class I Qualification for General Contractors of Building Construction Works (房屋建築工程施工總承包一級資質). With this license, our contractors are permitted to engage in construction work for the following buildings under a construction or installation contract provided that the single contract value does not exceed five times the registered capital of the enterprise: (1) buildings less than 40 stories with various spans; (2) structures with a height no more than 240 meters; and (3) residential quarters or building complexes with a GFA no more than 200,000 sq.m. The construction phase of a development project begins once we obtain the construction permit for the project. The contractors are required to comply with the relevant PRC laws and regulations as well as our internal requirements and specifications, such as our quality control procedures, including examination of materials and supplies, regular on-site inspection and production of monthly progress reports. See “— Project Management.”

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

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

Procurement

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

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

Project Management

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

Time Control

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

Quality and Safety Control

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

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

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

In 2018, 2019 and 2020, we did not encounter any material quality problems nor receive any material complaints about the quality of our projects.

Cost Control

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

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

Sales and Marketing

Pricing

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

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

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

Sales and marketing

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

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

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

Pre-sales

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

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

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

In 2018, 2019 and 2020, we did not experience any significant delays in obtaining the aforesaid certificates and permits.

Delivery and After-sales Services

Payment Arrangements

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

Customers may also choose to fund their purchases using mortgage loans provided by commercial banks. In this case, they will be required to pay a non-refundable down payment of at least approximately 30% of the purchase price upon entering into the sales or pre-sales contract in accordance with the terms stipulated in the contract, depending on the type and GFA of the property and whether it is their first mortgage. The remainder of the purchase price will normally be paid by the mortgagee bank within three months depending on the approval process of relevant mortgagee banks. Under the relevant PRC laws and regulations, our customers may obtain mortgage loans with a repayment period of up to 30 years. In addition, these customers must pay to us the outstanding balance of the purchase price that is not covered by the mortgagee banks. We generally request our customers to make down payments to us in lump sum, and as part of our marketing efforts to appeal to our targeted customers, we introduced promotional schemes that allowed our customers to make down payments in installments. The customers are, however, required to remit such down payment to us in full before drawing down the mortgage loans from the commercial banks according to the relevant bank regulations. In 2018, 2019 and 2020, we had not experienced any customer default under such payment arrangement.

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

As of December 31, 2018, 2019 and 2020, our outstanding guarantees in respect of the residential mortgages of our customers amounted to RMB39,049.6 million, RMB40,705.0 million and RMB39,903.7 million (US\$6,115.5 million), respectively. Our general policy is that for customers purchasing through mortgage loans, if they default on subsequent payment after the initial down payment, the full amount of their down payment is forfeited. In 2018, 2019 and 2020, we did not encounter defaults by customers that, in aggregate, had a material adverse effect on our financial condition and results of operations.

Delivery of Properties for Sale

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

We aim to deliver properties to our customers within the time frame prescribed in the sale or pre-sale contracts. Pursuant to a typical sale or pre-sale contract, if we fail to deliver the property on the delivery day stipulated in the sale or pre-sale contract, we will generally be liable to pay a monetary penalty of 0.01% of the property price on a daily basis until the delivery of property. If our delay exceeds 60 days, the relevant purchaser may have the right to repudiate the sale or pre-sale contract in addition to claiming a higher penalty, generally 1% of the contract price. We experienced delays in a small number of our residential projects in 2018, 2019 and 2020. See “Risk Factors — Risks Relating to Our Business — We may not be able to complete our development projects according to our budget or schedule, or at all, which may lead to loss of or delay in recognizing revenues, lower returns and claims from customers.” We did not experience any significant delay in the completion of our projects or delivery of properties that had a material adverse impact on our financial performance in 2018, 2019 and 2020.

After-sales Services

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

Property Management

Upon the completion of our properties and until the property owners have established an owners' committee, we appoint professional property management companies to manage the properties we develop by way of a tender by invitation process in accordance with the relevant property management laws and regulations to provide pre-delivery property management services. In 2018, 2019 and 2020, all of the pre-delivery services for our projects were provided by Zensun Property Management, a professional third-party property management company and Henan Xingye Internet of Things Management Technology Co. Ltd., our related party. Delivery of the properties to the purchasers by us, we entered into the pre-delivery property management services agreement with Zensun Property Management in respect of each of such property and the services provided by Zensun Property Management typically include security, property maintenance, gardening and other ancillary services which are reasonably expected from a property management company. The management fee is determined with reference to the prevailing market rates set by the relevant government authorities and is calculated based on the GFA of the units. The management fee is usually settled on a quarterly basis upon receipt of the invoice issued by the property management companies. The property owners are responsible for the payment of management fees, and we are responsible for the payment of management fees for units that are completed but not yet sold or delivered. We do not assume any obligation for payment of management fee in respect of the units we have handed over to our purchasers.

INVESTMENT PROPERTIES

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

SUPPLIERS AND CUSTOMERS

Our major suppliers are general construction contractors and construction material suppliers. The five largest suppliers accounted for approximately 31.8%, 53.6% and 52.8% of our total purchases in 2018, 2019 and 2020 respectively. Among the top five suppliers of our Group during in 2018, 2019 and 2020, Henan Zensun Corporate Development Group Co., Ltd is our single largest supplier, accounting for approximately, 18.7%, 32.2% and 23.2% of our total purchases during the same years, respectively.

Our customers are mainly individual and corporate purchasers of our residential or commercial properties. Due to the nature of our business, revenue contributed by our five largest customers accounted for less than 4.0% of our total revenue in 2018, 2019 and 2020, respectively.

COMPETITION

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

In particular, the residential property market in Henan Province has been highly competitive in recent years. An increasing number of property developers have begun undertaking property development and investment projects in Zhengzhou and other major cities in Henan Province. The rapid development of Henan Province in recent years has led to a diminishing supply of undeveloped land in desirable locations in major cities such as Zhengzhou, the capital and largest city in Henan Province. Moreover, the PRC government has implemented policies tightly controlling the amount of new land available for development. These factors have increased competition and land grant premiums in relation to land made available for development.

We believe that, with our standardized and scalable development process, prudent project selection strategy and financial discipline, coupled with high quality property products and strategic focus on customers who are either first-time home purchasers or those purchasing to upgrade their existing living condition, we have demonstrated resiliency to market changes and competition. Further, given our brand recognition and strong execution capabilities, we believe we can react promptly to the challenges in the PRC property market. We endeavor to further strengthen our leading position in Zhengzhou and Henan Province while we may make selective entries into cities in other provinces in China.

INTELLECTUAL PROPERTY

We place significant emphasis on developing our brand image and resort to extensive trademark registrations to protect all respects of our brand image. As of the date of this offering memorandum, we were the registrant of 81 registered trademarks in the PRC and seven registered trademarks in Hong Kong. We primarily conduct our business under 正商, ZENSUN and  trademarks for which we have registered in both the PRC and Hong Kong. We have also registered the domain name of www.zhsuccess.com for the website of our Group on the Internet.

As of the date of this offering memorandum, we were not aware of any material infringement (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights we own.

INSURANCE

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

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

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

ENVIRONMENTAL MATTERS

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

We expect that we will continue to incur compliance costs with applicable environmental rules and regulations at a similar rate. In 2018, 2019, 2020 and as of the date of this offering memorandum, we had not encountered any material issues in passing inspections conducted by the relevant environmental authorities upon completion of our properties.

EMPLOYEES AND SAFETY

As of December 31, 2020, we had 1,835 employees based in China. The following table sets forth the number of our employees as categorized by function:

	<u>Total</u>
Management	238
Design and research	93
Project management	792
Land development	69
Procurement and cost management	180
Finance, accounting and others	167
Sales and marketing	<u>296</u>
Total	<u><u>1,835</u></u>

We actively recruit skilled and qualified personnel in local markets through various channels, such as recruitment websites, on-campus recruitment programs, advertisements in newspapers, recruiting firms and internal referrals. We particularly value employees who demonstrate loyalty to their work, identify with our corporate culture and qualify for the relevant position.

The remuneration package of our employees includes salary, bonuses and other cash subsidies. In general, we determine employee salaries based on each employee's qualifications, experience, position and seniority. We have designed a semi-annual review system to assess the performance of our employees, which forms the basis of our determinations on salary raises, bonuses and promotion. We believe the salaries and benefits that our employees receive are competitive with market standards in each geographic location where we conduct business.

We believe we have maintained good relationships with our employees. We have not experienced significant labor disputes which have adversely affected or are likely to have an adverse effect on our business operations.

We have established systematic training programs for our employees based on their positions and expertise. For examples, training programs for members of our management teams focus on improving their management and leadership skills. In addition to the internal trainings, we also engage external experts or sponsor continuing educations for our employees from time to time.

Property developers in China are subject to various PRC laws and regulations with respect to labor, health, safety, insurance, and accidents, including the Labor Law of the PRC, the Labor Contract Law of the PRC, the Interim Regulations on Collection and Payment of Social Insurance Premiums, the Regulations on Work-related Injury Insurances, the Regulations on Unemployment Insurance, the Trial Procedures for Childbirth Insurance for Enterprise Employees, Safety Production Law of the PRC and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time, for our operations in the PRC.

Under PRC laws and regulations, most of the potential liabilities to the workers and visitors of our construction sites rest with the construction contractors. Under the Construction Law, the construction contractor assumes responsibility for the safety of the construction site. The main contractor will take overall responsibility for the site, and the subcontractors are required to comply with the protective measures adopted by the main contractor.

Our human resources center is responsible for dealing with employees' safety and security matters. In 2018, 2019 and 2020, we believe there was no material violation of currently applicable PRC labor and safety laws and regulations nor were there any material employee safety issues involving our Group.

LEGAL PROCEEDINGS

As a property developer in the PRC, from time to time, we have been involved in legal or arbitration proceedings, disputes or claims in the ordinary course of business, which primarily are legal proceedings concerning the quality of our products and disputes with our customers over payment of amounts overdue. In 2018, 2019 and 2020, we believe we were not involved in any litigation, arbitration or administrative proceedings which had a material adverse effect on our financial condition or results of operations.

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

DESCRIPTION OF THE ISSUER

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

Since the Parent Guarantor became its controlling shareholder, the Issuer has been expanding in the property development sector in the PRC. Through the midst 2015 to 2020, the Issuer completed 146 land acquisitions for property development in the PRC through tenders, auctions and listings-for-sale in Henan Province, Beijing and Hubei Province. As of December 31, 2020, the Issuer had 19 completed projects and 55 projects under development in the PRC, with a total site area of approximately 5.2 million sq.m. and an aggregate estimated GFA attributable to the Issuer of approximately 10.5 million sq.m. Following the Issuer's strategy in expanding its business operation in the PRC, in the foreseeable future, the Issuer will continue to identify new property development projects and bid for land use rights of selective land parcels in the PRC with focus on Zhengzhou City, Henan Province, as well as other first- and second- tier cities in the PRC.

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

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

In 2018, the Issuer strategically shifted its focus to delivering quality projects with full refurbishment to its customers. The Issuer believes that the shift will be recognized by the market and its business partners. However, the shift resulted in a longer cycle of development and delivery of the projects. In 2019, the Issuer recorded revenue of approximately RMB8,887.2 million (US\$1,362.0 million), representing an increase of approximately 1,377.6% from that of 2018, and gross profit of approximately RMB2,286.5 million (US\$350.4 million), representing an increase of approximately 731.0% from that of 2018. In 2020, the Issuer achieved revenue of approximately RMB8,069.1 million (US\$1,236.6 million) and gross profit of approximately RMB1,746.3 million (US\$267.6 million).

RECENT DEVELOPMENTS

The Recent Coronavirus Epidemic Outbreak

Towards the end of 2019, public health officials of the PRC informed the WHO that a highly infectious novel coronavirus was detected. WHO later named the novel coronavirus as COVID-19. In March 2020, the WHO characterized the outbreak of COVID-19 a pandemic. The COVID-19 pandemic has adversely impacted the livelihood of the general population and economies worldwide.

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. The PRC real estate market is under pressure in the short term as the COVID-19 pandemic has curbed demand and pre-sales. 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, it is difficult to predict how long these conditions will persist and to what extent we may be affected. See "Risk Factors — Risks Relating to Conducting Business in the PRC — Natural disasters, acts of war, occurrence of epidemics, and other disasters could affect our business and the national and regional economies in the PRC."

New Land Parcels

Subsequent to December 31, 2020, the Issuer acquired certain parcels of land as set forth in the table below:

Location	Interests Attributable to the Issuer (%)	Number of Land Parcels	Site Area (sq.m.)	Attributable Land Cost (RMB in million)	Type
Dengzhou, Henan	51	1	41,127.0	97.5	residential
Yuanyang, Henan	100	1	51,292.7	100.0	residential and commercial
Huaiyang, Henan	100	1	42,841.0	156.7	residential and commercial
Dengfeng, Henan	100	1	12,185.0	46.8	residential and underground transport service station site usage
Shangcheng, Henan	100	1	45,755.7	164.7	residential and commercial
Huaibin, Henan	90	1	12,122.4	29.0	residential and commercial
Luoyang, Henan	100	1	70,094.5	673.9	residential, commercial, underground car parking spaces and civil air defense facility usage
Shangqiu, Henan	100	1	45,563.9	239.2	residential
Luohe, Henan	100	1	47,604.5	203.9	residential and commercial
Luoshan, Henan	100	1	33,819.4	149.5	residential and commercial
Yucheng, Henan	100	1	51,410.1	111.8	residential and commercial
Zhengzhou, Henan	100	1	51,984.7	389.9	residential
Total			505,800.9	2,362.9	

Concurrent Offer to Exchange

Concurrent with the offer of the Notes, we are conducting the Exchange Offer pursuant to an exchange offer memorandum dated August 31, 2021. Pursuant to the Exchange Offer, we expect to issue the Exchange Notes. Any Exchange Notes issued will have the same terms as and form a single class with the Notes issued in this offering. The Exchange Notes are expected to be delivered on the same date as the Notes. Our obligation to consummate the Exchange Offer is subject to the satisfaction of certain conditions. The total principal amount of the Notes and Exchange Notes to be issued pursuant to the Exchange Offer and this offering is US\$200,000,000.

Unaudited Financial Information for the Six Months ended June 30, 2021

See “Recent Development” section for the unaudited consolidated financial information of the Issuer for the six months ended June 30, 2021 which are extracted from the announcement of interim results for the six months ended June 30, 2021 filed with the Hong Kong Stock Exchange on August 26, 2021 and the unaudited consolidated financial information of the Company for the six months ended June 30, 2021.

REGULATION

THE PRC LEGAL SYSTEM

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

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

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

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

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

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

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

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

THE PRC JUDICIAL SYSTEM

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

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

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

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

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

ESTABLISHMENT OF A PROPERTY DEVELOPMENT ENTERPRISE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

QUALIFICATIONS OF A PROPERTY DEVELOPER

On June 30, 2019, the NDRC and the MOFCOM jointly issued the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2019) (外商投資准入特別管理措施(負面清單)(2019年版)) (the “Negative List”), which became effective on June 30, 2019. The Negative List has replaced the special administrative measures as provided in the Catalogue, and has uniformly set forth the ownership requirements, requirements for senior executives, and other special administrative measures for the access of foreign investment. Fields not on the Negative List shall be administered under the principle of equal treatment to both domestic and foreign investment.

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

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

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

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

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

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

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

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

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

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

DEVELOPMENT OF A PROPERTY PROJECT

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

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

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

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

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

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

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

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

- any State-owned land for construction use, of which the holder of the land use right fails to start the construction and development thereof within one year after the commencement date of the construction and development work as agreed upon and prescribed in the contract for fee-based use of State-owned land for construction use, or the decision on allocation of State-owned land for construction use; and
- any State-owned land for construction uses of which the construction and development have been started but the area of land that is under construction and development is less than one third of the total area of land that should have been under construction and development or the amount invested is less than 25% of the total investment, and the construction and development of which has been suspended for more than one year.

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

- where the land has remained idle for more than one year, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Collecting Charges for Idle Land to the holder of the right to use the land and collect the charges for idle land at the rate of 20% of the land assignment or allocation fee; and the said charges for idle land shall not be included in the production cost by the holder of the land use right; and
- where the land has remained idle for more than two years, the competent department of land and resources at the municipal or county level shall, with the approval of the people's government at the same level, issue a Decision on Recovering the Right to Use the State-owned Land for Construction Use to the holder of the land use right and recover the right to use the State-owned construction land without compensation.

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

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

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

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

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

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

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

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

LAND FOR PROPERTY DEVELOPMENT

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

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

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

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

On September 24, 2003, the Ministry of Land and Resources issued the “Notice of the Ministry of Land and Resources on Strengthening the Administration of Land Supply and Promoting the Sustainable Sound Development of Real Estate Market” (關於加強土地供應管理促進房地產市場持續健康發展的通知) designed to strictly control land supply for high-end luxury property development.

In November 2009, the Ministry of Finance, the Ministry of Land and Resources, the PBOC, the PRC Ministry of Supervision and the PRC National Audit Office jointly promulgated the “Notice on Further Enhancing the Revenue and Expenditure Control over Land Grant” (關於進一步加強土地出讓收支管理的通知). The notice raises the minimum down payment level on land premiums to 50% of the total premium and requires the land premium to be paid in full within one year after the signing of a land grant contract, subject to limited exceptions.

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

In September 2010, the Ministry of Land and Resources and MOHURD jointly promulgated the “Notice on Further Strengthening Control and Regulation of Land and Construction of Property Development” (關於進一步加強房地產用地和建設管理調控的通知), which stipulates, among other things, that: (i) at least 70% of land designated for construction of urban housing must be used for affordable housing, housing for resettlement of shanty town and small to medium-sized ordinary commercial housing; in areas with high housing prices, the supply of land designated for small to medium-sized, price-capped housing must be increased; (ii) developers and their controlling shareholders are prohibited from participating in land auctions before the rectification of certain misconduct, including (1) illegal transfer of land use rights; (2) failure to commence required construction within one year from the delivery of land under land grant contracts due to such developers’ own reasons; (3) noncompliance with the land development requirements specified in land grant contracts; and (4) crimes such as swindling land by forging official documents and illegal land speculation; (iii) developers are required to commence construction within one year from the date of delivery of land under the relevant land grant contract and complete construction within three years of commencement; (iv) development and construction of projects of low-density and large-sized housing must be strictly limited and the plot ratio of the planned GFA to the total site area of residential projects must be more than 1: 1; and (v) the grant of two or more bundled parcels of lands and undeveloped land is prohibited.

In December 2010, the Ministry of Land and Resources promulgated the “Notice on Strict Implementation of Policies Regarding Regulation and Control of Real Property Land and Promotion of the Healthy Development of Land Markets” (關於嚴格落實房地產用地調控政策促進土地市場健康發展有關問題的通知), which provides, among other things, that; (i) cities and counties that have less than 70% of their land supply designated for affordable housing, housing

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

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

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

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

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

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

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

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

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

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

SALE OF COMMODITY PROPERTIES

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

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

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

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

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

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

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

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

On April 13, 2010, the MOHURD issued the “Notice on Further Enhancing the Supervision of the Real Estate Market and Perfecting the Pre-sale System of Commodity Houses” (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知). Pursuant to the notice, without the pre-sale approval, the commodity houses are not allowed to be pre-sold and the real estate developer is not allowed to charge the buyer any deposit or pre-payment or payment of the similar nature. In addition, the notice urges local governments to enact regulations on the sale of completed commodity properties in light of the local conditions, and encourages property developers to engage in the practice of selling completed commodity properties.

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

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

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

REAL ESTATE REGISTRATION

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

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

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

TRANSFER OF REAL ESTATE

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

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

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

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

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

LEASES OF PROPERTIES

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

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

MORTGAGES OF REAL ESTATE

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

REAL ESTATE FINANCING

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

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

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

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

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

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

On September 27, 2007, the PBOC and the CBRC issued the “Circular on Strengthening the Credit Management for Commercial Real Property” (關於加強商業性房地產信貸管理的通知), with a supplement issued in December 2007. The circular aims to tighten the control over property loans from commercial banks to prevent excessive credit granting.

In addition, commercial banks are also prohibited from providing loans to projects that have less than 35% of capital funds (proprietary interests), or where there is failure to obtain land use rights certificates, construction land planning permits, construction works planning permits and construction permits. Commercial banks are also prohibited from accepting commercial premises that have been vacant for more than three years as collateral. In principle, property development loans provided by commercial banks should only be used for projects in areas where the commercial bank is located. Commercial banks may not provide loans to property developers to finance the payment of land use rights grant fees.

INSURANCE

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

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

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

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

MAJOR TAXES APPLICABLE TO PROPERTY DEVELOPERS

Income Tax

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

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

Business Tax and Value Added Tax

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

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

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

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

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

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

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

LAT

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

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

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

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

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

course of implementing the regulations and rules did not force the property developers to declare and pay the LAT. Therefore, in order to assist the local tax authorities in the collection of LAT, the Ministry of Finance, State Administration of Taxation, Ministry of Construction and State Land Administration Bureau had separately and jointly issued several notices to restate the requirement that after the assignment contracts are signed, the taxpayers should declare the tax to the local tax authorities with jurisdiction over the underlying property, and pay LAT in accordance with the amount calculated by the tax authority and the time as required. For those who fail to acquire proof as regards the tax paid or the tax exemption from the tax authorities, the real estate administration authority shall not process the relevant title change and shall not issue the property ownership certificate.

The State Administration of Taxation also issued the “Notice issued by State Administration of Taxation in respect of the Serious Handling of Administration Work in relation to the Collection of Land Appreciation Tax” (關於認真做好土地增值稅徵收管理工作的通知) on July 10, 2002 to request local tax authorities to modify the management system of LAT collection and operation details, to build up sound taxpaying declaration system for LAT, to modify the methods of pre-levying for the pre-sale of property. Such notice also pointed out that either for the property assignment contracts which were signed before January 1, 1994 or where the project proposal has been approved and capital was injected for development, the privilege policy for LAT exemption for the properties that are transferred within 5 years after January 1, 1994 for the first time is expired, and such tax shall be levied again.

On August 2, 2004, the State Administration of Taxation issued the “Notice of the State Administration of Taxation in Respect of Enhancing the Administration of Land Appreciation Tax” (關於加強土地增值稅管理工作的通知) in order to further clarify the taxpayers’ duties in relation to filing of periodic tax returns, and the Notice was amended on June 15, 2018. On August 5, 2004, the State Administration of Taxation issued the “Notice of the State Administration of Taxation in Respect of Further Enhancing the Administration on Collection of Urban Land Use Tax and Land Appreciation Tax” (關於進一步加強城鎮土地使用稅和土地增值稅徵收管理工作的通知) to further enhance the administrative efforts relating to the collection of LAT. It is stipulated in this notice that the waiver of LAT on any land grant contracts executed prior to January 1, 1994 has expired, and that appreciation in land value shall be subject to LAT irrespective of the time of assignment.

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

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

On December 28, 2006, the State Administration of Taxation issued the “Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises” (關於房地產開發企業土地增值稅清算管理有關問題的通知) which came into effect on February 1, 2007 and was amended on July 7, 2016 and June 15, 2018.

Pursuant to the notice, a property developer shall settle and clear the LAT payment of its development projects that meet certain criteria with the tax authorities in accordance with the

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

The notice also indicated that if a property developer satisfies any of the following circumstances, the tax authorities shall levy and collect LAT as per the levying rate no lower than the pre-payment rate with reference to the bearing rate of LAT of local enterprises with a similar development scale and income level: (i) failure to maintain account book required by law or administrative regulation; (ii) destroying the account book without authorization or refusing to provide taxation information; (iii) the accounts are in a state of mess or cost materials, income vouchers and cost vouchers are damaged and incomplete, making it difficult to determine transferred income or amount of deductible items; (iv) failure to go through LAT settlement within the prescribed period, and such failure is not cured within the period required by the relevant tax authorities; (v) the basis for tax calculation as submitted is obviously low without justifiable cause. Local provincial tax authorities can formulate their own implementation rules according to the notice and local situation.

To further strengthen LAT enforcement, in May 2009, the State Administration of Taxation released the “Rules on the Administration of the Settlement of Land Appreciation Tax” (土地增值稅清算管理規程), which became effective on June 1, 2009 and was amended on July 7, 2016.

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%.

Urban Land Use Tax

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

Property Tax

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

Stamp Duty

Under the “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.

Municipal Maintenance Tax

Under the “Interim Regulations of the People’s Republic of China on Municipal Maintenance Tax” (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council in 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 incurred before December 1, 2010.

Education Surcharge

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

Pursuant to the aforesaid “Unification of Application of Municipal Maintenance Tax and Education Surcharge by Domestic and Foreign Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知)”, from December 1, 2010, an education surcharge is applicable to both foreign-invested enterprises, foreign enterprises and foreign individuals as well as domestic enterprises and individuals.

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

MEASURES ON STABILIZING HOUSING PRICES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On May 23, 2007, MOFCOM and SAFE promulgated the "Circular on Further Reinforce and Standardize the Examination and Supervision on Foreign Direct Investment in Real Estate Industry" (關於進一步加強、規範外商直接投資房地產業審批和監管的通知) (Shang Zi Han No. 50, 2007) which was amended in October 2015. The circular provides stricter controlling measures including, among others:

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

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

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

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

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

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

On December 20, 2008, the General Office of the State Council issued the "Several Opinions on Facilitating the Healthy Development of the Real Estate Market" (關於促進房地產市場健康發展的若干意見), which aims to, among other things, encourage the consumption of ordinary residential units and support property developers in changing market conditions. Pursuant to the opinion, in order to encourage the consumption of ordinary residential units, from January 1, 2009 to December 31, 2009, (i) business tax will be imposed on the full amount of the sale price, upon the transfer of a non-ordinary residential unit by an individual within two years from the purchase date; (ii) for the transfer of a non-ordinary residential unit which has been held by the purchaser for more than two years from the purchase date and an ordinary residential unit which has been held by the purchaser for two years or less from the purchase date, the business tax is to be levied on the difference between the sale price and the purchase price; (iii) and in the case of an ordinary residential unit, business tax is fully exempted if that transfer occurs after two years from the purchase date. Furthermore, individuals with an existing ordinary residential unit that is smaller than the average size for their locality may buy a second ordinary residential unit under favorable loan terms similar to first time buyers. In addition, support for property developers to deal with the changing market is to be provided by increasing credit financing services to "low-to medium-level price" or "small-to medium-sized" ordinary commercial housing projects, particularly those under construction, and providing financial support and other related services to property developers with good credit standing for merger and acquisition activities.

On January 26, 2011, the State Council issued the "Notice on Further Strengthening Regulation and Control of Real Property Markets" (關於進一步做好房地產市場調控工作有關問

題的通知), under which the transfer of all residential properties purchased and held by individuals for less than five years shall be subject to business tax based on total sale price from such transfer.

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

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

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

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

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

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

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

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

Planning of Property Projects

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

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

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

CONSTRUCTION SAFETY

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

FOREIGN EXCHANGE

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

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

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

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

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

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

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

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

On January 10, 2014, SAFE issued the “Notice of the State Administration of Foreign Exchange on the Further Improvement and Adjustment of the Foreign Exchange Control Policy for Capital Projects” (國家外匯管理局關於進一步改進和調整資本項目外匯管理政策的通告), 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告) 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告) to further reform foreign exchange capital settlement nationwide.

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

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

Environment Protection in the Development of Real Estate

The laws and regulations governing the environmental requirements for real estate developments in the PRC include the Environmental Protection Law (中華人民共和國環境保護法), the Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). Pursuant to those laws and regulations, the developer shall, in the phase of

construction project feasibility study, submit the construction project environmental impact report, environmental impact statement or environmental impact registration form to the relevant government authorities for approval before commencement of construction. When there is a material change in respect of the construction site, or in the scale or nature of a given project, a new environmental impact assessment report must be submitted for approval. Simultaneous design, simultaneous construction and simultaneous going into operation with the main body project must be realized for matching environmental protection facilities construction which is required for the construction project. In addition, the developer shall, during the trial production of a construction project, monitor the operations of the environmental protection facilities and the environmental impact of the construction project. On completion of construction, the developer shall file an application with the competent department of environmental protection administration that examined and approved the said construction project environmental impact report, environmental impact statement or environmental impact registration form for acceptance checks. Acceptance checks for completion of construction of environmental protection facilities shall be conducted simultaneously with the acceptance checks for of the main body project.

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

MANAGEMENT

Our board is responsible and has general powers for the management and conduct of our business. The table below shows certain information in respect of the members of the senior management of the Group and the Issuer:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Zhang Jingguo (張敬國)	57	Sole director of the Group, chairman and president of the Group and the Issuer
Zhang Guoqiang (張國強)	57	Vice president of the Group
Liu Zhenqiang (劉振強)	61	Vice president of the Group
Wang Jinhu (王金虎).	50	Vice president of the Group
Guo Wei (郭偉)	49	Vice president of the Group
Xing Zhumei (行竹梅)	50	Chief Financial Officer of the Issuer, Financial center director and chief accountant of the Group
Yuen Ping Man (Dickman) (源秉民) .	57	Company Secretary of the Issuer

SENIOR MANAGEMENT

Mr. Zhang Jingguo (張敬國), aged 57, is the sole director of our Group and the Chairman and president of the Issuer. Mr. Zhang is the founder of our Group. Mr. Zhang has approximately 26 years of experience in the real estate development industry in China. From July 1983 to April 1995, Mr. Zhang held various positions at the then Light Industry Bureau of Henan Province (河南省輕工業廳), the governmental authority in charge of the light industry in Henan Province, and its associated collectively-owned enterprises, including division chief, engineer and vice manager, where he was responsible for administrative management. From April 1995 to April 2001, he worked at Xingye Real Estate as general manager, where he was responsible for its overall operations. Mr. Zhang has served as the Chairman and chief executive officer of our Group since January 2001. Mr. Zhang is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion.

Currently, Mr. Zhang is a non-executive director of Bank of Zhengzhou Co., Ltd., whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002936) and on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 6196) and, the chairman ex-officio and a director of GMR. Inc., a listed company on the New York Stock Exchange (NYSE: GMRE) and an executive director and the Chairman of Zanyu Technology Group Co. Ltd., a listed company on the Shenzhen Stock Exchange (Stock Code: 002637).

Mr. Zhang received a bachelor's degree in radio science from Zhengzhou University (鄭州大學) in July 1983 and an Executive MBA degree from Guanghua School of Management, Peking University in July 2013. Mr. Zhang currently serves as president of Henan Real Estate Chamber of Commerce (河南省房地產業商會), vice-president of Industry & Commerce Association of Henan Province (河南省工商聯合會), graduate tutor of Zhengzhou University and a member of Henan Provincial Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議河南委員會). Mr. Zhang was awarded "Outstanding Real Estate Developer of Henan Province" (河南省房地產開發先進個人) by the Department of Housing and Urban-Rural Development of Henan Province (河南省住房和城鄉建設廳) in 2011 and "Outstanding Real Estate Developer of Zhengzhou" (鄭州市房地產開發先進個人) by the Housing Security and Real Estate Administration Bureau of Zhengzhou (鄭州市住房保障和房地產管理局) from 2009 to 2012. In 2012, Mr. Zhang was named "Individual with Outstanding Contribution to Market Economy of Henan Real Estate Industry" (河南地產民營經濟貢獻人物) by Henan Daily (河南日報社) and the Private Economy Research Association of Henan Province (河南省民營經濟研究會) and "Philanthropist of Henan Province" (河南省光彩慈善公益功勳人物) by the Industry & Commerce Association of Henan Province (河南省工商業聯合會) and the United Front Work Department of the CPC Henan Province Committee (中共河南省委統戰部). Mr. Zhang received his senior engineer qualification from the People's Government of Henan Province in December 1996 and his first class construction engineer (一級建造師) qualification from MOHURD in May 2012. Since January 2018, Mr. Zhang has been a delegate of the 13th Henan Provincial People's Congress.

Mr. Zhang Guoqiang (張國強), aged 57, is a vice president of our Group. Mr. Zhang joined our Group in January 2006 and is responsible for the management of marketing center and tendering and procurement center. Between August 1983 and October 1997, Mr. Zhang worked as a tutor at the Communication Command Academy of PLA (中國人民解放軍通信指揮學院), now known as the National Defence Information Academy of PLA (中國人民解放軍國防信息學院). Between October 1997 to March 2003, Mr. Zhang served as the director of the marketing department of Wuhan Research Institute of Post & Telecommunications (武漢郵電科學研究院), also known as FiberHome Technologies Group (烽火科技集團), a product and solution provider in the field of information and telecommunications, where he was responsible for marketing. Prior to joining our Group, Mr. Zhang worked as a general manager at Nanjing North Road Technologies Co., Ltd. (南京北路科技有限責任公司), a coal analysis equipment manufacturer, from May 2003 to November 2005, where he was responsible for general management. Mr. Zhang received a bachelor's degree in radio science from Zhengzhou University in July 1983. Mr. Zhang received his engineer qualification from Wuhan Research Institute of Post of Telecommunications in July 1988.

Mr. Liu Zhenqiang (劉振強), aged 61, is a vice president of our Group and the head of our marketing center, responsible for our business operation in Beijing and Wuhan. Mr. Liu joined our Group in October 2004 and had since held various senior management positions including assistant general manager, head of property management center, deputy director of land committee and director of land development center. From October 2005 to January 2007, Mr. Liu was also an assistant general manager, head of department of property management service and department of customer service of Xingye Real Estate. Mr. Liu has approximately 16 years of experience in the real estate industry in China. Prior to joining our Group, Mr. Liu studied and served in the army from August 1983 to December 2005.

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

Mr. Wang Jinhui (王金虎), aged 50, is a vice president of our Group, responsible for the strategic planning of our Group and supervising our Group's business operation in the western region of Zhengzhou. In addition, Mr. Wang has been serving as a non-executive director and general manager of Huizheng City Rural since August 2012 and non-executive director of Yulu Zensun since March 2013. Mr. Wang joined our Group in November 2000 and has held a number of senior management positions, including but not limited to, the head of ambience and decoration department, general manager of a project company, assistant to the chief executive officer, vice president, chief marketing officer as well as head of ambience and facility center and technology center. Mr. Wang has approximately 26 years of experience in the real estate industry in China. Prior to joining our Group, he worked as a manager in the sales, planning and property management service department of Xingye Real Estate from March 1997 and October 2000, where he was in charge of sales, planning and property management. Mr. Wang worked at Zhengzhou Huayu Real Estate Development Co., Ltd. (鄭州華裕房地產開發有限公司) as a construction administrator from September 1993 to June 1995 and as a statistical officer from July 1995 to February 1997, in charge of statistical analysis.

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

Ms. Guo Wei (郭偉), aged 49, is a vice president of our Group. Ms. Guo joined our Group in October 2005 and has been serving as the chief administrative officer since October 2005, responsible for human resources management. She is also responsible for the business development of our company in Xinyang and eastern region of Zhengzhou. Ms. Guo has approximately 26 years of experience in the real estate industry in China. Prior to joining our Group, Ms. Guo served as an officer at the production and technology department of Henan No. 7 Building Engineering Group Co., Ltd. (河南七建工程集團有限公司) from October 1993 to October 2005, in charge of project cost control and manufacturing technologies. Ms. Guo has been the deputy chair of the Xinyang General Chamber of Commerce (信陽市總商會) and a member of Xinyang People's Congress (信陽市政協) since June 2012 and July 2012, respectively.

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

Ms. Xing Zhumei (行竹梅), aged 50, is the Chief Financial Officer of the Issuer, Financial center director and chief accountant of our Group. Ms. Xing joined our Group in January 2005 and is responsible for the Group's financial reporting, corporate finance activities and investor relations matters. Ms. Xing has approximately 25 years of experience in accounting and audit. Ms. Xing served as an accountant at Zhengzhou Food Corporation (鄭州果品食雜總公司) from July 1995 to December 2004. She then served as the chief accountant in Henan Zensun Real Estate Co., Ltd.* (河南正商置業有限公司) from January 2005 to April 2017 and as the chief financial officer in Henan Xingye Internet of Things Management Technology Co., Ltd.* (河南興業物聯網管理科技有限公司) from May 2017 to September 2019. Thereafter, she served as the chief accountant in Zensun Group Limited (正商集團有限公司) from October 2019 to September 2020.

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

Mr. Yuen Ping Man, Dickman (源秉民), aged 57, is the Secretary and the Chief Operating Officer (Hong Kong) of the Issuer, responsible for the Issuer's corporate secretarial functions and business operations. Mr. Yuen has over 25 years of managerial experience in corporate secretarial, business development, human resources and general administration. Mr. Yuen was previously the chief operating officer of Xpress Finance Limited ("Xpress Finance") a non-wholly owned subsidiary of the Issuer responsible for compliance, human resource, operations, sales and marketing, customer service and general administration of Xpress Finance. Prior to joining Xpress Finance in June 1997, Mr. Yuen worked in two listed groups and a financial institution in managerial position.

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

COMPANY SECRETARY OF THE ISSUER

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

PRINCIPAL SHAREHOLDERS OF THE COMPANY

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

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

Notes:

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

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

PRINCIPAL SHAREHOLDERS OF THE ISSUER

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

Name of shareholder	Nature of interests	Number of Shares held	Approximate percentage of the issued share capital of the Issuer (%)
Vistra Trust (Singapore) Pte Limited	Trustee ⁽¹⁾	13,775,208,938	71.99
Superior Glory Enterprises Limited.	Interest of controlled corporation ⁽¹⁾	13,775,208,938	71.99
Notable Reward Limited	Interest of controlled corporation ⁽¹⁾	13,775,208,938	71.99
Zensun Group Limited	Interest of controlled corporation ⁽¹⁾	13,775,208,938	71.99
Joy Town Inc.	Beneficial owner ⁽¹⁾	13,775,208,938	71.99

Note:

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

RELATED PARTY TRANSACTIONS OF THE COMPANY

The following discussion describes certain material related party transactions between our consolidated subsidiaries and our directors, executive officers and principal shareholders and, in each case, the companies with whom they are affiliated. Each of 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.

The following table sets forth certain material transactions between us and our related parties for the periods indicated:

Related Companies ⁽¹⁾	Transactions ⁽²⁾	For the year ended December 31,			
		2018	2019	2020	
		(RMB)	(RMB) (in thousands)	(RMB)	(US\$)
Relevant members of Henan Zensun Corporate Development Company Limited (the “Zensun Development Group”)	Construction costs (capitalised in properties under development)	2,699,873	4,242,336	3,019,714	462,791
Relevant members of Xingye Wulian Service Company Limited (“Xingye Wulian”) together with its subsidiaries (collectively, the “Xingye Wulian Group”)	Property engineering costs (capitalised in properties under development) and property management and value-added services fee	–	–	27,765	4,255

Notes:

- (1) *Zensun Development Group and Xingye Wulian Group are entities ultimately controlled by daughter of the ultimate controlling shareholder of the Company.*
- (2) *These transactions were based on terms mutually agreed by both parties.*

Certain bank and financial institution facilities of the Group were guaranteed by related companies controlled by the ultimate controlling shareholder of the Company together with her spouse and her daughter. No asset of the Group was pledged to these related companies in respect of these guarantees.

RELATED PARTY TRANSACTIONS OF THE ISSUER

The following discussion describes certain material related party transactions between the Issuer’s consolidated subsidiaries and the Issuer’s 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 the Issuer’s interests and the interests of the Issuer’s shareholders.

The following table sets forth certain material transactions between the Issuer and the Issuer’s related parties for the periods indicated:

Related Companies ⁽ⁱ⁾	Transactions ⁽ⁱⁱ⁾	For the year ended December 31,			
		2018	2019	2020	
		(RMB)	(RMB)	(RMB)	(US\$)
			(in thousands)		(unaudited)
Henan Zensun Real Estate Co., Ltd (“Zensun Real Estate”)	Interest expenses (capitalised in properties under development) (Note (iii))	646	–	–	–
Relevant members of Henan Zensun Corporate Development Company Limited (“Zensun Development”) together with its subsidiaries (collectively, the “Zensun Development Group”)	Construction costs (capitalised in properties under development) ⁽ⁱⁱ⁾	1,050,611	2,052,500	1,532,739	234,903
Relevant members of Ever Diamond Global Company Limited (“Ever Diamond”) together with its subsidiaries (collectively, the “Ever Diamond Group”)	Project management and sales services fee income ⁽ⁱⁱ⁾	–	–	123,516	18,930
Relevant members of Xingye Wulian Service Company Limited (“Xingye Wulian”) together with its subsidiaries (collectively, the “Xingye Wulian Group”)	Property engineering costs (capitalised in properties under development) and property management and value-added services fee ⁽ⁱⁱ⁾	–	–	27,035	4,143

Notes:

- (i) *Zensun Real Estate, Zensun Development Group and Ever Diamond Group are entities controlled by the Ms. Huang together with her spouse, Mr. Zhang. Zensun Development Group and Xingye Wulian Group are entities ultimately controlled by Ms. Huang’s daughter, Ms. Zhang.*
- (ii) *These transactions were based on terms mutually agreed by both parties. These transactions constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules.*
- (iii) *The interest expenses were charged according to agreements mutually agreed by both parties.*

Certain bank and financial institutions facilities to the Issuer were guaranteed by related companies in which controlled by the ultimate controlling shareholder of the Issuer together with her spouse and her daughter. No asset of the Issuer was pledged to these related companies in respect of these guarantees. The Issuer is licensed by Henan Zensun Real Estate Co., Ltd. to use the trademark of “Zensun”, “正商”, on a royalty-free basis until July 2025.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing property projects and to finance our working capital requirements, we have entered into loan agreements with various financial institutions. As of December 31, 2020, our total outstanding external borrowings amounted to RMB17,335.8 million (US\$2,656.8 million). Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PRC LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks and financial limited companies, including, but not limited to, Bank of China, Industrial and Commercial Bank of China, China Merchants Bank, SPD Bank, Ping An Bank, CZ Bank, Zhongyuan Bank and China Minsheng Bank. These loans include project loans to finance the construction of our projects and loans to finance our working capital requirements. They have terms ranging from one to five years. As of December 31, 2020, the aggregate outstanding amount under these loans totaled approximately RMB12,353.3 million (US\$1,893.2 million), of which RMB4,886.4 million (US\$748.9 million) was due within one year, RMB7,466.9 million (US\$1,144.3 million) was due over one year. Our PRC loans are typically secured by properties under development, completed properties held for sale, investment properties, property, plant and equipment and pledged deposits as well as guaranteed by holding companies in PRC.

Interest

The principal amounts outstanding under the PRC loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to annual or quarterly review by the lending banks. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreements. As of December 31, 2020, the weighted average interest rate on the aggregate outstanding amount of our PRC loans was 6.9% per annum.

Covenants

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

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

Events of Default

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

Guarantee and Security

Our Company and certain of our PRC subsidiaries have entered into guarantee agreements with the PRC financial institutions in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Further, as of December 31, 2020, RMB11,308.3 million (US\$1,733.1 million) of the PRC loans was secured by properties under development, completed properties held for sale, investment properties, property, plant and equipment and pledged deposits.

Dividend Restrictions

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

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

CORPORATE BONDS

Through May to September 2016, we issued corporate bonds in PRC in four tranches with a total issue size of RMB2,300 million. The first tranche was issued on May 26, 2016 with an issue size of RMB500 million and coupon rate of 7%, which has been fully redeemed at the date of this offering memorandum. The second tranche was issued on August 26, 2016 with an issue size of RMB510 million and coupon rate of 6.15%, which has been fully redeemed as of the date of this offering memorandum. The third tranche was issued on August 26, 2016 with an issue size of RMB1,000 million and coupon rate of 5.58%. The fourth tranche was issued on September 23, 2016 with an issue size of RMB290 million and coupon rate of 7%. As of the date of this offering memorandum, the total outstanding amount of our corporate bonds is RMB550 million.

On November 27, 2019, we issued corporate bonds in PRC with a size of RMB750 million and coupon rate of 7.2%. As of the date of this offering memorandum, the entire principal amount remains outstanding.

2019 Notes

On October 3, 2019, the Issuer entered into an indenture (as amended or supplemented from time to time, the “2019 Indenture”), pursuant to which, on October 3, 2019 and on December 19, 2019, the Issuer issued US\$340 million principal amount of 12.8% senior notes due 2021. The 2019 Notes are listed on the SEHK. As of the date of this offering memorandum, the entire principal amount of the 2019 Notes remains outstanding.

Guarantee

The 2019 Notes are unconditionally and irrevocably guaranteed (the “2019 Guarantees”) by us, the 2019 Parent Guarantor, and jointly guaranteed by certain of the subsidiaries of the 2019 Parent Guarantor (the “2019 Subsidiary Guarantors”, together with the 2019 Parent Guarantor, the “2019 Notes Guarantors”), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries. Each of the 2019 Notes Guarantors and the JV subsidiary guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the 2019 Notes.

Interest

The 2019 Notes bear an interest of 12.8% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2019 Notes, the 2019 Indenture governing the 2019 Notes and the 2019 Guarantees will limit the Issuer's ability and the ability of its restricted subsidiaries to, among other things:

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

Events of default

The 2019 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the 2019 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the 2019 Indenture. If an event of default occurs and is continuing, the trustee under the 2019 Indenture or the holders of at least 25% of the outstanding 2019 Notes may declare the principal of the 2019 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, the Issuer or the 2019 Parent Guarantor will make an offer to repurchase all outstanding 2019 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

Maturity and Redemption

The maturity of the 2019 Notes is October 3, 2021.

At any time and from time to time prior to October 3, 2021, the Issuer may at its option redeem the 2019 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2019 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to October 3, 2021, the Issuer may redeem up to 35% of the aggregate principal amount of the 2019 Notes with the net cash proceeds of one or more sales of common stock of the 2019 Parent Guarantor in an equity offering at a redemption price of 112.8% of the principal amount of the 2019 Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the 2019 Notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

2020 Notes

On March 13, 2020, the Issuer entered into an indenture pursuant to which the Issuer issued US\$200 million principal amount of 12.5% senior notes due 2022. The 2020 Notes are listed on the SEHK. As of the date of this offering memorandum, the entire principal amount of the 2020 Notes remains outstanding.

Guarantee

The 2020 Notes are unconditionally and irrevocably guaranteed (the “2020 Guarantees”) by us, the 2020 Parent Guarantor, and jointly guaranteed by certain of the subsidiaries of the 2020 Parent Guarantor (the “2020 Subsidiary Guarantors”, together with the 2020 Parent Guarantor, the “2020 Notes Guarantors”), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries. Each of the 2020 Notes Guarantors and the JV subsidiary guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the 2020 Notes.

Interest

The 2020 Notes bear an interest of 12.5% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the 2020 Notes, the 2020 Indenture governing the 2020 Notes and the 2020 Guarantees will limit the Issuer’s ability and the ability of its restricted subsidiaries to, among other things:

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

Events of default

The 2020 Indenture contains certain customary events of default, including default in the payment of principal of (or any premium on) the 2020 Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default substantially similar to the Events of Default under the 2020 Indenture. If an event of default occurs and is continuing, the trustee under the 2020 Indenture or the holders of at least 25% of the outstanding 2020 Notes may declare the principal of the 2020 Notes plus a premium and any accrued and unpaid interest to be immediately due and payable.

Change of Control

Upon the occurrence of certain events of change of control and a rating decline, the Issuer or the 2020 Parent Guarantor will make an offer to repurchase all outstanding 2020 Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the date of repurchase.

Maturity and Redemption

The maturity of the 2020 Notes is September 13, 2022.

At any time and from time to time prior to September 13, 2022, the Issuer may at its option redeem the 2020 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2020 Notes plus the applicable premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date.

At any time and from time to time prior to September 13, 2022, the Issuer may redeem up to 35% of the aggregate principal amount of the 2020 Notes with the net cash proceeds of one or more sales of common stock of the 2020 Parent Guarantor in an equity offering at a redemption price of 112.5% of the principal amount of the 2020 Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the 2020 Notes originally issued on the original issue date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related equity offering.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Issuer” refers only to Zensun Enterprises Limited (formerly known as ZH International Holdings Limited) and any successor obligor on the Notes, and not to any of its Subsidiaries, the term “Parent Guarantor” refers only to Zensun Group Limited and not to any of its Subsidiaries. The Parent Guarantor’s guarantee of the Notes is referred to as the “Parent Guarantee”. Each Subsidiary of the Parent Guarantor which guarantees the Notes (other than a JV Subsidiary Guarantor) is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Parent Guarantor that in the future provides a JV Subsidiary Guarantee (as defined below) is referred to as a “JV Subsidiary Guarantor” (together with the Parent Guarantor and the Subsidiary Guarantors, the “Notes Guarantors”) and each such Guarantee is referred to as a “JV Subsidiary Guarantee” together with the Parent Guarantee and the Subsidiary Guarantee, the “Notes Guarantee”).

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of September 13, 2021, among the Issuer, the Parent Guarantor, the Subsidiary Guarantors, and China Construction Bank (Asia) Corporation Limited, as trustee (the “Trustee”).

The following is a summary of certain material provisions of the Indenture, the Notes and the Notes Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes and the Notes Guarantees. It does not restate those documents in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection upon prior written request and proof of holding to the satisfaction of the Trustee, during usual business hours on or after the Original Issue Date at the corporate trust office of the Trustee at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

Brief Description of the Notes

The Notes are:

- general obligations of the Issuer;
- senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;
- at least pari passu in right of payment with all other unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Notes Guarantors on a senior basis, subject to the limitations described below under the caption “— The Parent Guarantee” and “— The Subsidiary Guarantees and the JV Subsidiary Guarantees”;
- effectively subordinated to the secured obligations (if any) of the Issuer and the Notes Guarantors, to the extent of the value of the assets serving as security therefor; and
- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The Notes will mature on September 13, 2023, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Notes will bear interest at 12.5% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semiannually in arrears on March 13 and September 13 of each year (each an “Interest Payment Date”), commencing March 13, 2022. Interest on the Notes will be paid to Holders of record at the close of business on February 26 and August 29 immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes

will be calculated on the basis of a 360-day year comprised of twelve 30-day months. So long as the Notes are held on behalf of Euroclear and Clearstream or any other clearing system, each payment in respect of the Notes will be made to the person shown as the holder in the register of the Notes at the close of business of the relevant clearing system on the Clearing System Business Date before the due date for such payments, where “Clearing System Business Date” means a weekday (Monday to Friday, inclusive) except for December 25 and January 1.

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

Except as described under “Optional Redemption,” “Redemption for Taxation Reasons” and otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Issuer or the Parent Guarantor).

In any case in which the date of the payment of principal of, premium (if any) on or interest on the Notes is not a Business Day in the relevant place of payment, then payment of such principal, premium or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer, the Transfer Agent or the Registrar may require indemnity or payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made by wire transfer in U.S. dollars by the Issuer at the office or agency of the Issuer maintained for that purpose (which initially will be the specified office of the Paying Agent, currently located at 20/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong), and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, if the Notes are in definitive form and the Issuer acts as its own paying agent, at the option of the Issuer, payment of interest may be made by check mailed (at the expense of the Issuer) to the address of the Holders as such address appears in the Note register maintained by the Note Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

The Parent Guarantee

The Parent Guarantee:

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

The Parent Guarantor is a holding company that does not have significant operations of its own. Under the Indenture and any supplemental indenture to the Indenture, as applicable, the

Parent Guarantor will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Parent Guarantor will (1) agree that its obligations under the Parent Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture (other than in respect of the Parent Guarantee) and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the Parent Guarantee. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Parent Guarantee will be reinstated with respect to such payment as though such payment had not been made. All payments under the Parent Guarantee are required to be made in U.S. dollars.

Release of the Parent Guarantee

The Parent Guarantee may be released in certain circumstances, including:

- upon repayment in full of the Notes; and
- upon a defeasance or satisfaction and discharge as described under “— Defeasance” and “Satisfaction and Discharge.”

The Subsidiary Guarantees and the JV Subsidiary Guarantees

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will be Zensun International Holdings Company Limited, HQ Neptune Investments Limited, Honor Challenge Investment Limited, Vigor Capital Holdings Limited, Ever Diamond Global Company Limited, Champ Win Enterprise Limited and Total Star Development Limited. Other than the initial Subsidiary Guarantors, none of the Initial Other Non-Guarantor Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date. The initial Subsidiary Guarantors are holding companies that do not have significant operations. None of the existing or future Restricted Subsidiaries organized under the laws of the PRC, any state of the United States, Japan or Singapore, any Exempted Subsidiary or Listed Subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future.

In the case of a Restricted Subsidiary (other than Exempted Subsidiaries and Listed Subsidiaries) (i) that is, or is proposed by the Parent Guarantor or any of its Restricted Subsidiaries to be, established or acquired after the Original Issue Date, (ii) that is incorporated in any jurisdiction other than the PRC or any state of the United States, Japan or Singapore, (iii) in respect of which the Parent Guarantor or any of its Restricted Subsidiaries, (x) in the case of a Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Restricted Subsidiary, or (y) in the case of any other entity is proposing to establish or purchase the Capital Stock of such entity from an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Parent Guarantor and designate such entity as a Restricted Subsidiary, the Parent Guarantor may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, a Listed Subsidiary or incorporated in the PRC), concurrently with or as soon as practicable after the consummation of such establishment, sale, issuance, or purchase, cause (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) to provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Parent Guarantor or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Parent Guarantor or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Parent Guarantor or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is made from, an Independent Third Party at a consideration that is not less than (in the case of a sale or issuance) or no more than (in the case of a purchase) the Fair Market Value of such Capital Stock;

- concurrently with or as soon as practicable after providing the JV Subsidiary Guarantee, the Parent Guarantor shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed Guarantee of such JV Subsidiary Guarantor (the “JV Subsidiary Guarantee”) and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary (as defined below), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) an Officers’ Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iii) a legal opinion by a law firm of recognized standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of December 31, 2020, the Parent Guarantor and its consolidated subsidiaries had total debt of approximately RMB17,335.8 million (US\$2,656.8 million), of which approximately RMB11,508.7 million (US\$1,763.8 million) was secured.

As of December 31, 2020, the Non-Guarantor Subsidiaries had total liabilities of approximately RMB4,794.0 million (US\$734.7 million) and the Non-Guarantor Subsidiaries had no capital commitments or contingent liabilities.

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor:

- will be a general obligation of such JV Subsidiary Guarantor;
- will be enforceable only up to the JV Entitlement Amount;
- will be effectively subordinated to the secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- will be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee;
- will be limited to the JV Entitlement Amount, and will rank at least pari passu with all other unsecured and unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law); and

- effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

The Parent Guarantor will cause each of its future Restricted Subsidiaries (other than any Subsidiaries organized under the laws of the PRC, any state of the United States, Japan or Singapore or any Exempted Subsidiaries or Listed Subsidiaries), promptly (and in any event within 30 days) upon becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes as a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, the Parent Guarantor may elect to have any existing and future Restricted Subsidiary (other than the Exempted Subsidiaries and the Listed Subsidiaries) organized outside the PRC, any state of the United States, Japan and Singapore not provide a Subsidiary Guarantee or JV Subsidiary Guarantee (each a “New Non-Guarantor Subsidiary,” together with the Initial Other Non-Guarantor Subsidiaries, the “Other Non-Guarantor Subsidiaries”), provided that, after giving effect to the consolidated assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC, any state of the United States, Japan and Singapore that are not Guarantors (other than the Exempted Subsidiaries, the Listed Subsidiaries and the Issuer) do not account for more than 20% of the Total Assets of the Parent Guarantor.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a “Future Subsidiary Guarantor” and upon execution of the applicable supplemental indenture to the Indenture will be a “Subsidiary Guarantor.” The Other Non-Guarantor Subsidiaries, together with those Restricted Subsidiaries organized under the laws of the PRC, any state of the United States, Japan or Singapore, the Exempted Subsidiaries and the Listed Subsidiaries, are referred to herein as the “Non-Guarantor Subsidiaries.”

Although the Indenture contains limitations on the amount of additional Indebtedness that the Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to a Parent Guarantor.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will jointly and severally Guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; provided that any JV Subsidiary Guarantee, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and the JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer and the Parent Guarantor prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note, the Parent Guarantee or the Indenture is rescinded or must otherwise be repaid or restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and

- each JV Subsidiary Guarantee provided by any JV Subsidiary Guarantor will, together with all the JV Subsidiary Guarantees provided by the Subsidiaries and shareholders of such JV Subsidiary Guarantor, in the aggregate, be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such Indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. The guarantee of a Subsidiary Guarantor or a JV Subsidiary Guarantor may be voided or subject to review under applicable insolvency or fraudulent transfer laws, or subject to a lawsuit by or on behalf of creditors of such Subsidiary Guarantor or JV Subsidiary Guarantor. See "Risk Factors — Risks Relating to the Notes and the Notes Guarantees — The Notes Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Notes Guarantees" of this offering memorandum.

Release of the Subsidiary Guarantees and JV Subsidiary Guarantee

A Subsidiary Guarantee given by a Subsidiary Guarantor or a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance or satisfaction and discharge as described under "— Defeasance" and "Satisfaction and Discharge;"
- upon the designation by the Parent Guarantor of a Subsidiary Guarantor or a JV Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture;
- upon the sale, merger or disposition of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any Parent Guarantor's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, merger or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee;
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, that becomes a Listed Subsidiary;
- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, that becomes a New Non-Guarantor Subsidiary, in compliance with the terms of the Indenture; or

- as described under “— Amendments and Waiver.”

In the case of a Subsidiary Guarantor with respect to which the Parent Guarantor or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20% of the Capital Stock of such Subsidiary Guarantor, the Parent Guarantor may concurrently with or as soon as practicable after the consummation of such sale or issuance of Capital Stock, instruct the Trustee to release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, any state of the United States, Japan and Singapore, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC, any state of the United States, Japan and Singapore will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer guarantee the Notes), without any requirement to seek the consent or approval of the Holders of the Notes, provided that, after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC, any state of the United States, Japan or Singapore that are neither Subsidiary Guarantors nor JV Subsidiary Guarantors (including such New Non-Guarantor Subsidiaries and excluding Exempted Subsidiaries, the Listed Subsidiaries and the Issuer) do not account for more than 20% of Total Assets. A Subsidiary Guarantee of a Subsidiary Guarantor may only be released pursuant to this paragraph if, as of the date of such proposed release, no document exists that is binding on the Parent Guarantor or any of the Restricted Subsidiary that would have the effect of (a) prohibiting the Parent Guarantor or such relevant Restricted Subsidiary from permitting the release of such Subsidiary Guarantee or (b) requiring the Parent Guarantor or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Parent Guarantor by such Subsidiary Guarantor.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee or a JV Subsidiary Guarantor from its JV Subsidiary Guarantee shall be effective against the Trustee or the Holders until the Parent Guarantor has delivered to the Trustee an Officers' Certificate stating that all requirements relating to such release have been complied with and such release is authorized and permitted by the terms of the Indenture. The Trustee shall be entitled to rely without liability upon such Officers' Certificate as sufficient evidence thereof in which event it shall be conclusive and binding on the Holders.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released and replaced by a JV Subsidiary Guarantee following the sale or issuance by the Parent Guarantor or any Restricted Subsidiary of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20% of the issued Capital Stock of the relevant Subsidiary Guarantor, provided that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Parent Guarantor or such Restricted Subsidiary that would have the effect of (a) prohibiting the Parent Guarantor or such Restricted Subsidiary from releasing such Subsidiary Guarantee, (b) prohibiting the Parent Guarantor or such Restricted Subsidiary from providing a JV Subsidiary Guarantee as described below, or (c) requiring the Parent Guarantor or such relevant Restricted Subsidiary to cause to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the recipient of the JV Subsidiary Guarantee;
- such sale or issuance is made to an Independent Third Party at a consideration that is not less than the Fair Market Value of such Capital Stock;

- concurrently with or as soon as practicable after the release of such Subsidiary Guarantee, the Parent Guarantor shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:
 - (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary (if any) of such JV Subsidiary Guarantor that is not a Non-Guarantor Subsidiary and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will Guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;
 - (ii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iii) a legal opinion by a law firm of recognized standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the covenants described under the captions “— Certain Covenants — Limitation on Asset Sales” and “— Certain Covenants — Limitation on Restricted Payments.”

Any Net Cash Proceeds from the sale or issuance of such Capital Stock shall be applied by the Parent Guarantor (or any Restricted Subsidiary) in accordance with the covenant described under the caption “— Certain Covenants — Limitation on Asset Sales.”

As of the date of the Indenture, all of the Parent Guarantor's Subsidiaries will be “Restricted Subsidiaries.” Under the circumstances described below under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” the Parent Guarantor will be permitted to designate Subsidiaries as “Unrestricted Subsidiaries.” The Parent Guarantor's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Parent Guarantor's Unrestricted Subsidiaries will not Guarantee the Notes.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Issuer may, from time to time, without notice to or the consent of the Holders, create and issue additional notes (the “Additional Notes”) having the same terms and conditions as the Notes (including the benefit of the Parent Guarantee, Subsidiary Guarantees and the JV Subsidiary Guarantees, if any) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that the issuance of any such Additional Notes shall then be permitted under the “Limitation on Indebtedness and Preferred Stock” covenant described below.

Optional Redemption

At any time and from time to time prior to September 13, 2023, the Issuer may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents is responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to September 13, 2023, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Parent Guarantor in an Equity Offering at a redemption price of 112.5% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

The Issuer will give not less than 30 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes for redemption will be selected as follows:

- (1) if the Notes are listed on any recognized securities exchange and/or being held through any clearing system, in compliance with the requirements of the principal recognized securities exchange on which the Notes are listed or the requirements of the clearing systems through which the Notes are held, as applicable; or
- (2) if the Notes are not listed on any recognized securities exchange or held through a clearing system, on a pro rata basis, unless otherwise required by law.

A Note of US\$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on the Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control

Not later than 30 days following a Change of Control, the Issuer or the Parent Guarantor will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date (see the definition of "Offer to Purchase").

Each of the Issuer and the Parent Guarantor has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Issuer and the Parent Guarantor, it is important to note that if the Issuer or the Parent Guarantor, as the case may be, is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Issuer's or the Parent Guarantor's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control under the Notes may also constitute an event of default under certain other debt instruments of the Parent Guarantor and its Subsidiaries. Future debt of the Parent Guarantor and its Subsidiaries may also (1) prohibit the Issuer or the Parent Guarantor from purchasing Notes in the event of a Change of Control; (2) provide that a Change of Control is a default; or (3) require repurchase of such debt upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer or the Parent Guarantor to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer or the Parent Guarantor. The Issuer's or the Parent Guarantor's ability to pay cash to the Holders following the occurrence of a Change of Control may be limited by the Issuer's and the Notes Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to

make the required purchase of the Notes. See “Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes upon a Change of Control” of this offering memorandum.

The definition of Change of Control includes a phrase relating to the sale of “all or substantially all,” the assets of the Parent Guarantor. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Parent Guarantor to repurchase such Holder’s Notes as a result of a sale of less than all the assets of the Parent Guarantor to another person or group may be uncertain and will depend upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of “all or substantially all” the assets of the Parent Guarantor has occurred.

Notwithstanding the above, the Issuer or the Parent Guarantor will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the same manner within the same frame and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer or the Parent Guarantor and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer or the Parent Guarantor purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Neither the Trustee nor the Agents shall be required to take any steps to ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred and shall not be liable to any person for any failure to do so. The Trustee and the Agents shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer. The Trustee and the Agents shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee and the Agents shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible to the Holders for any loss arising from any failure by it to do so.

No Mandatory Redemption or Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium (if any) and interest on the Notes and under the Parent Guarantee, the Subsidiary Guarantees or the JV Subsidiary Guarantees, if any, will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer, an applicable Guarantor or a Surviving Person (as defined under the caption “— Consolidation, Merger and Sale of Assets”) is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a “Relevant Jurisdiction”), or the jurisdiction through which payments are made or any political subdivision or taxing authority thereof or therein (each, together with a Relevant Jurisdiction, a “Taxing Jurisdiction”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer, the Parent Guarantor, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

- (1) for or on account of:
 - (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

- (i) the existence of any present or former connection between the Holder or beneficial owner of such Note, Parent Guarantee, Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, and the Taxing Jurisdiction, other than merely acquiring or holding such Note or the receipt of payments or enforcement of rights thereunder or under the Parent Guarantee, Subsidiary Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Taxing Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Issuer, the Parent Guarantor, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Taxing Jurisdiction, if and to the extent that due and timely compliance with such request is required under the tax laws of such jurisdiction in order to reduce or eliminate any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or
 - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Taxing Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
 - (c) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA or an intergovernmental agreement with respect thereto, or any agreement with the U.S. Internal Revenue Service under FATCA; or
 - (d) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b) and (c); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Taxing Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under the Parent Guarantee, any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Paying Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying Agent or Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying Agent or the Trustee in accordance with the Indenture.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Issuer or an Issuer Surviving Person (as defined under “— Consolidation, Merger and Sale of Assets”), as a whole but not in part, at any time upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders (which notice shall be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Issuer or a Surviving Person, as the case may be, for redemption (the “Tax Redemption Date”) if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction), which change or amendment becomes effective (or in the case of an official position, is announced) (i) except as provided in (ii) immediately below, on or after the Original Issue Date, or (ii) with respect to any Relevant Jurisdiction that was not a Relevant Jurisdiction on the Original Issue Date on or after the date such jurisdiction became a Relevant Jurisdiction, with respect to any payment due or to become due under the Notes, the Parent Guarantee, the Subsidiary Guarantee, the JV Subsidiary Guarantee or the Indenture, the Issuer or a Guarantor or a Surviving Person, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Issuer or a Guarantor or a Surviving Person, as the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or a Guarantor or a Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Issuer or a Guarantor or a Surviving Person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the Tax Redemption Date:

- (1) an Officers’ Certificate stating that such change, amendment, or stating of an official position amendment or stating of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer, or such Guarantor or such Surviving Person, as the case may be, by taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment, or stating of an official position amendment or stating of an official position referred to in the prior paragraph.

The Trustee shall and is entitled to accept and rely conclusively upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, in which event it shall be conclusive and binding on the Holders. The Trustee will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion, and is not obligated to investigate or verify any information in such certificate and opinion.

Any Notes that are redeemed for taxation reasons will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (1) The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), provided that the Issuer, the Parent Guarantor, any Subsidiary Guarantor and any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Restricted Subsidiary (other than the Issuer or a Subsidiary Guarantor or a JV Subsidiary Guarantor) may Incur Permitted Subsidiary Indebtedness if, after giving effect to the Incurrence of such Indebtedness and the receipt and application of the proceeds therefrom, (x) no Default has occurred and is continuing and (y) the Fixed Charge Coverage Ratio would be not less than 2.0 to 1.0. Notwithstanding the foregoing, the Parent Guarantor will not permit any Non-Guarantor Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Issuer or a Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Parent Guarantor and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following (“Permitted Indebtedness”):
 - (a) Indebtedness under the Notes (excluding any Additional Notes), the Parent Guarantee and each Subsidiary Guarantee and each JV Subsidiary Guarantee;
 - (b) Any Pari Passu Guarantee;
 - (c) Indebtedness of the Parent Guarantor or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); provided that such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness (other than any such Indebtedness described in clauses (d), (f), (g), (m) and (o) below);
 - (d) Indebtedness of the Parent Guarantor or Indebtedness or Preferred Stock of any Restricted Subsidiary owed to or held by the Parent Guarantor or any Restricted Subsidiary; provided that (i) any event which results in any such Restricted Subsidiary to whom such Indebtedness is owed ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness or Preferred Stock (other than to the Parent Guarantor or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Issuer is the obligor on such Indebtedness and none of the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors are the obligee on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, if the Parent Guarantor is the obligor on such Indebtedness and none of the Issuer, the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must be expressly be subordinated in right of payment to the Parent Guarantee, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, is the obligor on such Indebtedness and none of the Issuer, the Parent Guarantor, the Subsidiary Guarantors and the JV Subsidiary Guarantors is the obligee on such Indebtedness, such Indebtedness must be expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;
 - (e) Indebtedness (“Permitted Refinancing Indebtedness”) of the Parent Guarantor or any Restricted Subsidiary issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, redeem, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness (or Indebtedness that is no longer outstanding but that is refinanced substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (n), (p), (q), (r),

(s), (t), (u) or (w) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced (plus premiums, accrued interest, fees and expenses); provided that (i) Indebtedness the proceeds of which are used to refinance the Notes or Indebtedness that is pari passu with, or subordinated in right of payment to, the Notes or a Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is pari passu with the Notes or a Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made pari passu with, or subordinate in right of payment to, the remaining Notes or such Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Guarantee, as the case may be, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes, such Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Issuer or any Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is neither the Issuer, nor a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Issuer or any Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor; (provided that this sub-clause (iv) shall not prohibit the replacement of a Subsidiary Guarantee by a JV Subsidiary Guarantee if otherwise permitted by the Indenture);

- (f) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary pursuant to Hedging Obligations designed to reduce or manage the exposure of the Parent Guarantor or any Restricted Subsidiary to fluctuations in interest rates, currencies or the price of commodities;
- (g) Pre-Registration Mortgage Guarantees by the Parent Guarantor or any Restricted Subsidiary;
- (h) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Parent Guarantor or a Restricted Subsidiary in the Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such assets, real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Parent Guarantor or such Restricted Subsidiary in the Permitted Business; provided that in the case of clauses (x) and (y), (A) the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) such Indebtedness shall be Incurred no later than 180 days after the acquisition of such assets, property or equipment or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (h) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (p), (q),

(s), (t), (u) and (w) below and the refinancings thereof, but excluding any Contractor Guarantee or guarantee Incurred under such clauses and this clause (h) to the extent the amount of such Contractor Guarantee or guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;

- (i) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);
- (j) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit or trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit or trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Parent Guarantor or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Parent Guarantor or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided that such Indebtedness is extinguished within five Business Days of Incurrence;
- (m) Guarantees by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of the Parent Guarantor or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant, subject to the "Limitation on Issuances of Guarantees by Restricted Subsidiaries" covenant;
- (n) Indebtedness of the Parent Guarantor or any Restricted Subsidiary maturing in one year or less used by the Parent Guarantor or any Restricted Subsidiary for working capital; provided that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding (together with refinancings thereof) does not exceed US\$30.0 million (or the Dollar Equivalent thereof);
- (o) Indebtedness of the Parent Guarantor or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Parent Guarantor or such Restricted Subsidiary enters into such Staged Acquisition Agreement and becomes obligated to pay such deferred purchase price;
- (p) Indebtedness Incurred or Preferred Stock or Disqualified Stock issued by any Restricted Subsidiary arising from any Investment made by a Financial Company Investor in a Restricted Subsidiary, and Indebtedness of the Parent Guarantor or a Restricted Subsidiary constituting a Guarantee by, or grant of a Lien on the assets of, the Parent Guarantor or a Restricted Subsidiary in favor of a Financial Company Investor with respect to the obligation to pay a guaranteed or preferred return to such Financial Company Investor on Capital Stock of a Restricted

Subsidiary held by such Financial Company Investor, provided that on the date of such Incurrence of all such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness and Preferred Stock Incurred under this clause (p) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clause (h) above and clauses (q), (s), (t), (u) and (w) below and the refinancings thereof, but excluding any Contractor Guarantee or guarantee Incurred under such clauses and this clause (p) to the extent the amount of such Contractor Guarantee or guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 25% of Total Assets;

- (q) Bank Deposit Secured Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (q) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h) and (p) above and clauses (s), (t), (u) and (w) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (q) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;
- (r) Indebtedness of the Parent Guarantor or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US\$20.0 million (or the Dollar Equivalent thereof);
- (s) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than Restricted Subsidiaries) by the Parent Guarantor or such Restricted Subsidiary, provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate of all Indebtedness Incurred under this clause (s) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p) and (q) above and clauses (t), (u) and (w) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (s) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;
- (t) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Restricted Subsidiary became a Restricted Subsidiary (other than Indebtedness Incurred (i) to provide all or any portion of the funds utilized to consummate the transaction or series of transactions pursuant to which a Person becomes a Restricted Subsidiary or (ii) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (t) (together with refinancing thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q) and (s) above and clauses (u) and (w) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (t) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 25% of Total Assets;
- (u) Indebtedness Incurred by any Restricted Subsidiary which is secured by Investment Properties; provided that on the date of the Incurrence of such

Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (u) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (p), (q), (s) and (t) above and clause (w) below and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (u) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 25% of Total Assets;

- (v) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Parent Guarantor or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement and becomes obligated to pay such deferred purchase price;
 - (w) Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary under Credit Facilities; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (w) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness that was Incurred under clauses (h), (p), (q), (s), (t) and (u) above and the refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under such clauses and this clause (w) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 25% of Total Assets; and
 - (x) Indebtedness constituting a Subordinated Shareholder Loan.
- (3) For purposes of determining compliance with this “Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph, the Parent Guarantor, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.
- (4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies, provided that such Indebtedness was permitted to be incurred at the time of such Incurrence. For purposes of determining compliance with any U.S. dollar denominated restriction on the Incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; provided that if such Indebtedness is Incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-dominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-dominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currency in which such refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

- (5) Notwithstanding any other provision of this covenant, the Parent Guarantor, the Subsidiary Guarantors and the Issuer will not issue outside the PRC any debt securities (which for the avoidance of doubt, do not include any loans) which (a) are, or are capable of being, listed, quoted or traded on any stock exchange or in any securities market, and (b) will mature prior to the Stated Maturity of the Notes.

Limitation on Restricted Payments

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Parent Guarantor’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid in shares of the Parent Guarantor’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire such shares of such Capital Stock) held by Persons other than the Parent Guarantor or any Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Parent Guarantor or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Parent Guarantor held by any Persons other than the Parent Guarantor or any Restricted Subsidiary;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Subordinated Indebtedness (excluding any intercompany Indebtedness between or among the Parent Guarantor and any Restricted Subsidiary); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Parent Guarantor could not Incur at least US\$1.00 of Indebtedness under the proviso in the first paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock;” or
- (c) such Restricted Payment, together with the aggregate amount of all (1) Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date and (2) payments made by the Company and its Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date (excluding, for the avoidance of doubt, such Restricted Payments that would fall under clauses (2) to (12) and (14) of the following paragraph), shall exceed the sum of:
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Parent Guarantor (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on July 1, 2019 (being the first day of the fiscal quarter during which the Measurement Date occurred) and ending on the last day of the Parent Guarantor’s most recently ended fiscal quarter for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

- (ii) 100% of the aggregate Net Cash Proceeds received by the Parent Guarantor after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Parent Guarantor, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Parent Guarantor into Capital Stock (other than Disqualified Stock) of the Parent Guarantor, or (B) the exercise by a Person who is not a Restricted Subsidiary of the Parent Guarantor of any options, warrants or other rights to acquire Capital Stock of the Parent Guarantor (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Parent Guarantor; plus
- (iii) the amount by which Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries is reduced on the Parent Guarantor's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Parent Guarantor) subsequent to the Measurement Date of any Indebtedness of the Parent Guarantor or any of its Restricted Subsidiaries convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Parent Guarantor (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Parent Guarantor upon such conversion or exchange); plus
- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Parent Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Parent Guarantor or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Parent Guarantor or a Restricted Subsidiary after the Measurement Date in any such Person, or (E) any Person becoming a Restricted Subsidiary (whereupon all Investments made by the Parent Guarantor or any Restricted Subsidiary in such Person since the Measurement Date shall be deemed to have been made pursuant to clause (1) of the definition of "Permitted Investment") but only to the extent such Investments by the Parent Guarantor or any Restricted Subsidiary in such Person was a Restricted Payment made to the extent permitted under this paragraph (c); plus
- (v) US\$30.0 million (or the Dollar Equivalent thereof).

The foregoing provision shall not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within three months after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Issuer, the Parent Guarantor or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Restricted Subsidiary of the Parent Guarantor) of, shares of the Capital Stock (other than Disqualified Stock) of the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Restricted Subsidiary of the Parent Guarantor) of, shares of Capital Stock (other than Disqualified Stock) of the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);
- (5) the declaration and payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Parent Guarantor, to all holders of any class of Capital Stock of such Restricted Subsidiary;
- (6) dividends or other distributions paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Financial Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred under paragraph (2)(p) of the “Limitation on Indebtedness and Preferred Stock” covenant;
- (7) cash payment in lieu of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Parent Guarantor, provided, however, that any such cash payment shall not be for the purpose of evading the limitation of this “— Limitation on Restricted Payments” covenant (as determined in good faith by the Board of Directors of the Parent Guarantor);
- (8) the purchase by the Parent Guarantor or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Parent Guarantor from an Independent Third Party pursuant to an agreement entered into between/among the Parent Guarantor or any Restricted Subsidiary and such Independent Third Party solely for the purpose of acquiring real property or land use rights, provided that (A) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (B) the Parent Guarantor delivers to the Trustee a Board Resolution set forth in an Officers’ Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock;

- (9) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Parent Guarantor or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Parent Guarantor or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Parent Guarantor or any Restricted Subsidiary held by an employee benefit plan of the Parent Guarantor or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Parent Guarantor or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing), or (C) payments of dividend or other distributions on Capital Stock of any Restricted Subsidiary held by any current or former officer, director, consultant or employee of the Parent Guarantor or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing) in connection with an employee benefit plan or employee incentive scheme; *provided* that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US\$3.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);
- (10) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price thereof;
- (11) the payment of any dividend or distribution payable or paid in Capital Stock (other than Disqualified Stock or Preferred Stock) of any Unrestricted Subsidiary or in options, warrants or other rights to acquire shares of such Capital Stock;
- (12) the purchase of Capital Stock of a Person, and payments made, pursuant to a Staged Acquisition Agreement;
- (13) the purchase of Capital Stock of a Person, and payments made, pursuant to a Minority Interest Staged Acquisition Agreement, provided that on the date that such Minority Staged Acquisition Agreement was entered into, such payments would have complied with clauses (a) and (c) of the preceding paragraph;
- (14) the distributions or payments of Securitization Fees in connection with Receivable Financing permitted under the Indenture; and
- (15) the declaration and payment of dividends by and/or the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Parent Guarantor with respect to any financial year, provided the aggregate amount of such declaration and payment of dividends by and the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Parent Guarantor pursuant to this clause shall not exceed 5.0% of profit for the year on the Parent Guarantor's consolidated financial statements in such financial year;

provided that, in the case of clause (2), (3), (4) and (15) of the preceding paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment made pursuant to clause (1), (13) and (15) of the preceding paragraph shall be included in calculating whether the conditions of clause (c) of the first paragraph of this “— Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Parent Guarantor or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment (other than cash) or any such assets or securities (other than any Restricted

Payments set forth in clauses (5) through (15) above) must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (15) above), the Parent Guarantor will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

For purposes of determining compliance with this "— Limitation on Restricted Payments" covenant, in the event that an item of Investment meets the criteria of both the first paragraph of this "— Limitation on Restricted Payments" covenant and paragraph (17) of the definition of "Permitted Investment" at any time, the Parent Guarantor, in its sole discretion, shall classify, and from time to time may reclassify, such item of Investment in either or both of them.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (1) Except as provided below, the Parent Guarantor will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:
 - (a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Parent Guarantor or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Parent Guarantor or any other Restricted Subsidiary;
 - (c) make loans or advances to the Parent Guarantor or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Parent Guarantor or any other Restricted Subsidiary,

provided that for the avoidance of doubt the following shall not be deemed to constitute such an encumbrance or restriction: (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to the Parent Guarantor or any Restricted Subsidiary to other Indebtedness Incurred by the Parent Guarantor or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Parent Guarantor and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's length basis.

- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Parent Guarantee, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture or Pari Passu Guarantee or any Indebtedness of the Issuer, the Parent Guarantor or any Subsidiary Guarantor guaranteed by any Pari Passu Guarantee, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) existing with respect to any Person or the property or assets of such Person acquired by the Parent Guarantor or any Restricted Subsidiary, at the time of such

acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Parent Guarantor or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of the property or assets of the Parent Guarantor or any Restricted Subsidiary in any manner material to the Parent Guarantor or any Restricted Subsidiary;
- (e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the “— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Limitation on Indebtedness and Preferred Stock” and “— Limitation on Asset Sales” covenants;
- (f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness or issuance of Preferred Stock or Disqualified Stock permitted under “— Limitation on Indebtedness and Preferred Stock” covenant if the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Issuer, the Parent Guarantor, the Subsidiary Guarantors or JV Subsidiary Guarantor to make required payment on the Notes, the Parent Guarantee, the Subsidiary Guarantees or JV Subsidiary Guarantee, as the case may be, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced; provided further that, the Board of Directors is empowered to determine as to whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution;
- (g) any encumbrance or restriction existing by reason of any Lien permitted under the “—Limitation on Liens” covenant;
- (h) existing with respect to Hedging Obligation permitted to be Incurred under clause (2)(f) of the covenant described under the “—Limitation on Indebtedness and Preferred Stock” covenant solely to the extent that such restriction or encumbrance is only encumbering customary initial deposits or margin deposits or is otherwise within the general parameters customary in the industry with respect to such Hedging Obligations; or
- (i) existing in customary provisions in leases, licenses, joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary (as determined in good faith by the Board of Directors) and if (i) the encumbrances or restrictions are customary

for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Issuer to make the required payments on the Notes, (y) the Parent Guarantor to make the required payments on the Parent Guarantee, or (z) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; provided further that, the Board of Directors is empowered to determine as to whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution; or existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such former Unrestricted Subsidiary or its subsidiaries or the property or assets of such former Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; provided that, the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Parent Guarantor will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Parent Guarantor or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators or on a basis more favorable to the Parent Guarantor and its Restricted Subsidiaries;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Parent Guarantor or a Wholly Owned Restricted Subsidiary;
- (3) the sale or issuance of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such sale or issuance, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "— Limitation on Restricted Payments" covenant if made on the date of such sale or issuance and provided that the Parent Guarantor complies with the "— Limitation on Asset Sales" covenant; or
- (4) the sale or issuance of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such sale or issuance); provided that the Parent Guarantor or such Restricted Subsidiary applies the Net Cash Proceeds of such sale or issuance in accordance with the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Parent Guarantor will not permit any Restricted Subsidiary which is neither the Issuer nor a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness of the Issuer, the Parent Guarantor, any Subsidiary Guarantor or JV Subsidiary Guarantor (the "Guaranteed Indebtedness"), unless (1)(a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any

other rights against the Parent Guarantor or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee (in the case of Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of JV Subsidiary Guarantor), until the Notes have been paid in full or (2) such Guarantee is permitted by clauses (2)(c), (2)(d) or (2)(q) (in the case of clause (2)(q), with respect to the Guarantee provided by the Parent Guarantor or any Restricted Subsidiary through the creation of Liens on cash deposits, bank accounts or other assets to secure (or the use of any Guarantee, letter of credit or similar instrument to Guarantee), directly or indirectly, any Bank Deposit Secured Indebtedness), under the caption “— Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks pari passu in right of payment with the Notes or any Notes Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank pari passu in right of payment with, or subordinated to, the Notes Guarantee or (2) is subordinated in right of payment to the Notes or any Notes Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Notes Guarantee, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Notes Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10% or more of any class of Capital Stock of the Parent Guarantor or (y) any Affiliate of the Parent Guarantor (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Parent Guarantor or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm’s length transaction by the Parent Guarantor or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Parent Guarantor; and
- (2) the Parent Guarantor delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers’ Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by (i) a majority of the disinterested members of the Board of Directors, or (ii) with respect to any such Affiliate Transaction with a Permitted Holder where all members of the Board of Directors are nominated or appointed by the Permitted Holders, a majority of the members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion as to the fairness to the Parent Guarantor or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view or confirming that the terms of such Affiliate Transaction are no less favorable to the Parent Guarantor or the relevant Restricted Subsidiary than terms available to (or from, as applicable) a Person that is not an Affiliate of the Parent Guarantor issued by an accounting, appraisal or investment banking firm of recognized standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees and other compensation to directors of the Parent Guarantor or any Restricted Subsidiary who are not employees of the Parent Guarantor or any Restricted Subsidiary;

- (2) transactions between or among the Parent Guarantor and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1), (2) or (3) of the first paragraph of the covenant described above under the caption “— Limitation on Restricted Payments” if permitted by that covenant;
- (4) any sale of Capital Stock (other than Disqualified Stock) of the Parent Guarantor;
- (5) any purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement, and any purchase of Capital Stock of a Restricted Subsidiary held by a Financial Company Investor, to the extent permitted under the “— Limitation on Restricted Payments” covenant;
- (6) the payment of compensation to officers and directors of the Parent Guarantor or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of the Hong Kong Stock Exchange Limited;
- (7) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Parent Guarantor or any of its Restricted Subsidiaries with directors, officers, employees and consultants in the ordinary course of business and the payment of compensation pursuant thereto;
- (8) any purchase or subscription of Public Indebtedness issued by the Parent Guarantor or any Restricted Subsidiary (including any Additional Notes) by a Person described in clause (x) or (y) of the first paragraph of this covenant; and
- (9) any Guarantee provided by a Person described in clause (x) or (y) of the first paragraph of this covenant for the Indebtedness of the Parent Guarantor or any Restricted Subsidiary.

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (including Permitted Investments that are permitted under paragraph (17) of the definition of “Permitted Investments” but otherwise excluding any other Permitted Investments) not prohibited by the “— Limitation on Restricted Payments” covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in the Offering Memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Parent Guarantor and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction between or among any of the Parent Guarantor, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among the Parent Guarantor or a Restricted Subsidiary on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand, (iv) any purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement, and any Affiliate Transaction that is conducted in compliance with the relevant rules and regulations of The Stock Exchange of Hong Kong Limited, for as long as the Capital Stock of the Issuer remains listed on The Stock Exchange of Hong Kong Limited, (v) any transactions between or among the Parent Guarantor and any of its Restricted Subsidiaries on the one hand and Henan Zensun Corporate Development Company Limited and its Subsidiaries (the “Zensun Development Group”) on the other hand with respect to construction services provided by Zensun Development Group; provided that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business, (b) in the case of a transaction with a Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, none of the other shareholders or other partners of or in such Restricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such other shareholder or other partner being an officer or director of such Restricted Subsidiary or being the Parent Guarantor, or a Subsidiary or Minority Joint Venture of the Parent Guarantor), and (c) in the case of a transaction with a Minority Joint Venture or an Unrestricted Subsidiary, none of the shareholders or partners (other than the Parent

Guarantor or a Restricted Subsidiary) of such a Minority Joint Venture or Unrestricted Subsidiary is a Person described in clause (x) or (y) of the first paragraph of this covenant (other than by reason of such shareholder or partner being a director or officer of such Minority Joint Venture or Unrestricted Subsidiary or by reason of such shareholder or partner being, the Parent Guarantor or a Subsidiary or a Minority Joint Venture of the Parent Guarantor).

Limitation on Liens

The Parent Guarantor will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are secured by such Lien equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes, prior to) the obligation or liability secured by such Lien, for so long as such obligation or liability is secured by such Lien.

In the event that one or more Liens (and documents relating thereto) are to be established or maintained to effect equal and ratable security arrangements in respect of the Notes (as contemplated under the preceding paragraph) with regards to Indebtedness proposed to be or previously Incurred by the Parent Guarantor or the Issuer in compliance with the terms of the Indenture, the Parent Guarantor may instruct the Trustee to directly, or through its Affiliates (in its capacity as Trustee or that of a collateral agent on such terms as it shall require) and without the consent of any Holders, (a) enter into one or more intercreditor agreements, pledge agreements, collateral and security agreements or other arrangements intended to effect the shared security arrangements contemplated by this paragraph among holders of such Indebtedness on a *pari passu* basis or on a basis more favorable to Holders of the Notes *and* (b) complete or facilitate the completion by itself or other parties of filings, registrations or other actions necessary to effect or perfect the relevant Liens or related arrangements.

Limitation on Sale and Leaseback Transactions

The Parent Guarantor will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; provided that the Parent Guarantor or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

- (1) the Parent Guarantor or such Restricted Subsidiary could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described above under “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Parent Guarantor or such Restricted Subsidiary applies the proceeds of such transaction in compliance with, the covenant described below under the caption “— Limitation on Asset Sales.”

Limitation on Asset Sales

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the Parent Guarantor or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

- (3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; provided that in the case of an Asset Sale in which the Parent Guarantor or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Parent Guarantor shall deliver to the Trustee an opinion as to the fairness to the Parent Guarantor or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized standing. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on the Parent Guarantor's most recent consolidated balance sheet, of the Parent Guarantor or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, or any Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, set-off, novation or similar agreement that releases the Parent Guarantor or such Restricted Subsidiary from further liability; and
 - (b) any securities, notes or other obligations received by the Parent Guarantor or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Parent Guarantor or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Parent Guarantor (or any Restricted Subsidiary) may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Issuer, the Parent Guarantor, any Subsidiary Guarantor or a JV Subsidiary Guarantor (if any) or any Indebtedness of a Restricted Subsidiary that is not an Issuer, a Subsidiary Guarantor or a JV Subsidiary Guarantor (if any) (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Parent Guarantor or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale or in properties or assets (other than current assets that are not land use rights, properties under development or completed properties held for sale) that will be used in a Permitted Business (including any Capital Stock in a Person holding such property or assets that is primarily engaged in a Permitted Business) ("Replacement Assets").

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Parent Guarantor or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Issuer or the Parent Guarantor must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all pari passu Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the related Asset Sale, rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the Notes plus accrued and unpaid interest to but excluding the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Parent Guarantor or any Restricted Subsidiary may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other pari passu Indebtedness) tendered into (or required to be prepaid or redeemed in connection with) in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee will select the Notes (and such other pari passu Indebtedness) to be purchased on a pro rata basis. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Parent Guarantor's Business Activities

The Parent Guarantor will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; provided, however, that the Parent Guarantor or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than Permitted Businesses as long as any Investment therein was not prohibited when made by the covenant under the caption “— Limitation on Restricted Payments.”

Use of Proceeds

To the extent an offering document is used for the sale of the Notes and the use of proceeds from the sale of the relevant Notes is stated in such offering document or the use of proceeds is otherwise required by applicable laws or regulations, the Parent Guarantor shall and shall procure its Restricted Subsidiaries to, use the net proceeds from the sale of the Notes in the approximate amounts and for the purposes specified, as contemplated under the caption “Use of Proceeds” in such offering memorandum or such laws or regulations (or, in the case of any Additional Notes, the offering document relating to the sale of such Additional Notes). Pending the application of all of such net proceeds in such manner, the Parent Guarantor and the Restricted Subsidiaries may invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary (other than the Issuer) to be an Unrestricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Parent Guarantor nor any Restricted Subsidiary provides credit support (other than any Guarantee in compliance with clause (6) below) for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Parent Guarantor as a result of such designation; (4) such Restricted Subsidiary does not own any Disqualified Stock of the Parent Guarantor or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Parent Guarantor or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock” or such Lien would violate the covenant described under the caption “— Limitation on Liens;” (5) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; and (6) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “— Limitation on Restricted Payments”.

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be

Incurred by the covenant described under the caption “— Limitation on Indebtedness and Preferred Stock;” (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “— Limitation on Liens;” (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not a Non-Guarantor Subsidiary, such Restricted Subsidiary shall upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary shall become a Subsidiary Guarantor or a JV Subsidiary Guarantor to the extent required under “— The Subsidiary Guarantees and the JV Subsidiary Guarantees”.

Government Approvals and Licenses; Compliance with Law

The Parent Guarantor will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply with would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Issuer, the Parent Guarantor, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the Parent Guarantee, the relevant Subsidiary Guarantees or the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Issuer will not Incur, and the Parent Guarantor will not and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Issuer, the Parent Guarantor, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the Parent Guarantee, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from the Rating Agency and no Default has occurred and is continuing (a “Suspension Event”), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from the Rating Agency, the provisions of the Indenture summarized under the following captions will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (2) “— Certain Covenants — Limitation on Restricted Payments”;
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “— Certain Covenants — Limitation on the Parent Guarantor’s Business Activities”;
- (7) “— Certain Covenants — Limitation on Sale and Leaseback Transactions”;

- (8) “— Certain Covenants — Limitation on Asset Sales”; and
- (9) clauses (3), (4) and (5)(x) of the first, second and third paragraphs of “ — Consolidation, Merger and Sale of Assets.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.”

Such covenants will be reinstated and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Parent Guarantor or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant described under “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Parent Guarantor will file with the Trustee and furnish to the Holders upon request:
 - (a) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Parent Guarantor, copies of the financial statements on a consolidated basis of the Parent Guarantor in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and audited by either the auditing firm of the Parent Guarantor as of the Original Issue Date or a member firm of a recognized firm of independent accountants, in each case together with an English translation thereof; and
 - (b) as soon as they are available, but in any event within 90 calendar days after the end of the second financial quarter of the Parent Guarantor, copies of the financial statements on a consolidated basis of the Parent Guarantor in respect of such half-year period (including a statement of income, balance sheet and a condensed cash flow statement) prepared in accordance with GAAP and reviewed by either the auditing firm of the Parent Guarantor as of the Original Issue Date or a member firm of a recognized firm of independent accountants, in each case together with an English translation thereof.
- (2) In addition, so long as any of the Notes remain outstanding, the Parent Guarantor will provide to the Trustee (a) within 120 calendar days after the close of each fiscal year ending after the Original Issue Date, an Officers’ Certificate stating the Fixed Charge Coverage Ratio with respect to the most recent fiscal year and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Parent Guarantor’s external auditors verifying the accuracy of the calculation and arithmetic computation; provided that, the Parent Guarantor shall not be required to provide such auditor certification if its external auditors refuse to provide such certification as a result of a policy of such external auditors not to provide such certification; and (b) as soon as possible and in any event within 30 days after the Parent Guarantor becomes aware or should reasonably become aware of the occurrence of a Default, an Officers’ Certificate setting forth the details of the Default, and the action which the Parent Guarantor proposes to take with respect thereto.

- (3) So long as any of the Notes remain outstanding, the Issuer will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Issuer's ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; provided that, if at any time the Common Stock of the Issuer ceases to be listed for trading on a recognized stock exchange, the Issuer will file with the Trustee and furnish to the Holders:
 - (a) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of the Issuer, copies of its financial statements (on a consolidated basis and in English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of an internationally-recognized firm of independent accountants; and
 - (b) as soon as they are available, but in any event within 90 calendar days after the end of the second financial quarter of the Issuer, copies of its financial statements (on a consolidated basis and in English language) in respect of such half-year period (including a statement of income, balance sheet and a condensed cash flow statement) reviewed by a member firm of an internationally-recognized firm of independent accountants.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;
- (3) default in the performance or breach of the provisions of the covenants described under "— Consolidation, Merger and Sale of Assets," the failure by the Issuer or the Parent Guarantor to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control" or "— Limitation on Asset Sales";
- (4) the Parent Guarantor or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (5) there occurs with respect to any Indebtedness of the Parent Guarantor or any Restricted Subsidiary having an outstanding principal amount of US\$10.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Parent Guarantor or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$10.0 million (or the Dollar Equivalent thereof) (in excess of amounts which the Parent

Guarantor's insurance carriers have agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

- (7) an involuntary case or other proceeding is commenced against the Parent Guarantor or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or for any substantial part of the property and assets of the Parent Guarantor or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Parent Guarantor or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Parent Guarantor or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Parent Guarantor or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or for all or substantially all of the property and assets of the Parent Guarantor or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) or (c) effects any general assignment for the benefit of creditors (other than, in each case under (b), any of the foregoing that arises from any solvent liquidation or restructuring of a Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) in the ordinary course of business that shall result in the net assets of such Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary) being transferred to or otherwise vested in the Parent Guarantor, the Issuer or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Parent Guarantor or the Issuer); or
- (9) the Parent Guarantor, any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Guarantee or, except as permitted by the Indenture, any Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Issuer (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders shall, subject to receiving indemnity and/or security and/or pre-funding to its satisfaction, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Parent Guarantor or any Significant Subsidiary (or any group of Restricted Subsidiaries that together would constitute a Significant Subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Issuer and to the Trustee may on behalf of all Holders of Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Holders of at least 25.0% in aggregate principal amount of the Notes then outstanding may, and the Trustee at the written request of such Holders shall (subject to being indemnified and/or secured and/or pre-funded to its satisfaction), pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of, premium, if any, and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to being indemnified and/or secured and/or pre-funded to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that is unclear or equivocal, or conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that is unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action that is not inconsistent with any such direction received from Holders. The Trustee shall not be required to expend its funds in following such direction if it does not believe that reimbursement or indemnity and/or security and/or pre-funding is assured to it.

A Holder of Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee indemnity and/or security satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security satisfactory to it; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the written request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note or any payment under the Parent Guarantee and the Subsidiary Guarantees, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

If the Trustee collects any money pursuant to the Indenture, it shall pay out the money in the following order:

First, to the Trustee and the Agents to the extent necessary to reimburse the Trustee and the Agents for any fees, costs and expenses incurred in connection with the collection or distribution of such amounts held or realized and in connection with carrying out its functions under the Indenture (including legal fees and expenses and indemnity payments);

Second, to the Trustee for the benefit of Holders; and

Third, any surplus remaining after such payments will be paid to the Issuer or to whomever may be lawfully entitled thereto.

Officers of the Parent Guarantor must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year ending after the Original Issue Date, that a review has been conducted of the activities of the Parent Guarantor and the Restricted Subsidiaries and the Parent Guarantor's and the Restricted Subsidiaries' performance under the Indenture and that the Parent Guarantor, the Issuer and each Subsidiary Guarantor have fulfilled all of their respective obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Parent Guarantor will also be obligated to notify the Trustee in writing of any Default or Defaults in the performance of any covenants or agreements under the Indenture. See “— Provision of Financial Statements and Reports.”

The Trustee and the Agents need not do anything to ascertain whether any Event of Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Issuer is performing all its obligations under the Indenture and the Notes unless the Trustee has received written notice of the occurrence of such event or facts establishing that the Issuer is not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to rely on Officers' Certificate regarding whether an Event of Default has occurred.

Consolidation, Merger and Sale of Assets

- (1) The Issuer will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) unless each of the following conditions is satisfied:
 - (a) the Issuer shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Issuer consolidated or merged, or that acquired or leased such property and assets (the “Issuer Surviving Person”) shall be a corporation organized and validly existing under the laws of the British Virgin Islands, the Cayman Islands, Bermuda, the PRC or Hong Kong and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Issuer under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any Taxing Jurisdiction, and the Indenture and the Notes shall remain in full force and effect;
 - (b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
 - (c) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor or the Parent Guarantor Surviving Person (as defined below), as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;
 - (d) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor or the Parent Guarantor Surviving Person, as the case may be, could incur at least US\$1.00 of Indebtedness under the proviso of paragraph (1) of the covenant described under “— Certain Covenants — Limitation on Indebtedness”;

- (e) the Issuer shall deliver to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision, that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;
 - (f) the Parent Guarantor, unless the Parent Guarantor is the Person with which the Issuer has entered into a transaction described under “— Consolidation, Merger and Sale of Assets”, shall execute and deliver a supplemental indenture to the Indenture confirming that the Parent Guarantee shall apply to the obligations of the Issuer or the Issuer Surviving Person, as the case may be, in accordance with the Notes and the Indenture;
 - (g) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Issuer has entered into a transaction described under “— Consolidation, Merger and Sale of Assets”, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Issuer or the Issuer Surviving Person, as the case may be, in accordance with the Notes and the Indenture; and
 - (h) no Rating Decline shall have occurred.
- (2) The Parent Guarantor will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of the properties and assets of the Parent Guarantor and its Restricted Subsidiaries (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) unless each of the following conditions is satisfied:
- (a) the Parent Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which the Parent Guarantor consolidated or merged, or that acquired or leased such property and assets (the “Parent Guarantor Surviving Person”) shall be a corporation organized and validly existing under the laws of the British Virgin Islands, the Cayman Islands, Bermuda, the PRC or Hong Kong and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Parent Guarantor under the Indenture and the Parent Guarantee, including the obligation to pay Additional Amounts with respect to any Taxing Jurisdiction, and the Indenture and the Parent Guarantee shall remain in full force and effect;
 - (b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
 - (c) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor or the Parent Guarantor Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;
 - (d) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor or the Parent Guarantor Surviving Person, as the case may be, could incur at least US\$1.00 of Indebtedness under the provision of paragraph (1) of the covenant described under “— Certain Covenants — Limitation on Indebtedness”;
 - (e) the Parent Guarantor shall deliver to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision, that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

- (f) each Subsidiary Guarantor, unless such Subsidiary Guarantor is the Person with which the Parent Guarantor has entered into a transaction described under “— Consolidation, Merger and Sale of Assets”, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Issuer, as the case may be, in accordance with the Notes and the Indenture; and
 - (g) no Rating Decline shall have occurred.
- (3) No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Issuer, the Parent Guarantor or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Parent Guarantor or a Subsidiary Guarantor), unless:
- (a) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger, or with or into which such Subsidiary Guarantor or JV Subsidiary Guarantor consolidated or merged, or that acquired or leased such property and assets shall be the Issuer, the Parent Guarantor, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Issuer, the Parent Guarantor or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture and the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, including the obligation to pay Additional Amounts with respect to any Taxing Jurisdiction and the Indenture, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, shall remain in full force and effect;
 - (b) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;
 - (c) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Parent Guarantor immediately prior to such transaction;
 - (d) immediately after giving effect to such transaction on a pro forma basis, the Parent Guarantor or the Parent Guarantor Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the first paragraph of the covenant under the caption “— Limitation on Indebtedness and Preferred Stock;”
 - (e) the Parent Guarantor delivers to the Trustee (x) an Officers’ Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision; and
 - (f) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to (1) any sale or other disposition that complies with the “— Limitation on Asset Sales” covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under “— The Subsidiary Guarantees — Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees” and (2) a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Issuer, the Parent Guarantor or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Issuer or such Guarantor survives such consolidation or merger.

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into any Parent Guarantor or another Subsidiary Guarantor or another JV Subsidiary Guarantor, so long as such Parent Guarantor or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Issuer or any Guarantor that may adversely affect Holders.

No Payments for Consents

The Parent Guarantor will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes, any Guarantee unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, the Parent Guarantor and its Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, the Notes, the Parent Guarantee, Subsidiary Guarantees (if any) and JV Subsidiary Guarantees (if any), to exclude Holders in any jurisdiction where (a) (i) the solicitation of such consent, waiver or amendment in the manner deemed appropriate by the Parent Guarantor, (ii) the payment of the consideration therefor or (iii) the conduct or completion of a related offer to purchase or exchange the Notes for cash or other securities in the manner deemed appropriate by the Parent Guarantor would be prohibited or would require the Parent Guarantor or any of its Subsidiaries to (A) file a registration statement, prospectus or similar document or subject the Parent Guarantor or any of its Subsidiaries to ongoing periodic reporting or similar requirements under any securities laws (including, but not limited to, the United States federal securities laws, the laws of the United Kingdom and the laws of the European Union or its member states), or conduct a bondholder identification exercise to establish the availability of an exemption from registration under Rule 802 under the Securities Act, in each case which the Parent Guarantor in its sole discretion determines would be burdensome, (B) qualify as a foreign corporation or other entity or as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (C) generally consent to service of process in any such jurisdiction or (D) subject the Parent Guarantor or any of its Subsidiaries to taxation in any such jurisdiction if it is not otherwise so subject; or (b) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes, as expressly provided for in the Indenture) as to all outstanding Notes when:

- (a) either:
 - (1) all of the Notes theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust by the Issuer and thereafter repaid to the Issuer) have been delivered to the Trustee for cancellation; or
 - (2) all Notes not theretofore delivered to the Trustee for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year, and the Issuer, the Parent Guarantor or any

Subsidiary Guarantor or JV Subsidiary Guarantor has irrevocably deposited or caused to be deposited with the Trustee funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof in an amount sufficient to pay and discharge the entire indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of such redemption or maturity, as the case may be, together with irrevocable instructions from the Issuer directing the Trustee to apply such funds to the payment thereof at such redemption or maturity, as the case may be;

- (b) the Issuer, the Parent Guarantor or any Subsidiary Guarantor or JV Subsidiary Guarantor as paid all other sums payable under the Indenture by the Issuer; and
- (c) no Default or Event of Default will have occurred and be continuing on the date of such deposit or will occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instruments to which the Issuer, the Parent Guarantor or any Subsidiary Guarantor or JV Subsidiary Guarantor is a party or by which the Issuer, the Parent Guarantor or any Subsidiary Guarantor or JV Subsidiary Guarantor is bound.

The Trustee will acknowledge the satisfaction and discharge of the Indenture if the Issuer has delivered to the Trustee an Officers' Certificate stating that all conditions precedent under the Indenture relating to the satisfaction and discharge of the Indenture have been complied with. The Trustee shall be entitled to rely on such certificate without any liability or responsibility to any person.

Defeasance

The Indenture will provide that the Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies, to pay any Additional Amounts and to hold monies for payment in trust) if, among other things:

- (1) the Issuer (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations or any combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of a recognized firm of independent accountants to the effect that the amount deposited by the Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Issuer has delivered to the Trustee an Opinion of Counsel of recognized standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Parent Guarantor or any of its Restricted Subsidiaries is a party or by which the Parent Guarantor or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Parent Guarantees, the Subsidiary Guarantees, if any, and the JV Subsidiary Guarantees, if any, will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that (i) the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (c), (d), (e)(x) and (h) under the first paragraph, clauses (c), (d), (e)(x) and (g) under the second paragraph and clauses (c), (d), (e)(x) and (f) under the third paragraph under “— Consolidation, Merger and Sale of Assets” and all the covenants described herein under “— Certain Covenants,” other than as described under “— Certain Covenants-Government Approvals and Licenses; Compliance with Law” and “— Certain Covenants-Anti-Layering,” and (ii) clause (3) under “Events of Default” with respect to clauses (c), (d), (e)(x) and (h) under the first paragraph, clauses (c), (d), (e)(x) and (g) under the second paragraph and clauses (c), (d), (e)(x) and (f) under the third paragraph under “Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in clause (i) above, clause (4) under “Events of Default” with respect to such other covenants in clause (i) above and clauses (5) and (6) under “Events of Default” shall be deemed not to be Events of Default upon, among other things, the deposit with the Trustee (or its agent), in trust, of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default

In the event that the Issuer exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Issuer will remain liable for such payments.

Amendments and Waiver

Amendments Without Consent of Holders

The Indenture, the Notes and the Notes Guarantees may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Notes Guarantees;
- (2) comply with the provisions described under “— Consolidation, Merger and Sale of Assets;”
- (3) evidence and provide for the acceptance of appointment by a successor Trustee;
- (4) add any Guarantor, or any Guarantee, or release any Guarantor from any Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) provide or add any collateral to secure the Notes or any Guarantee and create or register Liens on such collateral or enter into any intercreditor agreement to share the collateral on a *pari passu* basis or on a basis more favorable to Holders of the Notes in accordance with the Indenture;
- (7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable securities depository or clearing system;

- (9) make any other change that does not materially and adversely affect the rights of any Holder; or
- (10) conform the text of the Indenture, the Notes, the Notes Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes or the Notes Guarantees.

Amendments With Consent of Holders

The Indenture, the Notes or the Notes Guarantees may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the Holders of a majority in aggregate principal amount of the outstanding Notes may amend or waive future compliance by the Issuer, any Guarantor or any Restricted Subsidiary with any provision thereof; provided, however, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

- (1) change the Stated Maturity of the principal of, premium (if any) on, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, the Parent Guarantee, Subsidiary Guarantees and the JV Subsidiary Guarantee, if any;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release the Parent Guarantor, any Subsidiary Guarantor or JV Subsidiary Guarantor from its Parent Guarantee, Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;
- (9) amend, change or modify the Parent Guarantee, any Subsidiary Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders except as provided in the Indenture;
- (10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale, whether through an amendment or waiver of provision in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control or the event giving rise to the repurchase of the Notes under “— Certain Covenants — Limitations on Asset Sales”;
- (11) change the redemption date or the redemption price of the Notes from that stated under the caption “— Optional Redemption” or “— Redemption for Taxation Reasons;”
- (12) amend, change or modify the obligation of the Issuer, any Guarantor to pay Additional Amounts; or

- (13) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes, any Guarantee in a manner which materially and adversely affects the Holders.

Unclaimed Money

Claims against the Issuer or any Guarantor for the payment of principal of, premium, if any, or interest, on the Notes, the Parent Guarantee, the Subsidiary Guarantees or the JV Subsidiary Guarantees will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Issuer or any of the Notes Guarantors in the Indenture, or in any of the Notes or the Notes Guarantee, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Issuer, any of the Notes Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Parent Guarantee, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

Concerning the Trustee and the Agents

China Construction Bank (Asia) Corporation Limited has been appointed as Trustee under the Indenture. China Construction Bank (Asia) Corporation Limited has been appointed as note registrar (the "Note Registrar") and paying and transfer agent (the "Paying Agent" and together with the Note Registrar, the "Agents") with regard to the Notes. Except during the continuance of a Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenant or obligation shall be read into the Indenture or the Notes against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person's own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Issuer or any of the Notes Guarantors to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Parent Guarantor and its Affiliates; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign. The Trustee is entitled to enter into business transactions with the Issuer, the Parent Guarantor and any entity relating to the Issuer and/or the Parent Guarantor without accounting for any profit.

The Trustee will not be under any obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders, unless such Holders have offered to the Trustee indemnity and/or security and/or prefunding satisfactory to the Trustee against any loss, liability or expense.

Each Holder, by accepting the Notes will agree, for the benefit of the Trustee that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Indenture and the Notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Under the Indenture, the Trustee is entitled by the terms of the Notes and/or the Indenture to exercise any discretion or power, take any action, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to seek

directions from the instructing Holders and shall have been indemnified and/or provided with security and/or pre-funded to its satisfaction against all action, proceedings, claims and demands to which it may be or become liable and all costs, charges, damages expenses (including but not limited to legal fees and expenses) and liabilities which may be incurred by it in connection therewith, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions.

The Trustee shall be entitled to be indemnified and/or secured and relieved from liability or responsibility in certain circumstances and will be paid its fees, costs, expenses and indemnity payments in priority to the claims of the Holders. The Trustee will look to the interests of the Holders as a class rather than to individual Holders as regards their connection to any territory/taxing jurisdiction.

Book-Entry; Delivery and Form

The Notes will be represented by one or more global note in registered form without interest coupons attached (the “Initial Global Note”). On the Original Issue Date, the Global Note will be deposited with a common depository and registered in the name of the nominee of the common depository for the accounts of Euroclear and Clearstream. Any additional Notes will be represented by additional global notes in registered form without interest coupons attached (the “Additional Global Notes” and, together with the Initial Global Note, the “Global Notes”).

Global Notes

Ownership of beneficial interests in the Global Notes (the “book-entry interests”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depository for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Notes for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Issuer, the Notes Guarantors, the Trustee or any of the Agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Notes (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depository for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Issuer, the Parent Guarantor, the Subsidiary Guarantors, if any, and the JV Subsidiary Guarantors, if any, will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law in which case Additional Amounts shall be paid to the extent as described under “— Additional Amounts.”

Under the terms of the Indenture, the Issuer, any Guarantor, the Agents and the Trustee will treat the registered holder of the Global Notes (i.e., the common depository or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Notes Guarantors, the Trustee or any of the Agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- any action or failure to take action by Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of Global Notes

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the amount received by the common depositary, Euroclear or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Notes will be subject to the restrictions on transfer discussed under "Transfer Restrictions".

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement Under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the applicable settlement procedures. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream participants on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Issuer, the Notes Guarantors, the Trustee or any of the Agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Issuer within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Issuer has received a written request from a Holder, the Issuer will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary, Euroclear, Clearstream or the Trustee, as the case may be, the Issuer will use its reasonable best efforts to make arrangements with the common depositary for the exchange of interests in the Global Notes for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Note Registrar in sufficient quantities and authenticated by the Trustee of the Note Registrar for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Note Registrar, through the relevant clearing system, with written instruction and other information required by the Issuer and the Note Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or first-class mail (if intended for the Issuer or any Guarantor) addressed to the Parent Guarantor, (if intended for the Trustee) at the corporate trust office of the Trustee or by electronic mail addressed to the Issuer, the Notes Guarantors or the Trustee as the case may be; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Issuer and each of the Notes Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, the Parent Guarantee, any Subsidiary Guarantee or JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Notes Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"Acquired Indebtedness" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"Adjusted Treasury Rate" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after September 13, 2023, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"Affiliate" means, with respect to any Person, any other Person (1) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (2) who is

a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (1) of this definition; or (3) who is a spouse or any person cohabiting as a spouse, child or step-child, parent or step-parent, brother, sister, step-brother or step-sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew and niece of a Person described in clause (1) or (2). For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“Applicable Premium” means with respect to any Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) 100% of the principal amount of such Note on the maturity date of the Notes, plus (y) all required remaining scheduled interest payments due on such Note through September 13, 2023 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 100 basis points, over (B) the principal amount of such Note on such redemption date. Neither the Trustee nor any of the Agents is responsible for calculating or verifying the Applicable Premium.

“Asset Acquisition” means (1) an investment by the Parent Guarantor or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Parent Guarantor or any of its Restricted Subsidiaries; or (2) an acquisition by the Parent Guarantor or any of its Restricted Subsidiaries of the property and assets of any Person other than the Parent Guarantor or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Parent Guarantor or any of its Restricted Subsidiaries (other than to the Parent Guarantor or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Parent Guarantor or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Parent Guarantor or any of its Restricted Subsidiaries to any Person; provided that “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “— Limitation on Restricted Payments” covenant;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property, or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Parent Guarantor or its Restricted Subsidiaries;
- (5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant under the caption “— Consolidation, Merger and Sale of Assets”;
- (7) any sale, transfer or other disposition by the Parent Guarantor or any of its Restricted Subsidiaries, including the sale or issuance by the Parent Guarantor or any Restricted

Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Parent Guarantor or any Restricted Subsidiary or any Person that will become a Restricted Subsidiary upon the consummation of such sale, transfer or disposition; and

- (8) any grant, sale, transfer or other disposition by the Parent Guarantor or any of its Restricted Subsidiaries in options, warrants or other rights, or the exercise of such options, warrants or other rights, to acquire shares of Capital Stock of the Parent Guarantor or any Restricted Subsidiary in connection with an employee benefit plan or employee incentive scheme, so long as such scheme is in compliance with the listing rules of the Hong Kong Stock Exchange Limited;

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Average Life” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“Bank Deposit Secured Indebtedness” means Indebtedness of the Parent Guarantor or any Restricted Subsidiary that is secured by cash deposits, bank accounts or other assets of the Parent Guarantor or a Restricted Subsidiary and/or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Parent Guarantor or a Restricted Subsidiary and is used by the Parent Guarantor and its Restricted Subsidiaries to effect exchange of foreign currencies or remit money onshore or offshore.

“Board of Directors” means the board of directors elected or appointed by the stockholders of the Parent Guarantor to manage the business of the Parent Guarantor or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in the City of New York, London or Hong Kong (or in the place of business of the Paying Agent or any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person, provided that Capitalized Lease shall not include any lease liability which would have been classified as “operating lease” before the adoption of HKFRS 16.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible or exchangeable into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Parent Guarantor with or into another Person (other than one or more Permitted Holders) or the merger or amalgamation of another Person (other than one or more Permitted Holders) with or into the Parent Guarantor, or the sale of all or substantially all the assets of the Parent Guarantor to another Person (other than one or more Permitted Holders);

- (2) the Permitted Holders are collectively the beneficial owners of less than 50.1% of the total voting power of the Voting Stock of the Parent Guarantor;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Parent Guarantor greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the board of directors of the Parent Guarantor, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Parent Guarantor then in office;
- (5) the adoption of a plan relating to the liquidation or dissolution of the Parent Guarantor; or
- (6) the Issuer ceasing to be (i) a Subsidiary or (ii) a Restricted Subsidiary of the Parent Guarantor.

“Clearing System Business Day” means a day on which each of Euroclear and Clearstream are open for business.

“Clearstream” means Clearstream Banking S.A.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and include, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to September 13, 2023 that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to September 13, 2023.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three (or such lesser number as is obtained by the Parent Guarantor) Reference Treasury Dealer Quotations for such redemption date.

“Consolidated Assets” means, with respect to any Restricted Subsidiary at any date of determination, the Parent Guarantor and its Restricted Subsidiaries’ proportionate interest in the total consolidated assets of that Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Parent Guarantor and its Restricted Subsidiaries (which the Parent Guarantor shall use its reasonable efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); provided that such consolidated assets shall exclude the consolidated assets of the Issuer and any Subsidiary Guarantor which is a Subsidiary of that Restricted Subsidiary.

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense, including for the avoidance of doubt, capitalized interest included in cost of sales,

- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets) and land appreciation taxes, and
- (3) depreciation expense, amortization expense and all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period and other than losses on Investment Properties arising from fair value adjustments made in conformity with GAAP), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business and gains on Investment Properties arising from fair value adjustments made in conformity with GAAP),

all as determined on a consolidated basis for the Parent Guarantor and its Restricted Subsidiaries in conformity with GAAP; provided that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Parent Guarantor or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Parent Guarantor or any Restricted Subsidiary held by Persons other than the Parent Guarantor or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Parent Guarantor’s Capital Stock (other than Disqualified Stock) or paid to the Parent Guarantor or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Parent Guarantor and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Parent Guarantor and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person that is guaranteed by, or secured by a Lien on any asset of, the Parent Guarantor or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees and Liens on any Capital Stock of a Person that is not a Restricted Subsidiary) provided that, in the case of Indebtedness secured by a Lien on assets, the amount of accrued interest of such Indebtedness will be the lesser of (a) the book value of such assets at such date of determination, and (b) the actual amount of such accrued interest, only to the extent that such interest is actually paid by the Parent Guarantor or any Restricted Subsidiary, (7) and any capitalized interest; provided that Consolidated Interest Expense shall not include (x) interest expense arising from lease liability which would have been classified as “operating lease” before the adoption of HKFRS 16 and (y) interest expense arising from pre-sale receipts in advance from customers; and provided further that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss), of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, the Parent Guarantor’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Parent Guarantor or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Parent Guarantor’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Parent Guarantor or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Parent Guarantor or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Parent Guarantor or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary (other than the Issuer) to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Parent Guarantor or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Parent Guarantor realized on sales of Capital Stock of the Parent Guarantor or other Restricted Subsidiaries);
- (6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Parent Guarantor or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of this Consolidated Net Income calculation (but not for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio) any net after tax gains derived from direct or indirect sale by the Parent Guarantor or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available quarterly, semi-annual or annual consolidated balance sheet

(which may be an internal consolidated balance sheet) of the Parent Guarantor and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Parent Guarantor, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Parent Guarantor or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Parent Guarantor or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Parent Guarantor or such Restricted Subsidiary in connection with the development, construction or improvement of assets, real or personal property or equipment to be used in a Permitted Business by the Parent Guarantor or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

“Credit Facilities” means one or more of the facilities or arrangements with one or more banks or other lenders or institutions providing for revolving credit loans, term loans, receivables financings (including without limitation through the sale of receivables or assets to such institutions or to special purpose entities formed to borrow from such institutions against such receivables or assets or the creation of any Liens in respect of such receivables or assets in favor of such institutions), letters of credit or other Indebtedness, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders or institutions or other banks, lenders or institutions or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“Currency Hedging Agreement” means any foreign exchange forward contract, currency swap agreement, currency hedge agreement, currency option agreement or other similar agreement or arrangement designed to reduce or manage the exposure to foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer’s or the Parent Guarantor’s repurchase of such Notes as are

required to be repurchased pursuant to the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a Restricted Subsidiary from a bank that are secured by a pledge of deposits made by the Parent Guarantor or another Restricted Subsidiary to the lending bank as security for such borrowings, provided that, such borrowings are not reflected on the consolidated balance sheet of the Parent Guarantor.

“Equity Offering” means (i) any underwritten primary public offering or private placement of Common Stock of the Parent Guarantor after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Parent Guarantor beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a Person controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Parent Guarantor at the same price as the public offering or private placing price; provided that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) result in the aggregate gross cash proceeds received by the Parent Guarantor being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank SA/NV.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Exempted Subsidiary” means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation from providing a Subsidiary Guarantee or a JV Subsidiary Guarantee; provided that (x) the Parent Guarantor shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee or JV Subsidiary Guarantee, to the extent that such approval or registration is available under any applicable law or regulation and (y) such Restricted Subsidiary shall cease to be an Exempted Subsidiary immediately upon such prohibition ceasing to be in force or apply to such Restricted Subsidiary or upon the Parent Guarantor having obtained such applicable approval or registration.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized standing appointed by the Parent Guarantor.

“Financial Company Investor” means a bank, financial institution, trust company, fund management company, asset management company, financial management company or insurance company, or an Affiliate thereof, that invests in any Capital Stock of a Restricted Subsidiary.

“Fitch” means Fitch Ratings Ltd and its successors.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two semi-annual periods prior to such Transaction Date for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “Two Semi-annual Period”) to (2) the aggregate Consolidated Fixed Charges during such Two Semi-annual Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”)

commencing on and including the first day of the Two Semi-annual Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-annual Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; provided that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Parent Guarantor or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;

- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Parent Guarantor or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the four full fiscal quarter periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time. All ratios and computations contained or referred to in the Indenture shall be computed in conformity with GAAP applied on a consistent basis.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Hedging Agreement or Interest Rate Agreement.

“HKFRS” means the Hong Kong Financial Reporting Standards.

“Holder” means the Person in whose name a Note is registered in the Note register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person (for avoidance of doubt, such Indebtedness secured by a Lien on any asset of such Person will not be deemed as Indebtedness of such Person and only such Lien will be deemed as such Person’s Indebtedness); provided that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person (for avoidance of doubt, such Indebtedness Guaranteed by such Person will not be deemed as Indebtedness of such Person and only such Guarantee will be deemed as such Person’s Indebtedness);
- (8) to the extent not otherwise included in this definition, Hedging Obligations;
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends; and
- (10) any Preferred Stock issued by such Person if such Person is a Restricted Subsidiary, valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include (i) any capital commitments, deferred payment obligations, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business, or (ii) any Entrusted Loan; provided that such Indebtedness is not reflected

as borrowings on the consolidated balance sheet of the Parent Guarantor (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest; and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (2)(f) under the “Limitation on Indebtedness and Preferred Stock” covenant, and (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time due to default by such Person if not Incurred pursuant to such paragraph.

“Independent Third Party” means any Person that is not an Affiliate of the Parent Guarantor. “Initial Other Non-Guarantor Subsidiaries” means the Company’s other Restricted Subsidiaries organized outside of the PRC, any state of the United States, Japan and Singapore other than the initial Subsidiary Guarantors, unless any of such Restricted Subsidiaries has after the Original Issue Date executed a Subsidiary Guarantee or a JV Subsidiary Guarantee in accordance with the terms of the Indenture.

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person.

For the purposes of the provisions of the “Designation of Restricted and Unrestricted Subsidiaries” and “Limitation on Restricted Payments” covenants: (1) the Parent Guarantor will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Parent Guarantor’s proportional interest in the Fair Market Value of the assets (net of the Parent Guarantor’s proportionate interest in the liabilities owed to any Person other than the Parent Guarantor or a Restricted Subsidiary and that are not Guaranteed by the Parent Guarantor or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation; (2) if the Parent Guarantor or any Restricted Subsidiary of the Parent Guarantor sells or otherwise disposes of any Capital Stock of any direct or indirect Restricted Subsidiary of the Parent Guarantor such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Parent Guarantor, the Parent Guarantor will

be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Capital Stock of such Person not sold or disposed of and; (3) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody’s or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency which shall have been designated by the Company as having been substituted for Moody’s.

“Investment Property” means any property that is held by the Parent Guarantor or any Restricted Subsidiary primarily for rental yields or for capital appreciation or both, or any hotel owned or held by the Parent Guarantor or any Restricted Subsidiary from which the Parent Guarantor or any Restricted Subsidiary derives or expects to derive operating income.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor which is not a Subsidiary of another JV Subsidiary Guarantor, together with its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its subsidiaries) as of the date of the last fiscal year end of the Parent Guarantor; and (ii) a percentage equal to the direct equity ownership percentage of the Parent Guarantor and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries.

“JV Subsidiary Guarantee” has the meaning set forth under the caption “— The Subsidiary Guarantees and the JV Subsidiary Guarantees.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary any class of the Capital Stock of which is listed on a Qualified Exchange or quoted on the National Equities Exchange and Quotation System in the PRC and any Subsidiary of a Listed Subsidiary other than the Subsidiaries of the Issuer.

“Measurement Date” means October 3, 2019.

“Minority Interest Staged Acquisition Agreement” means an agreement between the Parent Guarantor and/or any Restricted Subsidiary on the one hand and an Independent Third Party on the other (x) pursuant to which the Parent Guarantor and/or such Restricted Subsidiary agrees to acquire less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock at the time the Parent Guarantor and/or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one instalment over a period of time.

“Minority Joint Venture” means any corporation, association or other business entity which is accounted for by the equity method of accounting in accordance with GAAP by the Parent Guarantor or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, including such Minority Joint Venture’s Subsidiaries.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the

extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

- (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
 - (d) appropriate amounts to be provided by the Parent Guarantor or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Guarantor Subsidiaries” has the meaning assigned to such term under the caption “—The Subsidiary Guarantees and JV Subsidiary Guarantees.”

“Note Register” means the register of Noteholders which the Parent Guarantor will procure to be kept by the Note Registrar.

“Offer to Purchase” means an offer to purchase Notes by the Issuer or the Parent Guarantor from the Holders commenced by the Issuer or the Parent Guarantor mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

- (1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Issuer or the Parent Guarantor defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the tender agent (the “Tender Agent”) at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

- (6) that Holders will be entitled to withdraw their election if the Tender Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof.

One Business Day prior to the Offer to Purchase Payment Date, the Issuer or the Parent Guarantor shall deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted for payment. On the Offer to Purchase Payment Date, the Issuer or the Parent Guarantor shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Issuer or the Parent Guarantor. The Tender Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000 in excess thereof. The Issuer or the Parent Guarantor will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Issuer or the Parent Guarantor will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Issuer or the Parent Guarantor is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Issuer or the Parent Guarantor will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Issuer or the Parent Guarantor will not be required to make an Offer to Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Issuer or the Parent Guarantor and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Parent Guarantor and its Subsidiaries which the Issuer or the Parent Guarantor in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Issuer or the Parent Guarantor to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Offering Memorandum" means the offering memorandum for the offer and sale of Notes dated September 8, 2021.

"Officer" means one of the executive officers of the Issuer or Parent Guarantor, as the case may be, or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

"Officers' Certificate" means a certificate signed by two Officers; provided, however, with respect to the Officers' Certificate required to be delivered by the Parent Guarantor or any Subsidiary Guarantor under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in the Issuer or such Guarantor at the time such certificate is required to be delivered.

“Opinion of Counsel” means a written opinion from legal counsel who is reasonably acceptable to the Trustee.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“Parent Guarantee” has the meaning set forth under “— The Parent Guarantee”.

“Pari Passu Guarantee” means a guarantee by the Issuer or any Guarantor of Indebtedness of the Issuer (including Additional Notes) or another Guarantor; provided that (1) the Issuer or such Guarantor, as the case may be, was permitted to Incur such Indebtedness under the covenant under the caption “— Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks pari passu with the Notes or any outstanding Guarantee of such Guarantor, as the case may be.

“Permitted Businesses” means any business which is the same as or related, ancillary or complementary to, or which has the aim or effect of enhancing the value or flexibility of or adding value or services to the customers in, any of the businesses of the Parent Guarantor and its Restricted Subsidiaries on the Original Issue Date.

“Permitted Holders” means any or all of the following:

- (1) Ms. Huang Yanping and Mr. Zhang Jingguo;
- (2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Persons specified in clause (1); and
- (3) the estate, trust and any immediate family member of the Persons listed in (1) or the legal representative of any of the foregoing; and
- (4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by Persons specified in clauses (1), (2) and (3).

“Permitted Investment” means:

- (1) any Investment in the Parent Guarantor or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Parent Guarantor or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) any Investment in cash or Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed to reduce or manage the exposure of the Parent Guarantor or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Parent Guarantor or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments made by the Parent Guarantor or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant under the caption “— Limitation on Asset Sales”;
- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “— Limitation on Liens”;

- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Parent Guarantor or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;
- (11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;
- (12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Parent Guarantor's consolidated balance sheet;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims, welfare and social benefits, property maintenance, unemployment insurance or other types of social security and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Parent Guarantor or any of its Restricted Subsidiaries and prepayments made in connection with the direct or indirect acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) or services by the Parent Guarantor or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person), in each case in the ordinary course of business;
- (16) Guarantees permitted under "— Limitation on Indebtedness and Preferred Stock";
- (17) any Investment by the Parent Guarantor or any Restricted Subsidiary (including without limitation any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the issuance or sale of Capital Stock of a Restricted Subsidiary) in any Person; *provided that*:
 - (i) the aggregate of all Investments made under this clause (17) since the Original Issue Date shall not exceed in aggregate an amount equal to 25.0% of Total Assets. Such aggregate amount of Investments shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (17) since the Original Issue Date resulting from:
 - (A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause (17), in each case to the Parent Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),
 - (B) the unconditional release of a Guarantee provided by the Parent Guarantor or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,
 - (C) to the extent that an Investment made after the Original Issue Date under this clause (17) is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment,
 - (D) redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries not to exceed, in each case, the amount of Investments made pursuant to this clause (17) by the Parent Guarantor or any Restricted Subsidiary after the Original Issue Date in any such Person, or

- (E) any such Person becoming a Restricted Subsidiary (whereupon all Investments made by the Parent Guarantor or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of the definition of “Permitted Investment”), not to exceed, in each case, the amount of Investments made by the Parent Guarantor or a Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (17);
- (ii) if any of the other shareholders or partners (other than the Parent Guarantor or any Restricted Subsidiary) in such Person in which such Investment was made pursuant to this clause (17) is a Person described in clauses (x) or (y) of the first paragraph of the covenant under the caption “— Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such shareholder or partner being an officer or director of the Parent Guarantor, a Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary, as the case may be, or by reason of being a Minority Joint Venture, a Restricted Subsidiary or an Unrestricted Subsidiary), such Investment shall comply with the requirements set forth under the “— Certain Covenants — Limitation on Transactions with Shareholders and Affiliates” covenant; and
- (iii) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause shall be valued at the time such Investment is made;

- (18) Repurchase of the Notes;
- (19) the purchase of Capital Stock of a Person and payments made pursuant to a Staged Acquisition Agreement;
- (20) acquisition of assets, Capital Stock or other securities by the Parent Guarantor or a Restricted Subsidiary for consideration to the extent such consideration consists solely of Capital Stock of the Parent Guarantor;
- (21) advances, prepayments or extension of credit to government authorities or government-affiliated entities, collective economic organizations, existing land or building owners, holders, occupants or lessees, or related agents in the PRC in connection with the financing of primary land development or urban redevelopment plans in the ordinary course of business that are recorded as assets in the Parent Guarantor’s balance sheet;
- (22) any Investment in a subordinated tranche of interests in a Receivable Financing with multiple tranches offered and sold to investors that, in the good faith determination of the Board of Directors, are necessary or advisable to effect such Receivable Financing;

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Parent Guarantor and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Parent Guarantor or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Parent Guarantor or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Parent Guarantor or any Restricted Subsidiary;
- (8) Liens arising from the attachment or rendering of a final judgment or order against the Parent Guarantor or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by clause (f) of the second paragraph of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";
- (11) Liens existing on the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under the caption entitled "— Limitation on Indebtedness and Preferred Stock"; provided that such Liens do not extend to or cover any property or assets of the Parent Guarantor or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) any interest or title of a lessor in the property subject to any operating lease and any Liens arising from any Capitalized Lease Obligations;
- (14) Liens securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (2)(g) of the covenant under the caption "— Limitation on Indebtedness and Preferred Stock";
- (15) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by the Parent Guarantor or any Restricted Subsidiary;

- (16) Liens (including extensions and renewals thereof) upon real or personal property of the Parent Guarantor or any Restricted Subsidiary; provided that, (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under the caption entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; provided that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Parent Guarantor (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (16) does not exceed 130% of the aggregate principal amount of Indebtedness secured by such Liens;
- (17) Liens on deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title made in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;
- (18) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims, welfare and social benefits, property maintenance, unemployment insurance or other types of social security and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;
- (19) Liens on deposits made in order to secure the performance of the Parent Guarantor or any of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights or personal property (including without limitation, Capital Stock) or services by the Parent Guarantor or any of its Restricted Subsidiaries (including, without limitation, by way of acquisition of Capital Stock of a Person) in the ordinary course of business and not securing Indebtedness of the Parent Guarantor or any Restricted Subsidiary;
- (20) Liens granted by the Parent Guarantor or a Restricted Subsidiary in favor of a Financial Company Investor in respect of, and to secure, the Indebtedness permitted under clause 2(p) of the covenant described under the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant;
- (21) Liens securing Indebtedness permitted under clause (2)(n) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (22) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement or Minority Interest Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(o) or (2)(v) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (23) Liens incurred on cash deposits, bank accounts or other assets made to secure Bank Deposit Secured Indebtedness permitted under clause (2)(q) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;

- (24) Liens securing Indebtedness permitted under clause (2)(s), (2)(u) or (2)(w) (provided that for Liens on the Capital Stock of the Issuer, such Credit Facilities permitted to incur under (2)(w) shall not include any bonds, debentures, notes or other similar debt instruments) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (25) Liens Incurred to secure Entrusted Loans;
- (26) Liens on assets of a Non-Guarantor Subsidiary securing any Permitted Subsidiary Indebtedness of any Non-Guarantor Subsidiary permitted to be Incurred under the proviso in paragraph (1) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;” and
- (27) Liens securing Indebtedness Guaranteed by the Parent Guarantor or any Restricted Subsidiary which is permitted to be Incurred under clause 2(r) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock.”

“Permitted Subsidiary Indebtedness” means Indebtedness of, and all Preferred Stock issued by, the Non-Guarantor Subsidiaries, taken as a whole; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding, without duplication, any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses 2(d), (f), (g), (m) and (o) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 20.0% of the Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“PRC” means the People’s Republic of China, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Foreign Investment Law of the People’s Republic of China adopted on January 1, 2020 and the Detailed Rules for the Regulation of Implementing the Foreign Investment Law of the People’s Republic of China adopted on January 1, 2020, as such laws and rules may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Parent Guarantor or any Restricted Subsidiary.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Public Indebtedness” means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

“Rating Agency” means Moody’s, provided that if Moody’s shall not make a rating of the Notes publicly available, an internationally recognized securities rating agency, selected by the Parent Guarantor which shall be substituted for Moody’s.

“Rating Category” means (1) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); and (2) the equivalent of any such category of Moody’s used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“1,” “2” or

“3” for Moody’s; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Moody’s, a decline in a rating from “Ba1” to “Ba2”, as well as from “Ba3” to “B1”, will constitute a decrease of one gradation).

“Rating Date” means, in connection with actions contemplated under the caption “—Consolidation, Merger and Sale of Assets”, that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means, in connection with actions contemplated under “Consolidation, Merger and Sale of Assets,” the notification by the Rating Agency that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by the Rating Agency on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (b) in the event the Notes are rated by the Rating Agency below Investment Grade on the Rating Date, the rating of the Notes by such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Receivable Financing” means any financing transaction or series of financing transactions that have been or may be entered into by the Parent Guarantor or any Restricted Subsidiary pursuant to which the Parent Guarantor or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any receivables, mortgages, royalty, other revenue streams, assets or interests therein (including without limitation, all security interests in goods financed thereby (including equipment and property), the proceeds of such receivables, and other assets which are customarily sold or in respect of which security interests are customarily granted in connection with securitization or factoring transactions involving such assets) for credit or liquidity management purposes (including discounting, securitization or factoring transactions).

“Receivable Financing Assets” means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in the City of New York, selected by the Parent Guarantor in good faith.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Parent Guarantor in good faith, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. (New York City Time) on the third Business Day preceding such redemption date.

“Restricted Subsidiary” means any Subsidiary of the Parent Guarantor other than an Unrestricted Subsidiary. For the avoidance of doubt, the Issuer is a Restricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Parent Guarantor or any Restricted Subsidiary transfers such property to another Person and the Parent Guarantor or any Restricted Subsidiary leases it from such Person.

“Securitization Fees” means distributions or payments made directly or by means of discounts with respect to any Receivable Financing Assets or participation in interest therein issued or sold in connection with and other fees paid to a Person that is not a Restricted Subsidiary in connection with any Receivable Financing.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Senior Indebtedness” of the Parent Guarantor or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Parent Guarantor or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Issuer, the Notes or (b) in respect of any Guarantor, its Guarantee of the Notes; provided that Senior Indebtedness does not include (1) any obligation to the Parent Guarantor or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

“Significant Subsidiary” means a Restricted Subsidiary, when consolidated with its Restricted Subsidiaries, that would be a “significant subsidiary” using the conditions specified in the definition of significant subsidiary in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the U.S. Securities Act, as such Regulation is in effect on the date of the Indenture, if any of the conditions exceeds 5%.

“Staged Acquisition Agreement” means an agreement between the Parent Guarantor or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Parent Guarantor or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for a consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Parent Guarantor or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time, provided that such Person is either a Restricted Subsidiary or will become a Restricted Subsidiary upon completion of the transactions under such Staged Acquisition Agreement.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Issuer, any Guarantor which is contractually subordinated or junior in right of payment to the Notes, any Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subordinated Shareholder Loan” means any unsecured Indebtedness for borrowed money Incurred by the Parent Guarantor or any Restricted Subsidiary from but only so long as such Indebtedness is owed to any Permitted Holder which (i) is expressly made subordinate to the prior payment in full of the Notes, by its terms or by the terms of any agreement or instrument pursuant to which such Indebtedness is issued, created or remains outstanding, with respect to the payment of principal and any other payment obligations in respect of such Indebtedness, (ii) by its terms (and by the terms of any security into which it is convertible or for which it is exchangeable) does not mature and is not required to be repaid, redeemed, repurchased or otherwise retired, pursuant to a sinking fund obligation, event of default or otherwise, in whole or in part, on or prior to the date that is one year after the Stated Maturity of the Notes and (iii) by its terms, does not provide for any cash payment of interest (or premium, if any).

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% or less of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person and in each case which is “controlled” and consolidated by such Person in accordance with GAAP; provided, however, that with respect to clause (ii), the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under the GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity.

“Subsidiary Guarantee” means any Guarantee of the obligations of the Issuer under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; provided that Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Surviving Person” means the Issuer Surviving Person or the Parent Guarantor Surviving Person (both as defined under “— Consolidation, Merger and Sale of Assets”), as the case may be.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally guaranteed by the United States of America, the United Kingdom, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year, which in the case of obligations of, or obligations guaranteed by the United Kingdom, any state of the European Economic Area, shall be rated at least “A” by S&P, Moody’s or Fitch;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, the United Kingdom, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Parent Guarantor) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P or Fitch;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P, Moody’s or Fitch;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with any bank, trust company or other financial institution organized under the laws of the PRC, Hong Kong or anywhere the Parent Guarantor or any Restricted Subsidiary conducts business operations; and
- (8) investment products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Parent Guarantor or any Restricted Subsidiary conducts business operations if held to maturity (which shall not be more than one year) and can be withdrawn at any time with no more than six months’ notice.

“Total Assets” means, as of any date, the total consolidated assets of the Parent Guarantor and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Parent Guarantor (which the Parent Guarantor shall use its reasonable best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided that*:

- (1) only with respect to clause (2)(h) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Parent Guarantor or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness;
- (2) only with respect to clause (2)(t) of “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant, with respect to the Incurrence of any Acquired Indebtedness as a result of any Person becoming a Restricted Subsidiary, Total Assets shall be calculated after giving pro forma effect to include the consolidated assets of such Restricted Subsidiary and any other change to the consolidated assets of the Parent Guarantor as a result of such Person becoming a Restricted Subsidiary; and
- (3) only with respect to any Person becoming an Other Non-Guarantor Subsidiary, pro forma effect shall at such time be given to the consolidated assets of such Other Non-Guarantor Subsidiary (including giving pro forma effect to any other change to the consolidated assets of the Parent Guarantor, in each case as a result of such Person becoming an Other Non-Guarantor Subsidiary).

“Trade Payables” means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services, including, without limitation, any payable, indebtedness or monetary obligation arising from any factoring or receivable financing arrangements entered into by such trade creditors with respect to such account payable, indebtedness or monetary obligation.

“Transaction Date” means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“Unrestricted Subsidiary” means (1) any Subsidiary of the Parent Guarantor that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

“U.S. Government Obligations” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“Voting Stock” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“Wholly Owned” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; provided that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain British Virgin Islands, Cayman Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, regulations, rulings and decisions in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

BRITISH VIRGIN ISLANDS

The Parent Guarantor or the Subsidiary Guarantors (if any) or JV Subsidiary Guarantors (if any) pursuant to the Parent Guarantee or the Subsidiary Guarantees (if any) or JV Subsidiary Guarantees (if any) is/are exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

Payments of principal, premium or interest in respect of the Notes to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

Capital gains realised with respect to the Notes by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Notes.

All instruments relating to transactions in respect of the Notes are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Parent Guarantor or the Subsidiary Guarantors (if any) or JV Subsidiary Guarantors (if any) pursuant to the Parent Guarantee or the Subsidiary Guarantees (if any) or JV Subsidiary Guarantees (if any) do not hold an interest in real estate in the British Virgin Islands.

CAYMAN ISLANDS

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to the Parent Guarantor or the Subsidiary Guarantors (if any) or JV Subsidiary Guarantors (if any) pursuant to the Parent Guarantee or the Subsidiary Guarantees (if any) or JV Subsidiary Guarantees (if any) or any holder of Notes.

Accordingly, payment of principal of (including any premium) and interest on, and any transfer of, the Notes will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of the Notes and gains derived from the sale of the Notes will not be subject to Cayman Islands capital gains tax.

No stamp duty is payable under the laws of the Cayman Islands in respect of the execution and issue of the Notes. However, an instrument of transfer in respect of the Notes is stampable if executed in or brought into the Cayman Islands.

HONG KONG

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the Notes) and interest in respect of the Notes or a payment on a Guarantee.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business.

Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the “Inland Revenue Ordinance”) as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the Notes where such sale, disposal or redemption is or forms part of a trade, profession or business carried on in Hong Kong.

Interest on the Notes will be subject to Hong Kong profits tax where such interest has a Hong Kong source, and is received by or accrues to:

- a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- a corporation carrying on a trade, profession or business in Hong Kong; or
- a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and such interest is in respect of the funds of the trade, profession or business.

Although no tax is imposed in Hong Kong in respect of capital gains, Hong Kong profits tax may be chargeable on trading gains arising on the sale, redemption or disposal of the Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue, redemption or transfer of the Notes as the Notes are not denominated in H.K. dollars and not redeemable in H.K. dollars.

PRC TAXATION

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains

Under the PRC EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% (or lower treaty rate, if any) must be withheld from interest or redemption premium payable to investors that are “non-resident enterprises” and that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant interest income or redemption premium is not effectively connected with the establishment or place of business, or 20% for “non-resident individuals” investors (or lower treaty rate, if any), if we are deemed to be a PRC “resident enterprise” and the interest is deemed as PRC-source income. Any gain realized on the transfer of the Notes by such “non-resident enterprises” investors would be subject to a 10%, or 20% for “non-resident individuals” investors (or lower treaty rate, if any) PRC income tax if such gain is regarded as income derived from sources within the PRC in the case that we are treated as a PRC “resident enterprise”. As advised by Commerce & Finance Law Offices, PRC legal counsel to the Initial Purchasers, there is uncertainty as to whether we will be treated as a PRC “resident enterprise” for the purpose of the EIT Law. See “Risk Factors — Risks Relating to the Notes — Under the EIT Law we may be classified as a “resident enterprise” of the PRC, which could result in unfavorable tax consequences to us and our non-PRC holders of the Notes.” If we are treated as a PRC “resident enterprise,” the interest we pay in respect of the Notes, and the gain any investor may realize from the transfer of the Notes, might be treated as income derived from sources within the PRC and be subject to PRC income tax.

To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allows a lower rate of tax, such lower rate may apply to qualified investors in the Notes. However, it is unclear whether, if we are considered a PRC “resident enterprise,” holders of our Notes might be able to obtain the benefit of income tax treaties or agreements entered into between China and other countries or areas.

Stamp duty

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside the PRC) of a Note.

Value Added Tax

On March 23, 2016, the MOF and the SAT issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (關於全面推開營業稅改徵增值稅試點的通知) (the “Circular 36”) which confirms that business tax was replaced by value-added tax from May 1, 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, value added tax.

According to Circular 36 Notice, the entities and individuals providing the services within the PRC shall be subject to VAT. The services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. The services subject to value-added tax include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the “loans” refers to the activity of lending capital for another’s use and receiving the interest income thereon. Based on the definition of “loans” under Circular 36, the issuance of Notes is likely to be treated as the holders of the Notes providing loans to us, which thus shall be regarded as financial services subject to the value-added tax.

It is not clear from the interpretation of Circular 36 if the provision of loans to us could be considered services provided within the PRC, which could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that we will not be treated as “resident enterprises” under the EIT Law. PRC tax authorities could take the view that the holders of the Notes are providing loans within the PRC because we are treated as a PRC tax resident. In such case, the issuance of the Notes could be regarded as the provision of financial services within the PRC that is subject to VAT.

If we are treated as a PRC tax resident and if PRC tax authorities take the view that the holders of the Notes are providing loans within the PRC, the holders of the Notes shall be subject to the value-added tax at the rate of 6% when receiving the interest payments under the Notes. In addition, the holders of the Notes shall be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%. Any PRC VAT on interest payment may be withheld by us.

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

The above statements may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. Accordingly, there is uncertainty as to the application of Circular 36.

PLAN OF DISTRIBUTION

Guotai Junan Securities (Hong Kong) Limited, BOCOM International Securities Limited, CCB International Capital Limited, Dongxing Securities (Hong Kong) Company Limited, Haitong International Securities Company Limited, Sheng Yuan Securities Limited, DL Securities (HK) Limited and Zhongtai International Securities Limited are acting as the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated September 8, 2021, each Initial Purchaser named below has severally but not jointly agreed to purchase, and we have agreed to sell to such Initial Purchaser, the principal amount of the Notes set forth opposite such Initial Purchaser's name.

Initial Purchaser	Principal Amount of Notes
Guotai Junan Securities (Hong Kong) Limited	US\$9,580,000
BOCOM International Securities Limited	US\$15,000,000
CCB International Capital Limited	US\$15,000,000
Dongxing Securities (Hong Kong) Company Limited	US\$2,000,000
Haitong International Securities Company Limited	US\$2,000,000
Sheng Yuan Securities Limited	US\$10,000,000
DL Securities (HK) Limited	US\$2,000,000
Zhongtai International Securities Limited]	US\$2,000,000
Total	US\$57,580,000

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to certain other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum only outside the United States in offshore transactions in reliance on Regulation S. See "Transfer Restrictions." The price at which the Notes are offered may be changed at any time without notice.

The Notes and the Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

In addition, the Issuer has agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the Notes by their private bank clients.

During the period beginning on the date hereof and continuing to the date that is 15 days after the date on which the Notes are issued, without the prior written consent of the Initial Purchasers, none of the Issuer and the Parent Guarantor will, directly or indirectly, issue, sell, offer or agree to sell, pledge, grant any option to purchase, make a short sale or otherwise dispose of, any other debt securities of the Issuer or the Parent Guarantor or debt securities guaranteed by the Issuer or the Parent Guarantor or securities of the Issuer or the Parent Guarantor that are convertible into, or exchangeable for, the Securities or such other debt securities.

The Notes will constitute a new class of securities with no established trading market. Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Notes by way of debt issues to professional investors only. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, the Initial Purchasers are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

In connection with the offering of the Notes, the Initial Purchasers may engage in stabilizing transactions, syndicate covering transactions and penalty bids to the extent permitted by applicable laws and regulations. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchase of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a dealer when the Notes originally sold by such dealer are purchased in a stabilizing transaction or a covering transaction to cover short positions. Neither we nor the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither we nor the Initial Purchasers makes any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We expect to deliver the Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the third business day following the date of the pricing of the Notes. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally settle in two business days; purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in "T + 3", to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the next succeeding business day should consult their own advisor.

The Initial Purchasers or their affiliates have performed commercial banking, investment banking or advisory services for us from time to time for which they have received customary fees and reimbursement of expenses. The Initial Purchasers or their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of business for which they may receive customary fees and reimbursement of expenses. We may enter into hedging or other derivative transactions as part of our risk management strategy with one or more of the Initial Purchasers, which may include transactions relating to our obligations under the Notes, all to the extent permitted under the Indenture. Our obligations under these transactions may be secured by cash or other collateral to the extent permitted under the Indenture.

In connection with this offering of the Notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up Notes in the offering, but not with a view to distribute, and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the Notes. Accordingly, references herein to the Notes being offered should be read as including any offering of the Notes to the Initial Purchasers and/or their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

We and the Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make because of any of those liabilities.

SELLING RESTRICTIONS

General

No action has been taken or will be taken in any jurisdiction by the Company or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

EEA

Prohibition of sales to EEA retail investors

The Notes may not be offered, sold or otherwise made available 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:

- (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United States

The Notes and the Guarantees have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See “Transfer Restrictions.” The Notes and the Guarantees are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

In addition, until 40 days after the commencement of this offering, an offer or sale of the Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act or pursuant to another exemption from registration under the Securities Act.

United Kingdom

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) in connection with the issue or sale of the Notes may only be communicated or caused to be communicated in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Notes Guarantors.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the Notes in, from or otherwise involving the United Kingdom.

Prohibition of sales to UK Retail Investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (EUWA); or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

Hong Kong

The Notes may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong

Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948) (as amended) (the “FIEL”), and disclosure under the FIEL has not been made with respect to the Notes. Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the account of, any resident of Japan, or to others for re-offering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to any exemption from the registration requirements of the FIEL and otherwise in compliance with the FIEL and other applicable provisions of Japanese laws and regulations. As used in this paragraph, “resident of Japan” means any person residing in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

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

PRC

The Initial Purchasers have acknowledged that this offering memorandum does not constitute a public offer of the Notes, whether by way of sale or subscription, in the PRC. Each of the Initial Purchasers has severally represented and agreed that, except to the extent consistent with applicable laws and regulations in the PRC, the Notes are not being offered and may not be offered or sold, directly or indirectly, in the PRC to or for the benefit of, legal or natural persons of the PRC. According to the laws and regulatory requirements in the PRC, with the exception to the extent consistent with applicable laws and regulations in the PRC, the Notes may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

British Virgin Islands

Each of the Initial Purchasers has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Notes and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

This Offering Memorandum does not constitute, and there will not be, an offering of the Notes to any person in the British Virgin Islands.

Cayman Islands

Each of the Initial Purchasers has represented, warranted and agreed that it has not made and will not make any invitation, whether directly or indirectly, to the public in the Cayman Islands to offer or sell the Notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes, including the Guarantees (collectively, the “Securities”).

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Securities, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
 - the Securities have not been registered under the Securities Act or any other applicable securities laws;
 - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
 - the Securities are being offered and sold only outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
 - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Securities in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Securities, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act.
5. You also acknowledge that each note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

6. You acknowledge that we, the Initial Purchasers, the Trustee, the Agents and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Securities is no longer accurate, you will promptly notify us and the Initial Purchasers. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

RATINGS

The Notes are expected to be rated B3 by Moody's. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Notes. The ratings do not constitute recommendations to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. Each such rating should be evaluated independently of any other rating on the Notes, on other securities of ours, or on us. Additionally, we have been assigned a long-term corporate credit rating of B2 with a stable outlook by Moody's. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Sidley Austin as to matters of Hong Kong, United States federal and New York law and Commerce and Finance Law Offices as to matters of PRC law. Certain legal matters will be passed upon for the Initial Purchasers by Davis Polk & Wardwell as to matters of United States federal and New York law and Jingtian & Gongcheng as to matters of PRC law.

INDEPENDENT AUDITOR

The Parent Guarantor's consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 and the Issuer's consolidated financial statements as of and for the years ended December 31, 2018, 2019 and 2020 included in this offering memorandum have been audited by Ernst & Young, certified independent accountants, as stated in their reports appearing herein. The consolidated financial information as of and for the years ended December 31, 2018, 2019 and 2020 of the Parent Guarantor and the Issuer included in this offering memorandum have been reviewed by Ernst & Young, certified independent accountants, as stated in their reports appearing herein.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the BVI, Hong Kong and Cayman Islands in connection with the issue and performance of the Notes and the Notes Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by a resolution of our board of directors and the board of directors of the Issuer dated August 30, 2021.

LITIGATION

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the Notes or the Notes Guarantees.

NO MATERIAL ADVERSE CHANGE

Except as otherwise disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2020 that is material in the context of the issue of the Notes or the Notes Guarantees.

LISTING

Application will be made to the SEHK for the listing of the Notes by way of debt issues to Professional Investors only as described in this offering memorandum. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the correctness of any statements made on opinions or reports contained in this offering memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this offering memorandum.

DOCUMENTS AVAILABLE

For so long as any of the Notes is outstanding, upon prior written request and satisfactory proof of holding, copies of the Indenture may be inspected during normal business hours on any weekday (except public holidays) at the specified offices of the Paying Agent.

For so long as any of the Notes is outstanding, upon prior written request and satisfactory proof of holding, copies of the independent auditor's reports and/or review report and/or our published financial statements, if any, including the independent auditor's reports and/or review report set out in the section entitled "Index to Financial Information" in this offering memorandum, may be obtained during normal business hours on any weekday (except public holidays) at the specified offices of the Paying Agent.

CLEARING SYSTEMS AND SETTLEMENT

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

ISIN	XS2382158207
Common Code	238215820

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Note:

- (1) *The audited consolidated financial statements of the Issuer set forth herein have been reproduced from the Issuer’s annual report for the year ended December 31, 2020 and page references are references to pages set forth in such annual report.*
- (2) *The audited consolidated financial statements of the Issuer set forth herein have been reproduced from the Issuer’s annual report for the year ended December 31, 2019 and page references are references to pages set forth in such annual report.*



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Independent auditor's report
To the Shareholder of Zensun Group Limited
(Incorporated in the British Virgin Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Zensun Group Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 3 to 89, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the director for the consolidated financial statements

The director is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the director determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the director is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent auditor's report (continued)
To the Shareholder of Zensun Group Limited
(Incorporated in the British Virgin Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young
Certified Public Accountants
Hong Kong
30 April 2021

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	15,063,150	26,560,404
Cost of sales		<u>(11,290,580)</u>	<u>(18,192,812)</u>
Gross profit		3,772,570	8,367,592
Other income	5	99,234	55,339
Other gains and losses, net	6	(81,323)	74,451
Administrative expenses		(426,681)	(457,736)
Sales and marketing expenses		(273,222)	(280,402)
Finance costs	7	<u>(316,275)</u>	<u>(418,195)</u>
PROFIT BEFORE TAX	8	2,774,303	7,341,049
Income tax expense	9	<u>(1,000,755)</u>	<u>(3,181,602)</u>
PROFIT FOR THE YEAR		<u>1,773,548</u>	<u>4,159,447</u>
Attributable to:			
Owners of the Company		1,559,039	3,861,748
Non-controlling interests		<u>214,509</u>	<u>297,699</u>
		<u>1,773,548</u>	<u>4,159,447</u>

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
PROFIT FOR THE YEAR	<u>1,773,548</u>	<u>4,159,447</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	393,489	30,758
Reclassification adjustments of exchange reserve for subsidiaries disposed of	<u>4,634</u>	<u>129</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	<u>3,150</u>	<u>-</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>401,273</u>	<u>30,887</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>2,174,821</u></u>	<u><u>4,190,334</u></u>
Attributable to:		
Owners of the Company	1,895,916	3,884,368
Non-controlling interests	<u>278,905</u>	<u>305,966</u>
	<u><u>2,174,821</u></u>	<u><u>4,190,334</u></u>

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000
NON-CURRENT ASSETS			
Investment in a joint venture	11	295,703	296,370
Investment in an associate	12	14,772	18,179
Equity investments designated at fair value through other comprehensive income (“FVOCI”)	13	185,747	62,000
Property, plant and equipment	14	142,701	119,693
Investment properties	15	624,941	727,031
Intangible assets	16	2,897	4,472
Deposits and prepayments paid for land acquisitions	21	-	351,018
Pledged deposits	18	27,935	22,525
Right-of-use assets	17	-	5,246
Deferred tax assets	29	850,947	659,218
		<u>2,145,643</u>	<u>2,265,752</u>
TOTAL non-current assets			
CURRENT ASSETS			
Completed properties held for sale	19	11,905,797	10,673,330
Properties under development	20	56,993,523	48,702,175
Deposits and prepayments paid for land acquisitions	21	3,158,948	2,616,028
Amounts due from related companies	26	715,744	156,415
Accounts receivable, other receivables and other assets	22	8,079,280	9,901,745
Financial assets at fair value through profit or loss (“FVPL”)	23	550,434	486,479
Prepaid income tax and tax recoverable		2,093,684	1,777,290
Pledged deposits	18	1,769,777	3,152,091
Restricted bank balances	18	823,330	1,221,422
Cash and cash equivalents	18	3,488,063	6,112,303
		<u>89,578,580</u>	<u>84,799,278</u>
TOTAL current assets			
CURRENT LIABILITIES			
Accounts payable, deposits received and accruals	24	16,118,724	11,462,409
Contract liabilities	25	36,378,551	32,597,844
Amounts due to related companies	27	3,023,047	4,430,648
Lease liabilities	17	-	1,871
Bank and other borrowings	28	7,802,238	9,791,674
Tax liabilities		1,285,803	1,581,606
		<u>64,608,363</u>	<u>59,866,052</u>
TOTAL current liabilities			
NET CURRENT ASSETS		<u>24,970,217</u>	<u>24,933,226</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>27,115,860</u>	<u>27,198,978</u>

continued/...

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2020

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000
NON-CURRENT LIABILITIES			
Rental deposits received	24	4,866	7,010
Lease liabilities	17	-	3,695
Bank and other borrowings	28	9,533,563	12,690,358
Deferred tax liabilities	29	95,276	114,077
		<u>9,633,705</u>	<u>12,815,140</u>
Total non-current liabilities			
		<u>9,633,705</u>	<u>12,815,140</u>
Net assets		<u>17,482,155</u>	<u>14,383,838</u>
EQUITY			
Equity attributable to owners of the Company			
Reserves	30	15,472,120	13,576,210
		<u>15,472,120</u>	<u>13,576,210</u>
Non-controlling interests		2,010,035	807,628
		<u>2,010,035</u>	<u>807,628</u>
Total equity		<u>17,482,155</u>	<u>14,383,838</u>

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Zhang Jingguo
Director

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the Company							Total equity RMB'000	
	Capital and other reserve* RMB'000 (note 30)	Merger reserve* RMB'000 (note 30)	PRC** statutory reserve* RMB'000 (note 30)	Property revaluation reserve* RMB'000 (note 30)	Exchange reserve* RMB'000 (note 30)	Retained profits* RMB'000	Total RMB'000		Non- controlling interests RMB'000
At 1 January 2019	172	98,119	144,836	8,032	(128,828)	9,558,418	9,680,749	510,755	10,191,504
Profit for the year	-	-	-	-	-	3,861,748	3,861,748	297,699	4,159,447
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	22,524	-	22,524	8,234	30,758
Reclassification adjustments of exchange reserve for foreign subsidiaries disposed of	-	-	-	-	96	-	96	33	129
Total comprehensive income for the year	-	-	-	-	22,620	3,861,748	3,884,368	305,966	4,190,334
Transfer to PRC statutory reserve	-	-	149,918	-	-	(149,918)	-	-	-
Acquisition of non-controlling interests	11,093	-	-	-	-	-	11,093	(13,093)	(2,000)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	4,000	4,000
At 31 December 2019	11,265	98,119	294,754	8,032	(106,208)	13,270,248	13,576,210	807,628	14,383,838

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2020

	Attributable to owners of the Company									
	Capital and other reserve* RMB'000 (note 30)	Merger reserve* RMB'000 (note 30)	PRC** statutory reserve* RMB'000 (note 30)	Property revaluation reserve* RMB'000 (note 30)	Exchange reserve* RMB'000 (note 30)	Fair value reserve of equity investments designated at FVOCI* RMB'000 (note 30)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	11,265	98,119	294,754	8,032	(106,208)	-	13,270,248	13,576,210	807,628	14,383,838
Profit for the year	-	-	-	-	-	-	1,559,039	1,559,039	214,509	1,773,548
Other comprehensive income for the year:										
Change in fair value of equity investments designated at FVOCI, net of tax	-	-	-	-	-	3,150	-	3,150	-	3,150
Exchange differences on translation of foreign operations	-	-	-	-	330,391	-	-	330,391	63,098	393,489
Reclassification adjustments of exchange reserve for subsidiaries disposed of	-	-	-	-	3,336	-	-	3,336	1,298	4,634
Total comprehensive income for the year	-	-	-	-	333,727	3,150	1,559,039	1,895,916	278,905	2,174,821
Transfer to PRC statutory reserve	-	-	97,755	-	-	-	(97,755)	-	-	-
Transfer of property revaluation reserve	-	-	-	(8,032)	-	-	8,032	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	(64,972)	(64,972)
Acquisition of non-controlling interests	(6)	-	-	-	-	-	-	(6)	(5,994)	(6,000)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	-	994,219	994,219
Disposal of a subsidiary	-	-	-	-	-	-	-	-	249	249
At 31 December 2020	11,259	98,119	392,509	-	227,519	3,150	14,739,564	15,472,120	2,010,035	17,482,155

* These reserve accounts comprise the consolidated reserves of RMB15,472,120,000 (2019: RMB13,576,210,000) in the consolidated statement of financial position as at 31 December 2020.

** PRC refers to People's Republic of China. For the purposes of these financial statements only, except where the context specifies otherwise, references to Mainland China or the PRC exclude Hong Kong, Macau and Taiwan.

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,774,303	7,341,049
Adjustments for:			
Fair value gain on financial assets at FVPL	6	(7,965)	(81,514)
Fair value loss/(gain) on investment properties	6	33,511	(4,614)
(Gain)/loss on disposal of a subsidiary	6	(99,554)	6,815
Share of losses of a joint venture and an associate	6	4,074	5,310
Dividend income from financial assets at FVPL	6	-	(1,928)
Impairment losses on accounts receivable and other receivables	6	-	777
Write-down of properties under development to net realisable value	6	150,000	-
Loss on disposal of property, plant and equipment	6	-	1
Depreciation of property, plant and equipment	8	9,307	9,756
Amortisation of intangible assets	8	1,575	1,649
Depreciation of right-of-use assets	8	819	1,641
Interest income	5	(83,914)	(50,921)
Finance costs	7	316,275	418,195
		<u>3,098,431</u>	<u>7,646,216</u>
Decrease in inventories		-	60
Decrease/(increase) in accounts receivable, deposits and prepayments		1,831,326	(800,615)
Decrease/(increase) in restricted bank deposits		398,092	(168,076)
Increase in properties under development		(4,811,022)	(1,166,957)
Increase in completed properties held for sale		(1,229,142)	(2,949,020)
(Increase)/decrease in deposits paid for land acquisitions		(191,902)	3,318,818
Increase in accounts payable, deposits received and accruals		2,693,465	3,206,279
(Decrease)/increase in contract liabilities		<u>3,184,462</u>	<u>(5,070,426)</u>
Cash from operating activities		4,973,710	4,016,279
Tax paid		<u>(1,820,883)</u>	<u>(1,796,657)</u>
Net cash flows from operating activities		<u>3,152,827</u>	<u>2,219,622</u>

continued/...

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		74,386	50,921
Purchases of items of property, plant and equipment		(5,152)	(14,836)
Purchases of intangible assets		-	(48)
Proceeds from disposal of investment properties		3,220	7,751
Proceeds from disposal of property, plant and equipment		-	1
Net cash inflows of disposal of a subsidiary	31	99,758	-
Proceeds from recovery of a debt investment at amortised cost		-	315,069
Purchases of financial assets at FVPL		(119,459)	(69,805)
Purchases of financial assets at fair value through OCI		(122,597)	(30,000)
Proceeds from disposal of financial assets at FVPL		43,544	4,783
Net cash flows (used in)/from investing activities		<u>(26,300)</u>	<u>263,836</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings raised		4,839,055	14,433,882
Repayments of bank and other borrowings		(9,737,033)	(10,672,254)
Release of pledged deposits		2,351,901	145,875
Placement of pledged deposits		(974,997)	(1,229,925)
Interest paid		(1,728,519)	(1,459,670)
Dividends paid to non-controlling shareholders		(64,972)	-
Repayments to related companies		(1,737,787)	(7,459,576)
Advances from related companies		330,186	8,204,913
Principal portion of lease payments	36(a)	(729)	(1,325)
Acquisition of non-controlling interests		(6,000)	(2,000)
Capital contributions from non-controlling shareholders		994,219	4,000
Net cash flows (used in)/from financing activities		<u>(5,734,676)</u>	<u>1,963,920</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<u>(2,608,149)</u>	<u>4,447,378</u>
Cash and cash equivalents at beginning of year		6,112,303	1,653,777
Effect of foreign exchange rate changes, net		<u>(16,091)</u>	<u>11,148</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	<u>3,488,063</u>	<u>6,112,303</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	18	<u>3,488,063</u>	<u>6,112,303</u>

31 December 2020

1. CORPORATE INFORMATION

Zensun Group Limited (the “Company”) is a limited liability company incorporated in the British Virgin Islands (“BVI”) on 16 July 2018. The registered office of the Company is located at the office of Vistra Corporate Services Centre, with the registered address of Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin islands. The ultimate holding company of the Company is Vistra Trust (Singapore) Pte Limited, a private limited liability company incorporated in Singapore, acting as a trustee of a discretionary trust which is set up by Ms. Huang Yanping (“Ms. Huang”). Ms. Huang is the settlor and protector of the discretionary trust. Mr. Zhang Jingguo (“Mr. Zhang”), the director of the Company, is the spouse of Ms. Huang.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 41. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

During the year, the Group was involved in the following principal activities:

- Property development
- Property management services
- Property investment
- Securities trading and investment

In the opinion of the director, the Company’s controlling shareholder is Ms. Huang.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss and equity investments designated at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

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2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the “Conceptual Framework”) sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below: (continued)

- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. During the year ended 31 December 2020, no rent concessions were granted by the lessors arising from the COVID-19 pandemic. The amendments did not have any significant impact on the financial position and performance of the Group.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i> ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform - Phase 2</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{3,6}
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> ^{3,5}
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i> ²
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i> ²
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁶ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate and a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's investments in the associate or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate or a joint venture is included as part of the Group's investments in an associate or a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties, financial assets at fair value through profit or loss and financial assets at equity investments designated at fair value through other comprehensive income at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period .

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Land and buildings and a hotel	Over the shorter of the lease terms and 2%
Leasehold improvements	Over the shorter of the lease terms and 6.67% to 20%
Furniture, office equipment and motor vehicles	19% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” for owned property and/or accounts for such property in accordance with the policy stated under “Right-of-use assets” for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	5 to 10 years
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Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Offices	3 to 5 years
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When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its applicable incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of offices and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, equity investments designated at fair value through other comprehensive income and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, amounts due to related companies, lease liabilities, bank and other borrowings and financial liabilities included in other payables, deposits received and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities is as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue is measured at the fair value of the consideration received or receivable for the sale of properties and services provided in the ordinary course of the Group's activities. Revenue is shown net of taxes.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sales of properties

Revenue from sales of properties in the ordinary course of business is recognised at a point in time when the purchaser obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

(b) Property management services

Revenue from the provision of property management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Hotel operations

Revenue from hotel operations is recognised when the relevant services are provided.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Retirement benefit scheme and pension scheme

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Schemes Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees’ relevant income from the Group and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a pension scheme (the “Pension Scheme”) operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the Pension Scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

The Company's functional currency is Hong Kong dollars. These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group’s net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain Hong Kong and overseas subsidiaries are currencies other than the RMB, including Hong Kong dollars (“HK\$”), United States dollars (“USD”), Singapore dollars (“SGD”) and Japanese Yen (“JPY”). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statement of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax on investment properties

For the purposes of measuring deferred taxes arising from investment properties that are using the fair value model, the director of the Company has reviewed the Group's investment property portfolios and concluded that the Group's investment properties - senior housing communities located in the United States of America (the "USA") - are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale whereas those situated in Hong Kong, Singapore, the PRC and residential homes located in the USA are not held under such a business model. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is rebutted for properties of senior housing communities but is not rebutted for properties located in Hong Kong, Singapore, the PRC and residential homes located in the USA. The Group has not recognised any deferred taxes on changes in fair value of these investment properties located in Hong Kong and Singapore as the Group is not subject to any income taxes on disposal of these investment properties.

Deferred tax on withholding taxes

Deferred tax liabilities are recognised for withholding corporate income taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The amount of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries established in the PRC for the year ended 31 December 2020 was RMB75,745,000 (31 December 2019: 95,000,000). Further details are contained in note 29 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on accounts receivable and other receivables

The Group uses a provision matrix to calculate ECLs for accounts receivable and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The expected loss rate is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's accounts receivable and other receivables is disclosed in note 22 to the financial statements.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2020 was RMB624,941,000 (2019: RMB727,031,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. An intangible asset not yet available for use is tested for impairment annually and at other times when such an indicator exists. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2020 was RMB133,508,000 (2019: RMB80,451,000). The amount of unrecognised tax losses at 31 December 2020 was RMB1,204,544,000 (2019: RMB1,119,758,000). Further details are contained in note 29 to the financial statements.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)*Net realisable value assessment of properties under development and completed properties held for sale*

The Group carried out assessment on net realisable value of properties under development and completed properties held for sale at the end of each reporting period and compared the costs and its net realisable value. The net realisable value is the estimated future selling price less estimated cost of completion or the estimated costs necessary to make the sale (if any). The estimated future selling prices are estimated by management with reference to the Group's pre-sale selling prices and the recent selling prices of similar properties in the nearby or relevant locations. The management also estimated the future selling expenses and the expected costs to completion by reference to the actual selling expenses of the Groups' completed projects, adjusted by certain current market data, the legal and regulating framework and general market conditions. The Group's properties under development and completed properties held for sale are all situated in the PRC, details of which are set out in the consolidated statement of financial position and notes 20 and 19 to the financial statements. At 31 December 2020, the carrying amounts of properties under development and completed properties held for sale were approximately RMB56,993,523,000 (2019: RMB48,702,175,000) and RMB11,905,797,000 (2019: RMB10,673,330,000), respectively, which are expected to be recovered through future sales and stated at the lower of cost and net realisable value. The Group carried out assessment on net realisable value at the end of the reporting period and recognised RMB150,000,000 (2019: Nil) of the write-down for properties under development for the year end 31 December 2020. When there is any decrease in the net realisable value of the properties and it is lower than the cost of the properties, loss will be recognised on the properties under development and completed properties held for sale in the consolidated statement of profit or loss.

Contingent liabilities

As at 31 December 2020, the Group had contingent liabilities relating to guarantees amounting to approximately RMB39,903,708,000 (2019: RMB40,705,000,000) in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyers of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the director of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2020 as the default risk is low and in case of default in payments, the net realisable of the related properties can cover the outstanding principal together with the accrued interest and penalties. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

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4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) Property development in the PRC
- (b) Property investment and management in the USA in American Housing REIT, Inc. (“AHR”) and property management provided to Global Medical REIT, Inc. (“GMR”)
- (c) Property investment other than AHR
- (d) Securities trading and investment

The Group has property investment and/or management businesses in Hong Kong, the USA, the PRC and Singapore. Other than AHR which operates in the USA, the property investment businesses in other regions are evaluated together and assessed as one operating segment by the management.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that certain other gains and losses, corporate and unallocated income and expenses (including unallocated finance costs) are excluded from this measurement.

Following the disposal of a subsidiary engaging in the property management business in the USA during the year, the Group no longer provided property management services to and received management fee income from GMR.

Segment assets exclude deferred tax assets, unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax liabilities and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

ZENSUN GROUP LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and segment results

	Segment revenue		Segment results	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Property development in the PRC	14,991,914	26,467,232	2,715,623	7,270,747
Property investment and management on AHR and property management provided to GMR in the USA	44,411	59,947	111,556	18,031
Property investment other than AHR	10,531	12,340	(27,291)	1,788
Securities trading and investment	16,294	15,856	7,934	95,029
Hotel operations	-	5,029	-	(7,920)
	<u>15,063,150</u>	<u>26,560,404</u>	2,807,822	7,377,675
Unallocated corporate income			882	8,406
Other gains and losses			(1,355)	3,566
Unallocated corporate expenses			(24,401)	(21,545)
Unallocated finance costs			(8,645)	(27,053)
Profit before tax			<u>2,774,303</u>	<u>7,341,049</u>

ZENSUN GROUP LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

4. OPERATING SEGMENT INFORMATION (continued)

	2020 RMB'000	2019 RMB'000
<i>Segment assets</i>		
Property development in the PRC	89,628,019	84,006,104
Property investment and management on AHR and property management provided to GMR in the USA	210,755	275,257
Property investment other than AHR	375,026	461,792
Securities trading and investment	325,098	353,946
Hotel operations	-	60,339
Segment assets	<u>90,538,898</u>	<u>85,157,438</u>
Unallocated assets	<u>1,185,325</u>	<u>1,907,592</u>
Total assets	<u><u>91,724,223</u></u>	<u><u>87,065,030</u></u>
<i>Segment liabilities</i>		
Property development in the PRC	71,220,135	69,283,720
Property investment and management on AHR and property management provided to GMR in the USA	82,514	110,323
Property investment other than AHR	<u>126,071</u>	<u>136,961</u>
Segment liabilities	71,428,720	69,531,004
Unallocated liabilities	<u>2,813,348</u>	<u>3,150,188</u>
Total liabilities	<u><u>74,242,068</u></u>	<u><u>72,681,192</u></u>

ZENSUN GROUP LIMITED
 NOTES TO FINANCIAL STATEMENTS

31 December 2020

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 December 2020

	Property development in the PRC RMB'000	Property investment and management on AHR and property management provided to GMR in the USA RMB'000	Property investment other than AHR RMB'000	Securities trading and investment RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Additions to investment properties and property, plant and equipment	4,112	434	-	-	4,546	606	5,152
Depreciation of property, plant and equipment	9,089	258	10	-	9,357	1,240	10,597
Depreciation of right-of-use assets	-	819	-	-	819	-	819
Gain on disposal of a subsidiary	-	99,554	-	-	99,554	-	99,554
Fair value loss on investment properties	-	4,578	28,933	-	33,511	-	33,511
Fair value gain on financial assets at FVPL	-	-	-	7,965	7,965	-	7,965
Write-down of properties under development to net realisable value	150,000	-	-	-	150,000	-	150,000

ZENSUN GROUP LIMITED

NOTES TO FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2019

	Property development in the PRC RMB'000	Property investment and management on AHR and property management provided to GMR in the USA RMB'000	Property investment other than AHR RMB'000	Securities trading and investment RMB'000	Hotel operations RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Additions to investment properties and property, plant and equipment	41,950	1,022	-	-	62,318	105,290	8	105,298
Depreciation of property, plant and equipment	9,173	376	14	-	2,051	11,614	298	11,912
Depreciation of right-of-use assets	-	1,641	-	-	-	1,641	-	1,641
Impairment losses on accounts receivable and other receivables	-	777	-	-	-	777	-	777
Loss on disposal of a subsidiary	-	-	-	-	6,815	6,815	-	6,815
Fair value gain/(loss) on investment properties	2,364	3,347	(1,097)	-	-	4,614	-	4,614
Fair value gain on financial assets at FVPL	-	-	-	81,514	-	81,514	-	81,514

31 December 2020

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

	Revenue from external customers		Non-current assets	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
The PRC	14,994,124	26,471,411	488,713	850,357
The USA	52,053	76,187	207,856	237,596
Singapore	13,633	7,629	281,537	314,912
Hong Kong	3,340	2,100	102,908	119,144
Japan	-	3,077	-	-
	<u>15,063,150</u>	<u>26,560,404</u>	<u>1,081,014</u>	<u>1,522,009</u>

The geographical locations of revenue from external customers are based on the geographical markets of the customers, locations of properties and investments. The geographical locations of the non-current assets, excluding deferred tax assets and financial instruments, are based on the geographical locations of the assets.

Information about major customers

During the year ended 31 December 2020, there was no single customer from which 10% or more of the Group's total revenue was derived.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
<i>Revenue from contracts with customers</i>		
Sales of properties in the PRC	14,991,914	26,467,232
Property management services	27,742	43,252
Hotel operations	-	5,029
	<u>15,019,656</u>	<u>26,515,513</u>
<i>Revenue from other sources</i>		
Rental income	27,200	29,035
Dividend income from financial assets at FVPL	16,294	15,856
	<u>15,063,150</u>	<u>26,560,404</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2020

<u>Segments</u>	Sales of properties in the PRC RMB'000	Property management services RMB'000	Total RMB'000
Type of goods or services and geographical markets			
Sale of properties in the PRC	14,991,914	-	14,991,914
Property management services in the USA	-	27,742	27,742
	<u>14,991,914</u>	<u>27,742</u>	<u>15,019,656</u>
Timing of revenue recognition			
Goods transferred at a point in time	14,991,914	-	14,991,914
Services transferred over time	-	27,742	27,742
	<u>14,991,914</u>	<u>27,742</u>	<u>15,019,656</u>
Total revenue from contracts with customers	<u>14,991,914</u>	<u>27,742</u>	<u>15,019,656</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2020

5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2019

<u>Segments</u>	Sales of properties in the PRC RMB'000	Property management services RMB'000	Hotel operations RMB'000	Total RMB'000
Type of goods or services and geographical markets				
Sale of properties in the PRC	26,467,232	-	-	26,467,232
Property management services in the USA	-	43,252	-	43,252
Hotel services and consumptions in Japan	-	-	5,029	5,029
	<u>26,467,232</u>	<u>43,252</u>	<u>5,029</u>	<u>26,515,513</u>
Timing of revenue recognition				
Goods transferred at a point in time	26,467,232	-	-	26,467,232
Services transferred over time	-	43,252	5,029	48,281
	<u>26,467,232</u>	<u>43,252</u>	<u>5,029</u>	<u>26,515,513</u>

Revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2020 RMB'000	2019 RMB'000
Sale of properties in the PRC	<u>11,268,439</u>	<u>20,482,442</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2020

5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied upon delivery of the properties and advance payments are required pursuant to the terms of sale and purchase agreements.

Rendering of services (property management services)

The performance obligation is satisfied over time as services are rendered and bills are issued when services are rendered.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 2019 are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	23,015,288	17,585,518
After one year	<u>15,122,197</u>	<u>23,462,092</u>
	<u>38,137,485</u>	<u>41,047,610</u>

An analysis of other income is as follows:

	2020 RMB'000	2019 RMB'000
Interest income	83,914	50,921
Government grants	5,517	2,585
Others	<u>9,803</u>	<u>1,833</u>
	<u>99,234</u>	<u>55,339</u>

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NOTES TO FINANCIAL STATEMENTS

31 December 2020

6. OTHER GAINS AND LOSSES, NET

	2020 RMB'000	2019 RMB'000
Fair value (loss)/gain on investment properties (note 15)	(33,511)	4,614
Fair value gain on financial assets at FVPL	7,965	81,514
Gain/(loss) on disposal of a subsidiary	99,554	(6,815)
Share of losses of a joint venture and an associate	(4,074)	(5,310)
Write-down of properties under development to net realisable value	(150,000)	-
Impairment loss on accounts receivable and other receivables (note 22)	-	(777)
Dividend income from financial assets at FVPL	-	1,928
Exchange loss	(1,257)	(702)
Loss on disposal of property, plant and equipment	-	(1)
	<u>(81,323)</u>	<u>74,451</u>

7. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interests on bank and other borrowings	1,746,797	1,511,747
Interest arising from revenue contracts	1,605,404	1,806,973
Interest arising from lease liabilities	190	457
Less: Capitalised in properties under development	<u>(3,036,116)</u>	<u>(2,900,982)</u>
	<u>316,275</u>	<u>418,195</u>

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.95% to 12.80% (2019: 4.568% to 12.80%) per annum.

NOTES TO FINANCIAL STATEMENTS

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8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2020 RMB'000	2019 RMB'000
Cost of properties sold	11,284,678	18,185,135
Cost of services	5,902	7,677
Total employee benefit expenses:		
Director's emoluments	1,086	493
Other staff:		
Salaries and other benefits	244,863	227,875
Retirement benefit scheme contributions	11,749	28,910
	257,698	257,927
Less: Capitalised in properties under development	(19,592)	(12,943)
	238,106	244,984
Auditor's remuneration	3,800	3,600
Depreciation of property, plant and equipment	9,307	9,756
Amortisation of intangible assets	1,575	1,649
Depreciation of right-of-use assets	819	1,641
Lease payments not included in the measurement of lease liabilities	7,012	8,395
The Group's profit before tax is arrived at after crediting:		
Interest income	83,914	50,921
Gross rental income from investment properties	27,200	29,035
Less: Direct operating expenses incurred for:		
- investment properties generating rental income	(2,890)	(4,497)
- investment properties not generating rental income	(286)	(117)
	(3,176)	(4,614)
	24,024	24,421

NOTES TO FINANCIAL STATEMENTS

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9. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax – charge for the year		
- Hong Kong Profits Tax	-	-
- PRC CIT	884,421	1,812,802
- PRC LAT	323,856	1,636,217
- Overseas corporate income tax	273	3,061
Under-provision in prior years	2,607	143
	<u>1,211,157</u>	<u>3,452,223</u>
Deferred tax (note 29)	<u>(210,402)</u>	<u>(270,621)</u>
Total tax charge for the year	<u>1,000,755</u>	<u>3,181,602</u>

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits generated in Hong Kong for each of the years.

PRC CIT is calculated at the applicable income tax rate of 25% on the assessable profits for both years. In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax will be levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The subsidiaries in the USA are generally subject to Federal Income Tax rate at 21% (2019: 21%) on the taxable income and the statutory regulation of State Income Tax in different jurisdictions for the year ended 31 December 2020. Certain of these subsidiaries retained with undistributed income are also entitled to an additional personal holding company tax at 20% on the taxable income. Certain subsidiaries are limited liability companies which are by default disregarded entities (i.e. viewed as divisions of the holding company) and would be taxed as part of their holding company for federal tax purposes.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

9. INCOME TAX EXPENSE (continued)

Income tax expense for the year is reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	<u>2,774,303</u>	<u>7,341,049</u>
Tax at the domestic income tax rate of 25%	693,576	1,835,262
Effect of different tax rates on operations in other jurisdictions	(1,509)	(630)
Tax effect of expenses not deductible for tax purpose	42,607	15,786
Tax effect of income not taxable for tax purpose	(31,138)	(24,911)
PRC LAT	323,856	1,636,217
Tax effect of PRC LAT	(80,964)	(409,054)
Tax effect of temporary differences not recognised	77	415
Tax effect of tax losses not recognised	52,267	78,444
Utilisation of tax losses previously not recognised	(624)	(45,070)
Under-provision in prior years	2,607	143
Withholding tax on distributable profits of the Group's PRC subsidiaries	<u>-</u>	<u>95,000</u>
Income tax expense for the year	<u>1,000,755</u>	<u>3,181,602</u>

10. DIVIDENDS

The director does not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: Nil).

NOTES TO FINANCIAL STATEMENTS

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11. INVESTMENT IN A JOINT VENTURE

	2020	2019
	RMB'000	RMB'000
Share of net assets	<u>295,703</u>	<u>296,370</u>

Particulars of the Group's material joint venture are as follows:

Name	Place of registration and business	Percentage of			Principal activity
		Ownership interest	Voting power	Profit sharing	
青島郁士房地產開發有限公司 (Qingdao Yushi Real Estate Development Co., Ltd.)	PRC/ Mainland China	51	51	51	Property development

The above investment is indirectly held by the Company.

Although the Group holds 51% of the equity of Qingdao Yushi Real Estate Development Co., Ltd. (hereinafter referred to as "Qingdao Yushi"), the Group is only entitled to interest in certain properties that are developed by Qingdao Yushi and the corresponding liabilities according to the cooperation agreement signed between the Group and other shareholders of Qingdao Yushi. Neither the Group nor other shareholders of Qingdao Yushi have control over Qingdao Yushi. Therefore, the Group considers Qingdao Yushi as a joint venture and Qingdao Yushi is accounted for using the equity method.

12. INVESTMENT IN AN ASSOCIATE

	2020	2019
	RMB'000	RMB'000
Share of net assets	<u>14,772</u>	<u>18,179</u>

Particulars of the material associate are as follows:

Name	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity

The Group's shareholding in the associate comprises equity shares indirectly held by the Company.

31 December 2020

13. EQUITY INVESTMENTS DESIGNATED AT FVOCI

	2020 RMB'000	2019 RMB'000
Equity investments designated at FVOCI		
Listed equity investment, at fair value		
景瑞控股有限公司 (Jingrui Holdings Ltd.)	<u>127,755</u>	<u>-</u>
Unlisted equity investments, at fair value		
上海謙毅投資管理中心（有限合夥） (Shanghai Qianyi Investment Management Center (Limited Partnership))	39,871	30,000
鷹潭鼎卓企業管理中心（有限合夥） (Yingtán Investment Management Limited (Limited Partnership))	18,121	30,000
鄭州聯合置業有限公司 (Zhengzhou United Real Estate Co., Ltd.)	<u>-</u>	<u>2,000</u>
	<u>57,992</u>	<u>62,000</u>
	<u>185,747</u>	<u>62,000</u>

The above equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

31 December 2020

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Hotel RMB'000	Leasehold improve- ments RMB'000	Furniture, office equipment and motor vehicles RMB'000	Total RMB'000
31 December 2020					
Cost:					
At 1 January 2020	42,082	62,318	1,916	59,961	166,277
Additions	-	-	596	4,556	5,152
Transfer from investment property	33,376	-	-	-	33,376
Disposals	-	-	-	(386)	(386)
Disposal of a subsidiary (note 31)	-	-	-	(2,985)	(2,985)
Exchange realignment	(2,760)	-	(130)	(307)	(3,197)
At 31 December 2020	<u>72,698</u>	<u>62,318</u>	<u>2,382</u>	<u>60,839</u>	<u>198,237</u>
Accumulated depreciation:					
At 1 January 2020	4,548	1,980	1,706	38,350	46,584
Depreciation provided	2,272	2,584	119	5,622	10,597
Disposals	-	-	-	(386)	(386)
Disposal of a subsidiary (note 31)	-	-	-	(704)	(704)
Exchange realignment	(310)	-	(93)	(152)	(555)
At 31 December 2020	<u>6,510</u>	<u>4,564</u>	<u>1,732</u>	<u>42,730</u>	<u>55,536</u>
Net carrying amount:					
At 1 January 2020	<u>37,534</u>	<u>60,338</u>	<u>210</u>	<u>21,611</u>	<u>119,693</u>
At 31 December 2020	<u>66,188</u>	<u>57,755</u>	<u>650</u>	<u>18,109</u>	<u>142,701</u>

NOTES TO FINANCIAL STATEMENTS

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RMB'000	Hotel RMB'000	Leasehold improve- ments RMB'000	Furniture, office equipment and motor vehicles RMB'000	Total RMB'000
31 December 2019					
Cost:					
At 1 January 2019	13,679	7,941	2,161	45,565	69,346
Additions	28,144	62,318	-	14,836	105,298
Disposals	-	-	-	(10)	(10)
Disposal of subsidiaries	-	(8,071)	(292)	(526)	(8,889)
Exchange realignment	259	130	47	96	532
At 31 December 2019	<u>42,082</u>	<u>62,318</u>	<u>1,916</u>	<u>59,961</u>	<u>166,277</u>
Accumulated depreciation:					
At 1 January 2019	3,981	1,283	1,803	29,245	36,312
Depreciation provided	488	2,051	25	9,348	11,912
Disposals	-	-	-	(8)	(8)
Disposal of subsidiaries	-	(1,375)	(163)	(300)	(1,838)
Exchange realignment	79	21	41	65	206
At 31 December 2019	<u>4,548</u>	<u>1,980</u>	<u>1,706</u>	<u>38,350</u>	<u>46,584</u>
Net carrying amount:					
At 1 January 2019	<u>9,698</u>	<u>6,658</u>	<u>358</u>	<u>16,320</u>	<u>33,034</u>
At 31 December 2019	<u>37,534</u>	<u>60,338</u>	<u>210</u>	<u>21,611</u>	<u>119,693</u>

The carrying values of land and buildings and hotel held by the Group are analysed as follows:

	2020 RMB'000	2019 RMB'000
Leasehold land and building in the PRC	84,518	88,268
Leasehold land and building in Hong Kong	<u>39,425</u>	<u>9,604</u>
	<u>123,943</u>	<u>97,872</u>

At 31 December 2020, the Group had no leasehold land and buildings pledged to secure the Group's borrowings (2019: RMB9,604,000) (note 37).

NOTES TO FINANCIAL STATEMENTS

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15. INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	727,031	717,043
Disposals	(3,220)	(7,751)
Transfer to owner-occupied property	(33,376)	-
(Loss)/gain from a fair value adjustment (note 6)	(33,511)	4,614
Exchange realignment	(31,983)	13,125
Carrying amount at 31 December	<u>624,941</u>	<u>727,031</u>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The investment properties with an aggregate fair value of RMB463,392,000 (2019: RMB623,299,000) have been pledged to secure the Group's borrowings (note 37).

The fair values of the investment properties situated in Hong Kong, Singapore and the USA as at 31 December 2020 are based on the valuations carried out by APAC Asset Valuation and Consulting Limited ("APAC"). APAC is a member of the Hong Kong Institute of Surveyors and Valuers and an independent qualified professional valuer not connected with the Group. The fair values of the investment properties situated in the PRC as at 31 December 2020 are based on the valuations carried out by Henan Cambridge United Assets Appraisal General Partnership, an independent qualified professional valuer not connected with the Group.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is the current use. The fair values of the investment properties are derived from the capitalisation of net income method with due allowance for the reversionary income.

At the end of the reporting period, management of the Group works with valuers to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the director of the Company.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 17 to the financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	31 December 2020 RMB'000	31 December 2019 RMB'000
<i>Fair value measurement using significant unobservable inputs (Level 3)</i>		
Recurring fair value measurement for investment properties located in		
- Hong Kong	65,049	109,255
- Singapore	281,530	314,895
- USA	205,575	230,094
- PRC	72,787	72,787
	<u>624,941</u>	<u>727,031</u>

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15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

Below is a summary of the valuation technique used and the key inputs to the valuation of the Group's significant investment properties categorised into Level 3:

Properties	Valuation technique	Significant unobservable inputs	Range or weight average	
			2020	2019
Offices located in Hong Kong with a carrying value of RMB65,049,000 (2019: RMB109,255,000)	Income capitalisation approach	Monthly market rent (HK\$ per sq. ft.)	46	47
		Term yield (per annum)	1.9%	1.7%-2.0%
		Reversion yield (per annum)	2.1%	1.9%-2.2%
Commercial and residential units located in Singapore with a carrying value of RMB281,530,000 (2019: RMB314,895,000)	Income capitalisation approach	Monthly market rent (SGD per sq. ft.)	3.6-7.6	3.7-7.8
		Term yield (per annum)	2.5%-2.8%	2.5%-2.9%
		Reversion yield (per annum)	2.7%-3.0%	2.7%-3.1%
Senior housing communities located in the USA with a carrying value of RMB181,862,000 (2019: RMB199,148,000)	Income capitalisation approach	Annual market rent (USD per sq. ft.)	21.7-23.5	23-25
		Term yield (per annum)	7.3%-8.5%	7.3%-8.5%
		Reversion yield (per annum)	7.8%-9.0%	7.8%-9.0%
Red river valley clubhouse located in Mainland China with a carrying value of RMB72,787,000 (2019: RMB72,787,000)	Income capitalisation approach	Daily market rent (RMB per sq. ft.)	1.1	1.1
		Term yield (per annum)	5%	5%
		Reversion yield (per annum)	3%	3%

A significant increase (decrease) in the market rent in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the term yield and reversion yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

There has been no change from the valuation technique used in the prior years.

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16. INTANGIBLE ASSETS

	2020 RMB'000	2019 RMB'000
Software		
Cost:		
At 1 January	11,684	11,636
Additions	<u>-</u>	<u>48</u>
At 31 December	<u>11,684</u>	<u>11,684</u>
Accumulated amortisation:		
At 1 January	(7,212)	(5,563)
Amortisation provided during the year	<u>(1,575)</u>	<u>(1,649)</u>
At 31 December	<u>(8,787)</u>	<u>(7,212)</u>
Net carrying amount:		
At 1 January	<u>4,472</u>	<u>6,073</u>
At 31 December	<u>2,897</u>	<u>4,472</u>

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17. LEASES

The Group as a lessee

The Group has lease contracts for offices used in its operations. Leases of offices are generally with lease terms from 2 to 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are no lease contracts that include extension and termination options and variable lease payments.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Offices RMB'000
As at 1 January 2019	6,813
Depreciation charge (note 8)	(1,641)
Exchange realignment	74
	<hr/>
As at 31 December 2019 and 1 January 2020	5,246
Depreciation charge (note 8)	(819)
Disposal of a subsidiary (note 31)	(4,142)
Exchange realignment	(285)
	<hr/>
As at 31 December 2020	<u>-</u>

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	RMB'000
As at 1 January 2019	6,813
Accretion of interest recognised during the year (note 7)	457
Payments	(1,782)
Exchange realignment	78
	<hr/>
As at 31 December 2019 and 1 January 2020	5,566
Accretion of interest recognised during the year (note 7)	190
Payments	(919)
Disposal of a subsidiary (note 31)	(4,526)
Exchange realignment	(311)
	<hr/>
As at 31 December 2020	<u>-</u>

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

17. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	190	457
Depreciation charge of right-of-use assets	819	1,641
Expense relating to short-term leases	<u>7,012</u>	<u>8,395</u>
 Total amount recognised in profit or loss	 <u><u>8,021</u></u>	 <u><u>10,493</u></u>

(d) The total cash outflow for leases is disclosed in note 36(b) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 15) consisting of offices, commercial and residential units, senior housing communities and residential single homes located in Hong Kong, Singapore and the USA under operating lease arrangements. The terms of the leases generally require the tenants to pay the security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB27,200,000 (2019: RMB29,035,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	23,377	24,332
After one year but within two years	19,164	19,916
After two years but within three years	16,915	18,273
After three years but within four years	16,869	18,590
After four years but within five years	16,883	17,613
After five years	<u>59,026</u>	<u>80,972</u>
	<u><u>152,234</u></u>	<u><u>179,696</u></u>

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18. PLEDGED DEPOSITS, RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Pledged deposits		
- Current	1,769,777	3,152,091
- Non-current	<u>27,935</u>	<u>22,525</u>
	<u>1,797,712</u>	<u>3,174,616</u>
Restricted bank balances	<u>823,330</u>	<u>1,221,422</u>
Cash and cash equivalents	<u>3,488,063</u>	<u>6,112,303</u>

Pledged deposits represent bank deposits of RMB1,741,285,000 (2019: RMB3,112,140,000) and deposits held with financial institutions of RMB56,427,000 (2019: RMB62,476,000) pledged to banks and financial institutions to secure the facilities granted to the Group and the mortgage loan facilities granted by certain banks to certain property buyers of the Group's properties. The pledged deposits will be released upon the settlement of relevant borrowings and the expiry of the mortgage guarantees provided to the property buyers. Bank deposits and deposits held with financial institutions amounting to RMB27,935,000 (2019: RMB22,525,000) have been pledged to secure the Group's non-current borrowings and are therefore classified as non-current assets.

Restricted bank balances are required, pursuant to the relevant regulations in the PRC, that certain amount of presale proceeds of properties be placed as guarantee deposits in designated bank accounts for the construction of the relevant properties. The deposits can only be used for payments for construction costs of the relevant properties with approval.

Cash at banks earns interest at floating or fixed rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate to their fair values.

At the end of the reporting period, pledged deposits, restricted bank balances and cash and cash equivalents of the Group denominated in RMB amounted to RMB6,013,349,000 (2019: RMB9,452,621,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

19. COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale are all situated in the PRC. The Group carried out assessment on the net realisable value at the end of the reporting period and compared to the cost and there was no written-down to the net realisable value of completed properties held for sale for both years.

20. PROPERTIES UNDER DEVELOPMENT

Properties under development are all situated in the PRC and RMB17,724,631,000 (2019: RMB13,185,465,000) are expected to be realised within twelve months and the remaining RMB39,268,892,000 (2019: RMB35,516,710,000) are expected to be realised after twelve months from the end of the reporting period. The Group carried out assessment on the net realisable value at the end of the reporting period and recognised RMB150,000,000 (2019: Nil) of write-down for properties under development for the year ended 31 December 2020.

21. DEPOSITS AND PREPAYMENTS PAID FOR LAND ACQUISITIONS

The amount represented deposits and prepayments paid for land acquisitions arising from the acquisition of land use rights in the PRC. These deposits will be recognised as properties under development upon completion of the land acquisition process and fully refundable if the acquisition is not successful.

22. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Accounts receivable	115,874	114,154
Less: Impairment	-	-
	<u>115,874</u>	<u>114,154</u>
Prepaid value-added taxes and other taxes	2,046,229	1,772,135
Deposits and prepayments	1,906,418	2,263,541
Costs of obtaining contracts	246,213	192,056
Other receivables	3,765,196	5,560,509
	<u>7,964,056</u>	<u>9,788,241</u>
Less: Impairment	(650)	(650)
	<u>7,963,406</u>	<u>9,787,591</u>
	<u>8,079,280</u>	<u>9,901,745</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2020

22. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS (continued)

Accounts receivable represent receivables from sales of properties, property management fee receivables, dividend receivables and rental receivables.

Receivables arising from sales of properties are due for settlement in accordance with the terms of the related sale and purchase agreements. The settlement terms of rental receivables and property management fee receivables are upon presentation of demand notes. All accounts receivable were aged less than 3 months as at the end of the reporting period (2019: less than 3 months), based on the revenue recognition date or invoice date.

The movements in the loss allowance for impairment of accounts and other receivables are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	650	650
Impairment losses	-	777
Amount written off	-	(777)
	<u>650</u>	<u>650</u>
At end of year	<u>650</u>	<u>650</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

No provision for impairment of accounts receivable was provided for as at 31 December 2020 and 2019 as the director of the Company considers the expected credit loss is insignificant.

NOTES TO FINANCIAL STATEMENTS

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23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RMB'000	2019 RMB'000
Equity securities listed in Hong Kong	33,440	66,842
Equity securities listed in Singapore	4,570	7,285
REIT securities listed in the USA	316,992	342,547
	<u>355,002</u>	<u>416,674</u>
Unlisted financial assets	195,432	69,805
	<u>550,434</u>	<u>486,479</u>

24. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	2020 RMB'000	2019 RMB'000
Accounts payable	496,220	146,762
Accrued construction costs (Note)	13,736,962	9,260,864
Rental deposits received	5,749	8,285
Retention deposits and payable	142,364	85,860
Other taxes payable	80,006	184,994
Other payables and accruals	1,662,289	1,782,654
	<u>16,123,590</u>	<u>11,469,419</u>
Less: Rental deposits received – non-current	<u>(4,866)</u>	<u>(7,010)</u>
	<u>16,118,724</u>	<u>11,462,409</u>

The average credit period of accounts payable ranges from 30 to 90 days (2019: 30 to 90 days). All accounts payable were aged within one year, based on invoice dates.

Note: Included in accrued construction costs are amounts due to a related company controlled by Ms. Huang's daughter, Ms. Zhang Huiqi ("Ms. Zhang"), of approximately RMB1,231,582,877 (2019: RMB1,991,490,000) for the construction services.

25. CONTRACT LIABILITIES

The Group receives advance payments from customers based on schedules as established in the property sales contracts. The increase in contract liabilities as at 31 December 2020 was due to more property projects having started pre-sale during the current year.

26. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, interest-free and repayable on demand. Ms. Huang and together with her spouse, Mr. Zhang, and her daughter, Ms Zhang, have the controlling interests over these related companies.

27. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and repayable on demand. Ms. Huang and together with her spouse, Mr. Zhang, and her daughter, Ms Zhang, have controlling interests over these related companies.

NOTES TO FINANCIAL STATEMENTS

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28. BANK AND OTHER BORROWINGS

	2020			2019		
	Effective interest rate per annum (%)	Maturity	RMB'000	Effective interest rate per annum (%)	Maturity	RMB'000
Current						
Bank loans - secured	2.16 - 9.98	2021	3,009,906	3.29 - 9.98	2020	4,836,698
Bank loans - unsecured	5.10 - 7.13	2021	345,000	4.99 - 7.13	2020	389,748
Other loans - secured	5.64 - 11.00	2021	1,705,753	5.50 - 9.98	2020	3,869,265
Bonds - unsecured (a) (b)	5.58	2021	546,647	8.00	2020	695,963
Senior notes - unsecured (c)	12.80	2021	<u>2,194,932</u>	-	-	<u>-</u>
			<u>7,802,238</u>			<u>9,791,674</u>
Non-current						
Bank loans - secured	2.25 - 9.98	2022 - 2030	4,744,413	3.29 - 9.98	2021 - 2030	7,536,139
Bank loans - unsecured	-	-	700,000	5.10 - 7.13	2021	268,390
Senior notes - unsecured (c) (d)	12.50	2022	1,291,285	12.80	2021	2,311,130
Other loans - secured	8.50 - 11.00	2022	2,048,600	7.00 - 9.98	2021 - 2022	1,270,000
Bonds - unsecured (a)	7.20	2022	<u>749,265</u>	5.58 - 7.20	2021 - 2022	<u>1,304,699</u>
			<u>9,533,563</u>			<u>12,690,358</u>
			<u>17,335,801</u>			<u>22,482,032</u>

	2020	2019
	RMB'000	RMB'000

Analysed into:

Bank and other borrowings repayable:

Within one year	7,802,238	9,791,674
In the second year	7,866,514	7,760,755
In the third to fifth years, inclusive	1,658,083	4,917,010
Beyond five years	<u>8,966</u>	<u>12,593</u>
	<u>17,335,801</u>	<u>22,482,032</u>

The carrying amounts of bank and other borrowings at the end of the reporting period were denominated in the following currencies.

	2020	2019
	RMB'000	RMB'000
HK\$	-	482
SGD	70,363	78,420
USD	3,616,228	3,547,759
RMB	<u>13,649,210</u>	<u>18,855,371</u>
	<u>17,335,801</u>	<u>22,482,032</u>

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28. BANK AND OTHER BORROWINGS (continued)

Notes:

- (a) Henan Zensun Real Estate Co., Ltd., a subsidiary of the Company, issued (1) a five-year corporate bond at a principal amount of RMB1 billion carrying interest of 5.58% per annum on 26 August 2016, of which an amount of RMB450,100,000 was redeemed on 26 August 2019, and (2) a three-year corporate bond at a principal amount of RMB750 million carrying interest of 7.20% per annum on 27 November 2019. The interest was all paid once a year and the last payment of interest was paid together with the principal.
- (b) On 25 January 2019, Zensun Enterprises Limited ("Zensun Enterprises"), a subsidiary of the Company, completed the issuance of bonds at a principal amount of USD100 million (at carrying amount of approximately RMB695,963,000 as at 31 December 2019) carrying interest of 8.0% per annum due on 22 January 2020 in accordance with the terms and conditions of the subscription agreement. The proceeds from bonds had been fully utilised as intended for general corporate purposes of the Group. The bonds were subsequently redeemed in January 2020.
- (c) On 3 October 2019, Zensun Enterprises completed the issued senior notes at a principal amount of US\$220 million carrying interest of 12.8% per annum due on 3 October 2021 in accordance with the terms and conditions of the subscription agreement (the "2019 Original Notes"). Subsequently on 20 December 2019, Zensun Enterprises issued additional senior notes at a principal amount of US\$120 million under the same terms and conditions of the subscription agreement of the 2019 Original Notes. The additional senior notes are consolidated with the 2019 Original Notes and form a single series at an aggregated principal amount of US\$340 million carrying interest of 12.8% per annum due on 3 October 2021. The US\$340 million senior notes are listed and traded on the Stock Exchange of Hong Kong. The net proceeds of the senior notes were intended to refinance existing indebtedness and for project developments and general corporate purposes.
- (d) On 13 March 2020, Zensun Enterprises completed the issued senior notes at a principal amount of US\$200 million carrying interest of 12.5% per annum due on 13 September 2022. The US\$200 million senior notes are listed and traded on the Stock Exchange of Hong Kong. The net proceeds of the senior notes were intended to refinance existing indebtedness and for project developments and general corporate purposes.

Certain of the Group's bank and other borrowings are secured by the Group's pledged deposits, investment properties, property, plant and equipment and properties under development with the total carrying amount of RMB21,320,501,000 (2019: RMB26,422,827,000). In addition, shares of certain subsidiaries were pledged as securities to obtain certain bank and other borrowings granted to the Group as at 31 December 2020 and 2019, details of which are disclosed in note 37 to the financial statements.

In additions, as at 31 December 2020, borrowings with a carrying amount of approximately RMB721,700,000(2019: RMB94,000,000) were guaranteed by related companies.

31 December 2020

29. DEFERRED TAX

The movements in deferred tax assets and liabilities arising from temporary differences are as follows:

<u>Deferred tax assets</u>	Tax loss RMB'000	Provision for LAT RMB'000	Accrued expenses for tax purpose RMB'000	Write-down of properties under development RMB'000	Total RMB'000
At 1 January 2019	110,884	100,200	80,665	-	291,749
(Charged)/credited to profit or loss during the year (note 9)	<u>(30,433)</u>	<u>158,555</u>	<u>239,347</u>	<u>-</u>	<u>367,469</u>
Deferred tax assets at 31 December 2019 and 1 January 2020	80,451	258,755	320,012	-	659,218
Credited/(charged) to profit or loss during the year (note 9)	<u>53,057</u>	<u>(26,478)</u>	<u>127,650</u>	<u>37,500</u>	<u>191,729</u>
Deferred tax assets at 31 December 2020	<u>133,508</u>	<u>232,277</u>	<u>447,662</u>	<u>37,500</u>	<u>850,947</u>

During the year ended 31 December 2020, deferred tax assets were recognised for unused tax losses to the extent that it is probable that relevant future taxable profits will be available against for utilisation. These unused tax losses were in respect of certain PRC subsidiaries carried forward at the end of 2020 and the director of the Company is of the opinion that these certain PRC subsidiaries will generate sufficient future taxable profits.

At 31 December 2020, the Group had total unrecognised unused tax losses of RMB1,204,544,000 (2019: RMB1,119,758,000), which were subject to agreement with the respective tax authorities, available to offset against future profits. No deferred tax asset has been recognised in respect of these unused tax losses as they have arisen in subsidiaries and the Company that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Except for tax losses incurred in the PRC amounting to RMB669,089,000 (2019: RMB479,135,000) will expire within five years since the date of carryforward, these unrecognised unused tax losses can be carried forward indefinitely, subject to fulfilment of certain conditions or rules.

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29. DEFERRED TAX (continued)

Deferred tax liabilities

	Accelerated tax depreciation RMB'000	Revaluation of investment properties RMB'000	Revaluation of properties acquired under business combination RMB'000	Withholding tax on distributable profits of the Group's PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2019	(58)	(7,059)	(11,286)	-	(18,403)
Credited to profit or loss during the year (note 9)	-	(1,848)	-	(95,000)	(96,848)
Transfer to LAT payables	-	-	1,200	-	1,200
Exchange realignment	(1)	(25)	-	-	(26)
Deferred tax liabilities at 31 December 2019 and 1 January 2020	(59)	(8,932)	(10,086)	(95,000)	(114,077)
(Credited)/charged to profit or loss during the year (note 9)	-	(1,256)	674	19,255	18,673
Exchange realignment	4	124	-	-	128
Deferred tax liabilities at 31 December 2020	<u>(55)</u>	<u>(10,064)</u>	<u>(9,412)</u>	<u>(75,745)</u>	<u>(95,276)</u>

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. Zensun Enterprises, a subsidiary of the Group, is therefore liable for withholding taxes at an applicable rate of 10% on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2020, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB13,512,852,000 (31 December 2019: RMB11,980,368,000). In the opinion of the director, it is not probable to distribute these earnings in the foreseeable future.

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30. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2020 are presented in the consolidated statement of changes in equity.

(a) Capital and other reserve

Capital and other reserve represents the deemed contribution from controlling shareholder in the reorganisation, and the differences between the consideration and the proportionate shares of the net assets acquired.

(b) Merger reserve

The merger reserve represents the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the Company's share issued in exchange therefor.

(c) PRC statutory reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, each of these subsidiaries is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the entities, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(d) Property revaluation reserve

Property revaluation reserve represents the gain on revaluation of the property, plant and equipment upon transfer to investment properties.

(e) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

(f) Fair value of equity investments designated at FVOCI

Fair value of equity investments designated at FVOCI comprise the fair value gains and losses on equity investments designated at FVOCI.

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31. DISPOSAL OF SUBSIDIARY

In July 2020, the Group disposed of its entire 85% equity interests in Inter-American Group Holdings Inc. (“IAGH”) to GMR at a total consideration of approximately RMB102,748,000. Subsequent to the disposal, the Group lost control of IAGH together with its subsidiary.

The total net assets disposed of in respect of the disposal of the subsidiary during the year were as follows:

	2020 RMB'000
Net assets disposed of:	
Property, plant and equipment (note 14)	2,281
Right-of-use assets (note 17)	4,142
Cash and cash equivalents	2,990
Accounts receivable, other receivables and other assets	667
Accounts payable, deposits received and accruals	(4,772)
Lease liabilities (note 17)	(4,526)
Tax payable	(2,471)
Non-controlling interests	249
	<u>(1,440)</u>
Exchange reserve	<u>4,634</u>
	3,194
Gain on disposal of a subsidiary (note 6)	<u>99,554</u>
	<u>102,748</u>
Satisfied by:	
Cash and cash equivalents	<u>102,748</u>

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2020 RMB'000
Cash consideration	102,748
Cash and bank balances disposed of	<u>(2,990)</u>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>99,758</u>

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32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In view of the Group's expansion strategy, the Group has sourced funding from banks, financial institutions, bonds, senior notes and its related companies and continued to look for other external financing sources. The Group's overall strategy remains unchanged from prior periods.

The director of the Company reviews the capital structure on an annual basis. As part of this review, the director of the Company considers the cost of capital and the risks associated with the capital. Based on recommendations of the director of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues, raising of new borrowings or redemption of debts.

The capital structure of the Group consists of net debt, which includes bank and other borrowings and amounts due to related companies, net of cash and cash equivalents, restricted bank balances and pledged deposits. The gearing ratio as at the end of the reporting period was as follows:

	2020	2019
	RMB'000	RMB'000
Amounts due to related companies	3,023,047	4,430,648
Bank and other borrowings	17,335,801	22,482,032
Less: Cash and cash equivalents	(3,488,063)	(6,112,303)
Restricted bank balances	(823,330)	(1,221,422)
Pledged deposits	(1,797,712)	(3,174,616)
Net debt	<u>14,249,743</u>	<u>16,404,339</u>
Total assets	<u>91,724,223</u>	<u>87,065,030</u>
Gearing ratio	<u>15.5%</u>	<u>19%</u>

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33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

	Equity investments designated at FVOCI RMB'000	Financial assets at FVPL RMB'000	Financial assets at amortised cost RMB'000
Financial assets at FVPL	-	550,434	-
Equity investments designated at FVOCI	185,747	-	-
Accounts receivable	-	-	115,874
Financial assets included in other receivables and other assets	-	-	3,765,196
Amounts due from related companies	-	-	715,744
Pledged deposits	-	-	1,797,712
Restricted bank balances	-	-	823,330
Cash and cash equivalents	-	-	3,488,063
	<u>185,747</u>	<u>550,434</u>	<u>10,705,919</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Accounts payable	496,220
Financial liabilities included in other payables, deposits received and accruals	15,547,368
Amounts due to related companies	3,023,047
Bank and other borrowings	17,335,801
	<u>36,402,436</u>

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33. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2019

Financial assets

	Equity investments designated at FVOCI RMB'000	Financial assets at FVPL RMB'000	Financial assets at amortised cost RMB'000
Financial assets at FVPL	-	486,479	-
Equity investments designated at FVOCI	62,000	-	-
Accounts receivable	-	-	114,154
Financial assets included in other receivables and other assets	-	-	5,560,509
Amounts due from related companies	-	-	156,415
Pledged deposits	-	-	3,174,616
Restricted bank balances	-	-	1,221,422
Cash and cash equivalents	-	-	6,112,303
	<u>62,000</u>	<u>486,479</u>	<u>16,339,419</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Accounts payable	146,762
Financial liabilities included in other payables, deposits received and accruals	11,137,663
Amounts due to related companies	4,430,648
Lease liabilities	5,566
Bank and other borrowings	<u>22,482,032</u>
	<u>38,202,671</u>

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34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments, other than those with carrying amounts that reasonably approximate to fair values, as at the end of the reporting period are as follows:

	Carrying amounts		Fair values	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at FVPL	550,434	486,479	550,434	486,479
Equity investments designated at FVOCI	185,747	62,000	185,747	62,000
	<u>736,181</u>	<u>548,479</u>	<u>736,181</u>	<u>548,479</u>
Financial liabilities				
Bank and other borrowings (non-current)	<u>9,533,563</u>	<u>12,690,358</u>	<u>9,285,653</u>	<u>12,841,330</u>

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, pledged deposits, accounts receivable, accounts payable, financial assets included in other receivables and other assets, amounts due from related companies, financial liabilities included in other payables, deposits received and accruals, amounts due to related companies and the current portion of bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for bank and other borrowings as at 31 December 2020 were assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates.

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34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2020

	<u>Fair value measurement using</u>			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at FVPL	355,002	195,432	-	550,434
Equity investments designated at FVOCI	<u>127,755</u>	<u>-</u>	<u>57,992</u>	<u>185,747</u>
	<u>482,757</u>	<u>195,432</u>	<u>57,992</u>	<u>736,181</u>

As at 31 December 2019

	<u>Fair value measurement using</u>			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at FVPL	416,674	69,805	-	486,479
Equity investments designated at FVOCI	<u>-</u>	<u>-</u>	<u>62,000</u>	<u>62,000</u>
	<u>416,674</u>	<u>69,805</u>	<u>62,000</u>	<u>548,479</u>

During the year, changes of the Level 3 financial assets are included in notes 13 to the financial statements.

The Group had no financial liabilities measured at fair value as at 31 December 2020.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

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34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2020

	<u>Fair value measurement using</u>			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Bank and other borrowings	-	9,285,653	-	9,285,653

As at 31 December 2019

	<u>Fair value measurement using</u>			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Bank and other borrowings	-	12,841,330	-	12,841,330

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted bank balances, accounts receivable, other receivables, amounts due from related companies, accounts payable, other payables and accruals, and amounts due to related companies, which arise directly from its operations. The Group has other financial assets and liabilities such as pledged deposits, financial assets at FVPL and FVOCI, bank and other borrowings and lease liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. The Group does not hold or issue derivative financial instruments for trading purposes. The director reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank and other borrowings with floating interest rates set out in note 28. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using a mix of fixed and variable rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax.

2020	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000
Loans and borrowings denominated in		
RMB	100	(9,040)
RMB	(100)	9,040
HK\$	100	-
HK\$	(100)	-
USD	100	(1,300)
USD	(100)	1,300
SGD	100	(704)
SGD	(100)	704
2019	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000
Loans and borrowings denominated in		
RMB	100	(22,001)
RMB	(100)	22,001
HK\$	100	(3,912)
HK\$	(100)	3,912
USD	100	(1,500)
USD	(100)	1,500
SGD	100	(784)
SGD	(100)	784

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed investments classified as financial assets at FVPL. Management manages this exposure by regular review of price fluctuation.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks of financial assets at FVPL as at the end of the reporting period.

	Increase/(decrease) in market price %	Increase/(decrease) in profit before tax RMB'000
31 December 2020	10 (10)	35,500 (35,500)
31 December 2019	10 (10)	41,667 (41,667)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions by operating units in currencies other than the units' functional currencies.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which are mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Credit risk (continued)**Maximum exposure and year-end staging (continued)*

31 December 2020	12-month	Lifetime ECLs			Total
	ECLs	Stage 1	Stage 2	Stage 3	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivable*	-	-	-	6,335	6,335
Accounts receivable					
- Normal**	109,539	-	-	-	109,539
Financial assets included in other receivables and other assets					
- Normal**	3,765,196	-	-	-	3,765,196
Amounts due from related companies	715,744	-	-	-	715,744
Pledged deposits					
- Not yet past due	1,797,712	-	-	-	1,797,712
Restricted bank balances					
- Not yet past due	823,330	-	-	-	823,330
Cash and cash equivalents					
- Not yet past due	3,488,063	-	-	-	3,488,063
	<u>10,699,584</u>	<u>-</u>	<u>-</u>	<u>6,335</u>	<u>10,705,919</u>
31 December 2019	12-month	Lifetime ECLs			
	ECLs	Stage 1	Stage 2	Stage 3	Simplified approach
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivable*	-	-	-	-	8,030
Accounts receivable					
- Normal**	106,124	-	-	-	106,124
Financial assets included in other receivables and other assets					
- Normal**	5,560,509	-	-	-	5,560,509
Amounts due from related companies	156,415	-	-	-	156,415
Pledged deposits					
- Not yet past due	3,174,616	-	-	-	3,174,616
Restricted bank balances					
- Not yet past due	1,221,422	-	-	-	1,221,422
Cash and cash equivalents					
- Not yet past due	6,112,303	-	-	-	6,112,303
	<u>16,331,389</u>	<u>-</u>	<u>-</u>	<u>8,030</u>	<u>16,339,419</u>

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Credit risk (continued)**Maximum exposure and year-end staging (continued)*

* For accounts receivable to which the Group applies the simplified approach for impairment as detailed in note 22 to the financial statements, there is no significant concentration of credit risk.

** The credit quality of the financial assets included in accounts receivable, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Liquidity risk

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings and lease liabilities. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group’s financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2020

	On demand or within 1 year RMB’000	1 to 2 years RMB’000	3 to 5 years RMB’000	Over 5 years RMB’000	Total RMB’000
Accounts payable	496,220	-	-	-	496,220
Financial liabilities included in other payables, deposits received and accruals	15,547,368	-	-	-	15,547,368
Amounts due to related companies	3,023,047	-	-	-	3,023,047
Bank and other borrowings	9,096,766	8,416,631	1,800,461	9,452	19,323,310
	<u>28,163,401</u>	<u>8,416,631</u>	<u>1,800,461</u>	<u>9,452</u>	<u>38,389,945</u>
Financial guarantee contracts (Note)	<u>39,903,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,903,708</u>

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)As at 31 December 2019

	On demand or within 1 year RMB'000	1 to 2 years RMB'000	3 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Accounts payable	146,762	-	-	-	146,762
Financial liabilities included in other payables, deposits received and accruals	11,137,663	-	-	-	11,137,663
Amounts due to related companies	4,430,648	-	-	-	4,430,648
Lease liabilities	1,871	1,945	2,438	-	6,254
Bank and other borrowings	<u>11,281,173</u>	<u>8,694,321</u>	<u>5,424,137</u>	<u>13,868</u>	<u>25,413,499</u>
	<u>26,998,117</u>	<u>8,696,266</u>	<u>5,426,575</u>	<u>13,868</u>	<u>41,134,826</u>
Financial guarantee contracts (Note)	<u>40,705,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,705,000</u>

Note: The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the guaranteed financial receivables held by the counterparty suffer credit losses.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Amounts due to related companies RMB'000	Accrued interest* RMB'000	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Total RMB'000
At 1 January 2020	4,430,648	136,748	5,566	22,482,032	27,054,994
Changes from financing cash flows (note)	(1,407,601)	(1,728,519)	(919)	(4,897,978)	(8,035,017)
Interest expenses	-	1,746,797	190	-	1,746,987
Foreign exchange translation	-	-	(311)	(248,253)	(248,564)
Decrease arising from disposal of a subsidiary	-	-	(4,526)	-	(4,526)
At 31 December 2020	<u>3,023,047</u>	<u>155,026</u>	<u>-</u>	<u>17,335,801</u>	<u>20,513,874</u>
	Amounts due to related companies RMB'000	Accrued interest* RMB'000	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Total RMB'000
At 31 December 2018	3,685,311	84,214	-	18,754,799	22,524,324
Effect of adoption of HKFRS 16	-	-	6,813	-	6,813
At 1 January 2019 (restated)	3,685,311	84,214	6,813	18,754,799	22,531,137
Changes from financing cash flows (note)	745,337	(1,459,213)	(1,782)	3,761,628	3,045,970
Interest expenses	-	1,511,747	457	-	1,512,204
Foreign exchange translation	-	-	78	(34,395)	(34,317)
At 31 December 2019	<u>4,430,648</u>	<u>136,748</u>	<u>5,566</u>	<u>22,482,032</u>	<u>27,054,994</u>

Note: The financing cash flows are made up of the net amounts of new bank and other borrowings raised, repayment of bank and other borrowings, interest paid, advance from/repayment to related companies and lease payments (including principal and interest portions) in the consolidated statement of cash flows.

* Included in accounts payable, deposits received and accruals

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000
Within operating activities	7,012
Within financing activities	919
	<u>7,931</u>

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37. PLEDGE OF ASSETS

The following assets are pledged to certain banks and financial institutions for banking facilities granted to the Group and mortgage loan facilities granted to certain property buyers of the Group's properties at the end of the reporting period:

	2020	2019
	RMB'000	RMB'000
Property under development	19,059,397	22,615,308
Investment properties	463,392	623,299
Property, plant and equipment	-	9,604
Pledged deposits	1,797,712	3,174,616
	<u>21,320,501</u>	<u>26,422,827</u>

In addition, shares of certain subsidiaries were pledged as securities to obtain certain banking facilities granted to the Group as at 31 December 2020 and 2019.

38. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2020	2019
	RMB'000	RMB'000
Contracted for, but not provided, in respect of		
Acquisitions of land use rights	549,497	-
Property development expenditures	14,488,597	14,293,537
	<u>15,038,094</u>	<u>14,293,537</u>

(b) The Group had no lease contracts that have not yet commenced as at 31 December 2020.

39. CONTINGENT LIABILITIES

As at 31 December 2020, the Group had contingent liabilities relating to guarantees amounting to approximately RMB39,903,708,000 (2019: RMB40,705,000,000) in respect of mortgage loan facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over the legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyer of the property, and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the director of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2020 (2019: Nil) as the default risk is low and in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interest and penalties.

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40. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting period:

Related companies (Note (i))	Transactions (Note (ii))	2020 RMB'000	2019 RMB'000
Relevant members of Henan Zensun Corporate Development Company Limited (the "Zensun Development Group")	Construction costs (capitalised in properties under development)	<u>3,019,714</u>	<u>4,242,336</u>
Relevant members of Xingye Wulian Service Company Limited ("Xingye Wulian") together with its subsidiaries (collectively, the "Xingye Wulian Group")	Property engineering costs (capitalised in properties under development) and property management and value-added services fee	<u>27,765</u>	<u>-</u>

Notes:

- (i) Zensun Development Group and Xingye Wulian Group are entities ultimately controlled by the Ms. Huang's daughter, Ms. Zhang.
- (ii) These transactions were based on terms mutually agreed by both parties.

As at 31 December 2020, the Group's bonds, senior notes and certain bank and financial institutions facilities to the Group were guaranteed by related companies which are controlled by Ms. Huang together with her spouse, Mr. Zhang, and her daughter, Ms. Zhang. No assets of the Group were pledged to these related companies in respect of these guarantees.

- (b) Outstanding balances with related parties

Details of the Group's balances with related parties as at the end of the reporting period are included in notes 24, 26 and 27 to the financial statements.

- (c) Compensation of key management personnel of the Group

	2020 RMB'000	2019 RMB'000
Short term employee benefits	1,039	472
Post-employment benefits	<u>47</u>	<u>21</u>
Total compensation paid to key management personnel	<u>1,086</u>	<u>493</u>

Save as disclosed above, no transaction has been entered into with the director of the Company (being the key management personnel) during the reporting period other than the emoluments paid to him (being key management personnel compensation).

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41. PARTICULARS OF THE SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows:

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zensun Enterprises Limited	HK	Share capital HK\$6,174,394,125	-	71.99	Property investment
Zensun International Holdings Co., Ltd.	Cayman Islands	Registered capital HK\$216,000	100	-	Investment holding
HQ Neptune Investments Ltd.	BVI	Registered capital USD100	-	100	Investment holding
Ever Diamond Global Co., Ltd.	Hong Kong	Registered capital HK\$1,000	-	100	Investment holding
Honor Challenge Investment Ltd.	BVI	Registered capital USD1	-	100	Investment holding
Joy Town Inc.	BVI	Registered capital USD1	100	-	Investment holding
Champ Win Enterprise Limited	Hong Kong	Registered capital HK\$1	-	100	Investment holding
75 Wall Street, LLC	USA	Note (i)	-	71.99	Property investment
American Housing REIT, Inc.	USA	Common stock USD6,256	-	71.86	Property investment
AHR First Borrower, LLC	USA	Note (i)	-	71.86	Loan financing and property investment
AHR Second Borrower, LLC	USA	Note (i)	-	71.86	Loan financing
American Senior Housing REIT, LLC	USA	Note (i)	-	71.86	Property investment and investment holding
ASHR McKinney, LLC	USA	Note (i)	-	71.86	Property investment
ASHR First, LLC	USA	Note (i)	-	71.86	Property investment
China Credit Singapore Pte. Ltd.	Singapore	Ordinary shares SGD13,417,282	-	71.99	Investment holding
Expats Residences Pte. Ltd.	Singapore	Ordinary shares SGD25,002	-	71.99	Property investment
Heng Fung Capital Company Limited	Hong Kong	Ordinary shares HK\$2	-	71.99	Property investment and securities trading
Keng Fong Foreign Investment Co., Ltd.	USA	Common stock USD250,000	-	71.99	Property investment
Singapore Service Residence Pte. Ltd.	Singapore	Ordinary shares SGD1,250,000	-	71.99	Property investment
Xpress Credit Limited	Hong Kong	Ordinary shares HK\$1,260,000	-	71.99	Securities trading
ZH USA, LLC	USA	Note (i)	-	71.99	Securities trading and investment holding
Xingcheng Holdings Limited	Hong Kong	Ordinary shares HK\$1	-	71.99	Investment holding
河南昌輝企業管理諮詢有限公司 Note (ii)	PRC	Registered capital RMB1,000,000	-	71.99	Investment holding
新鄭正商興城置業有限公司 Note (ii)	PRC	Registered capital RMB400,000,000	-	71.99	Property development
洛陽正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商尚濱置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商經開置業有限公司 Note (ii)	PRC	Registered capital RMB300,000,000	-	71.99	Property development and sales service
河南興漢正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南象湖置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development

continued/...

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41. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
河南新築置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商華府置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新銘置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新航置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商鄭東置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
北京上築置業有限公司 Note (ii)	PRC	Registered capital RMB300,000,000	-	71.99	Property development
北京上陽置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	71.99	Property development
河南正商銘築置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商鄭新房地產有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南啟盛置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商中岳置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
原陽縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商河洛置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商雅苑置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商金域置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商瓏水置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新雅置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新居置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新府置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南沐歌置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
河南正商新宏置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商致遠置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development
新乡市興漢正商置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property development

continued/...

31 December 2020

41. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
河南正商岳村建設開發有限公司	Note (ii) PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商佳居置業有限公司	Note (ii) PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南漢輝置業有限公司	Note (ii) PRC	Registered capital RMB200,000,000	-	43.19	Property development
河南正商王村置業有限公司	Note (ii) PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南鑫築建設工程有限公司	Note (ii) PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商鴻雅置業有限公司	Note (ii) PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南東象正商實業有限公司	Note (ii) PRC	Registered capital RMB300,000,000	-	43.19	Property development
河南嘉瑞昌置業股份有限公司	Note (ii) PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南林盟置業有限公司	Note (ii) PRC	Registered capital RMB20,000,000	-	71.99	Property development
武漢豫正置業有限公司	Note (ii) PRC	Registered capital RMB100,000,000	-	71.99	Property development
滎陽博雅置業有限公司	Note (ii) PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商金銘置業有限公司	Note (ii) PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商新古置業有限公司	Note (ii) PRC	Registered capital RMB100,000,000	-	64.79	Property development
河南正商佳航置業有限公司	Note (ii) PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南正商尚築置業有限公司	Note (ii) PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南鑫融置業有限公司	Note (ii) PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南悅府置業有限公司	Note (ii) PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南悅璽置業有限公司	Note (ii) PRC	Registered capital RMB100,000,000	-	71.99	Property development
河南佳悅美置業有限公司	Note (ii) PRC	Registered capital RMB100,000,000	-	50.39	Property development
河南惠東置業有限公司	Note (ii) PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南金州置業有限公司	Note (ii) PRC	Registered capital RMB50,000,000	-	71.99	Property development
北京上瑞置業有限公司	Note (ii) PRC	Registered capital RMB200,000,000	-	71.99	Property development
武漢豫商置業有限公司	Note (ii) PRC	Registered capital RMB20,000,000	-	71.99	Property development

continued/...

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41. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
鄭州君聯房地產開發有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
鄧州啟正置業有限公司 Note (ii)	PRC	Registered capital RMB10,000,000	-	36.71	Property development
衛輝市正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	64.79	Property development
淮濱縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	64.79	Property development
杭州正商實業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property investment
信陽正商博雅置業有限公司 Note (ii)	PRC	Registered capital RMB30,000,000	-	71.92	Property development
河南正商金悅置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
汝陽縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
河南正商宛都置業有限公司 Note (ii)	PRC	Registered capital RMB30,000,000	-	71.99	Property development
商丘木華置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
鄧州市漢都置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
滑縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
魯山縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
光山縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB30,000,000	-	71.99	Property development
輝縣市正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
伊川縣正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
周口市興漢正商置業有限公司 Note (ii)	PRC	Registered capital RMB10,000,000	-	40.31	Property development
深圳正商實業投資有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	71.99	Property investment
河南瀾雅置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	71.99	Property development
河南興商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南正商瓏尚置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	71.99	Property development
河南宏光正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商置業有限公司 Note (ii)	PRC	Registered capital RMB1,000,000,000	-	100	Property development
青島正商置業有限公司 Note (ii)	PRC	Registered capital RMB30,000,000	-	100	Property development

continued/...

31 December 2020

41. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
河南上林置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
海南正商房地產開發有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
信陽正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
新鄉市正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南晨光正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
新鄭正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南展宇置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
洛陽正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南豫路正商置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	70	Property development
中牟正商置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商中原置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商龍湖置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南正商惠濟置業有限公司 Note (ii)	PRC	Registered capital RMB300,000,000	-	100	Property development
河南正商泓華置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南正商商都置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南正商領域置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南正商古城建設開發有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南展陽商業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南正之悅置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南鄭地置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南大亞置業有限公司 Note (ii)	PRC	Registered capital RMB10,000,000	-	51	Property development
鄭州市地幔科技有限公司 Note (ii)	PRC	Registered capital RMB15,000,000	-	100	Property development
河南萃居置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
武漢佳之美置業有限公司 Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development and decoration

continued/...

31 December 2020

41. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
河南建正房地產有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南惠正城鄉建設有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南惠興城鄉建設有限公司 Note (ii)	PRC	Registered capital RMB300,000,000	-	100	Property development
河南正商東華置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商中洲置業有限公司 Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南佳傑置業有限公司 Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南悅瑞置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南新之悅置業有限公司 Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development

Notes:

- (i) No capital contribution is required from the member unless otherwise required by law.
- (ii) Entities established in the PRC are limited liability companies with no English names registered or available upon establishment.

31 December 2020

42. EVENTS AFTER THE REPORTING PERIOD

- (a) On 18 March 2021, the Group acquired land use rights of a land parcel located in Yuanyang County, Henan Province, the PRC through listing for sale process in a public auction held by Yuanyang County Natural Resources Bureau* (原陽縣自然資源局) for transfer of state-owned land use rights with a site area of approximately 51,292.68 square meters at a consideration of RMB100,020,800. The land parcel was designated for residential usage with a term of use of 70 years and commercial usage with a term of 40 years. The handover of the land parcel is expected to be completed no later than the second quarter of 2021.
- (b) On 16 April 2021, the Group acquired land use rights of a land parcel located in Huaiyang District, Zhoukou City, Henan Province, the PRC through listing for sale process in a public auction held by Natural Resources Bureau of Huaiyang District, Zhoukou City* (周口市淮陽區自然資源局) for transfer of state-owned land use rights with a site area of approximately 42,841.00 square meters at a consideration of RMB156,700,000. The land parcel was designated for residential usage with a term of use of 70 years and commercial usage with a term of 40 years.
- (c) On 28 April 2021, the Group acquired land use rights of a land parcel located in Dengfeng City, Henan Province, the PRC through listing for sale process in the public auction held by Dengfeng City Natural Resources and Planning Bureau* (登封市自然資源和規劃局) for transfer of state-owned land use rights with a site area of approximately 12,185.04 square meters at a consideration of RMB46,796,800. The land parcel is designated for residential usage with term of use of 70 years and transportation services station usage for underground floor with term of use of 50 years.
- (d) On 29 April 2021, the Group acquired land use rights of a land parcel located in Shangcheng County, Xinyang City, Henan Province, the PRC through listing for sale process in the public auction held by Shangcheng County Natural Resources Bureau* (商城縣自然資源局) for transfer of state-owned land use rights with a site area of approximately 45,755.70 square meters at a consideration of RMB164,720,520. The land parcel is designated for residential usage with term of use of 70 years and commercial services usage with term of use of 40 years.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the director on 30 April 2021.

Zensun Group Limited
(Incorporated in the British Virgin Islands with limited liability)

Audited Financial Statements

31 December 2019

ZENSUN GROUP LIMITED

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Independent auditor's report
To the shareholder of Zensun Group Limited
(Incorporated in the British Virgin Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Zensun Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 3 to 91, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended 31 December 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the director for the consolidated financial statements

The director is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA, and for such internal control as the director determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the director is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent auditor's report (continued)
To the shareholder of Zensun Group Limited
(Incorporated in the British Virgin Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young
Certified Public Accountants
Hong Kong
30 April 2020

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
REVENUE	5	26,560,404	19,415,987
Cost of sales		<u>(18,192,812)</u>	<u>(14,152,491)</u>
Gross profit		8,367,592	5,263,496
Other income	5	55,339	35,616
Other gains and losses	6	74,451	22,581
Administrative expenses		(457,736)	(440,238)
Sales and marketing expenses		(280,402)	(289,329)
Finance costs	7	<u>(418,195)</u>	<u>(483,741)</u>
Profit before tax	8	7,341,049	4,108,385
Income tax expense	9	<u>(3,181,602)</u>	<u>(1,724,923)</u>
Profit for the year		<u>4,159,447</u>	<u>2,383,462</u>
Attributable to:			
Owners of the Company		3,861,748	2,382,824
Non-controlling interests		<u>297,699</u>	<u>638</u>
		<u>4,159,447</u>	<u>2,383,462</u>

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
Profit for the year	<u>4,159,447</u>	<u>2,383,462</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	30,758	(127,382)
Reclassification adjustments of exchange reserve for subsidiaries disposed of	<u>129</u>	<u>(7,237)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>30,887</u>	<u>(134,619)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><u>4,190,334</u></u>	<u><u>2,248,843</u></u>
Attributable to:		
Owners of the Company	3,884,368	2,273,061
Non-controlling interests	<u>305,966</u>	<u>(24,218)</u>
	<u><u>4,190,334</u></u>	<u><u>2,248,843</u></u>

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT ASSETS			
Investment in a joint venture	11	296,370	296,370
Investment in an associate	12	18,179	23,489
Equity investments designated at fair value through other comprehensive income (“FVOCI”)	13	62,000	32,000
Property, plant and equipment	14	119,693	33,034
Investment properties	15	727,031	717,043
Intangible assets	16	4,472	6,073
Deposits and prepayments paid for land acquisitions	21	351,018	266,297
Pledged deposits	18	22,525	33,915
Right-of-use assets	17	5,246	-
Deferred tax assets	29	659,218	291,749
		<u>2,265,752</u>	<u>1,699,970</u>
CURRENT ASSETS			
Inventories		-	217
Completed properties held for sale	19	10,673,330	7,547,378
Properties under development	20	48,702,175	46,447,603
Deposits and prepayments paid for land acquisitions	21	2,616,028	6,019,567
Amounts due from related companies	26	156,415	628,602
Accounts receivable, other receivables and other assets	22	9,901,745	9,276,441
Financial assets at fair value through profit or loss (“FVPL”)	23	486,479	335,325
Prepaid income tax and tax recoverable		1,777,290	2,456,528
Pledged deposits	18	3,152,091	2,056,651
Restricted bank balances	18	1,221,422	1,053,346
Cash and cash equivalents	18	6,112,303	1,653,777
		<u>84,799,278</u>	<u>77,475,435</u>
Investment properties classified as held for sale		-	5,582
		<u>84,799,278</u>	<u>77,481,017</u>
CURRENT LIABILITIES			
Accounts payable, deposits received and accruals	24	11,462,409	8,288,660
Contract liabilities	25	32,597,844	37,631,077
Amounts due to related companies	27	4,430,648	3,685,311
lease liabilities	17	1,871	-
Bank and other borrowings	28	9,791,674	8,953,906
Tax liabilities		1,581,606	604,105
		<u>59,866,052</u>	<u>59,163,059</u>
Total current liabilities		<u>59,866,052</u>	<u>59,163,059</u>
NET CURRENT ASSETS		<u>24,933,226</u>	<u>18,317,958</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>27,198,978</u>	<u>20,017,928</u>

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ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 December 2019

	Notes	31 December 2019 RMB'000	31 December 2018 RMB'000
NON-CURRENT LIABILITIES			
Rental deposits received	24	7,010	7,128
lease liabilities	17	3,695	-
Bank and other borrowings	28	12,690,358	9,800,893
Deferred tax liabilities	29	114,077	18,403
		<u>12,815,140</u>	<u>9,826,424</u>
Total non-current liabilities			
		<u>14,383,838</u>	<u>10,191,504</u>
Net assets			
		<u>14,383,838</u>	<u>10,191,504</u>
EQUITY			
Equity attributable to owners of the Company			
Reserves	30	13,576,210	9,680,749
		<u>13,576,210</u>	<u>9,680,749</u>
Non-controlling interests		807,628	510,755
		<u>807,628</u>	<u>510,755</u>
Total equity		<u>14,383,838</u>	<u>10,191,504</u>

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Zhang Jingguo
Director

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

	Attributable to owners of the Company						Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Capital and other reserve* RMB'000 (note 30)	Merger reserve* RMB'000 (note 30)	PRC** statutory reserve* RMB'000 (note 30)	Property revaluation reserve* RMB'000 (note 30)	Exchange reserve* RMB'000 (note 30)	Retained profits* RMB'000			
At 1 January 2018	-	90,948	47,327	8,032	(19,065)	7,273,103	7,400,345	529,183	7,929,528
Profit for the year	-	-	-	-	-	2,382,824	2,382,824	638	2,383,462
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	(102,526)	-	(102,526)	(24,856)	(127,382)
Reclassification adjustments of exchange reserve for foreign subsidiaries disposed of	-	-	-	-	(7,237)	-	(7,237)	-	(7,237)
Total comprehensive income/(loss) for the year	-	-	-	-	(109,763)	2,382,824	2,273,061	(24,218)	2,248,843
Transfer to PRC statutory reserve	-	-	97,509	-	-	(97,509)	-	-	-
Deemed contribution from the controlling shareholder	172	(172)	-	-	-	-	-	-	-
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	6,000	6,000
Disposal of a subsidiary to an entity controlled by the controlling shareholder	-	7,343	-	-	-	-	7,343	-	7,343
Disposal of subsidiaries	-	-	-	-	-	-	-	(210)	(210)
At 31 December 2018	<u>172</u>	<u>98,119</u>	<u>144,836</u>	<u>8,032</u>	<u>(128,828)</u>	<u>9,558,418</u>	<u>9,680,749</u>	<u>510,755</u>	<u>10,191,504</u>

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 December 2019

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Capital and other reserve*	Merger reserve*	PRC** statutory reserve*	Property revaluation reserve*	Exchange reserve*	Retained profits*			
	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000 (note 30)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	172	98,119	144,836	8,032	(128,828)	9,558,418	9,680,749	510,755	10,191,504
Profit for the year	-	-	-	-	-	3,861,748	3,861,748	297,699	4,159,447
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	-	-	-	-	22,524	-	22,524	8,234	30,758
Reclassification adjustments of exchange reserve for foreign subsidiaries disposed of	-	-	-	-	96	-	96	33	129
Total comprehensive income for the year	-	-	-	-	22,620	3,861,748	3,884,368	305,966	4,190,334
Transfer to PRC statutory reserve	-	-	149,918	-	-	(149,918)	-	-	-
Acquisition of non-controlling interests	11,093	-	-	-	-	-	11,093	(13,093)	(2,000)
Capital contribution from non-controlling shareholders	-	-	-	-	-	-	-	4,000	4,000
At 31 December 2019	<u>11,265</u>	<u>98,119</u>	<u>294,754</u>	<u>8,032</u>	<u>(106,208)</u>	<u>13,270,248</u>	<u>13,576,210</u>	<u>807,628</u>	<u>14,383,838</u>

* These reserve accounts comprise the consolidated reserves of RMB13,576,210,000 (2018: RMB9,680,749,000) in the consolidated statement of financial position as at 31 December 2019.

** PRC refers to People's Republic of China. For the purposes of the financial statements only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan.

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		7,341,049	4,108,385
Adjustments for:			
Increase in fair value of financial assets at FVPL	6	(81,514)	(9,329)
Increase in fair value of investment properties	6	(4,614)	(20,716)
Loss/(gain) on disposal of subsidiaries	6	6,815	(7,447)
Share of losses of a joint venture and an associate	6	5,310	25,091
Dividend income from equity investments designated at FVOCI	6	-	(5,974)
Dividend income from financial assets at FVPL	6	(1,928)	(4,247)
Impairment losses on accounts receivable and other receivables	6	777	779
Loss on disposal of property, plant and equipment	6	1	210
Depreciation of property, plant and equipment	8	9,756	6,476
Amortisation of intangible assets	8	1,649	1,523
Depreciation of right-of-use assets	8	1,641	-
Interest income	5	(50,921)	(33,840)
Finance costs	7	418,195	483,741
		<u>7,646,216</u>	<u>4,544,652</u>
Decrease in financial assets at FVPL		-	120
Decrease in inventories		60	21
(Increase)/decrease in accounts receivable, deposits and prepayments		(800,615)	3,499,483
(Increase)/decrease in restricted bank deposits		(168,076)	12,896
Increase in properties under development		(1,166,957)	(13,484,362)
Increase in completed properties held for sale		(2,949,020)	(894,214)
Decrease/(increase) in deposits paid for land acquisitions		3,318,818	(1,462,191)
Increase in accounts payable, deposits received and accruals		3,206,279	109,791
(Decrease)/increase in contract liabilities		(5,070,426)	7,334,328
		<u>4,016,279</u>	<u>(339,476)</u>
Cash from/(used in) operating activities		<u>4,016,279</u>	<u>(339,476)</u>
Tax paid		<u>(1,796,657)</u>	<u>(1,926,359)</u>
		<u>2,219,622</u>	<u>(2,265,835)</u>
Net cash flows from/(used in) operating activities		<u>2,219,622</u>	<u>(2,265,835)</u>

continued/...

ZENSUN GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		50,921	32,708
Purchases of items of property, plant and equipment		(14,836)	(10,493)
Purchase of intangible assets		(48)	(1,548)
Proceeds from disposal of investment properties		7,751	61,047
Proceeds from disposal of property, plant and equipment		1	241
Release of pledged deposits		-	247,582
Placement of pledged deposits		-	(1,736,069)
Proceeds from disposal of equity investments		-	3,000,000
Purchase of a debt investment at amortised cost		-	(323,257)
Proceeds from recovery of a debt investment at amortised cost		315,069	-
Purchases of financial assets at FVPL		(69,805)	(137,614)
Purchase of financial assets at fair value through OCI		(30,000)	-
Proceeds from disposal of financial assets at FVPL		4,783	-
		<u>263,836</u>	<u>1,132,597</u>
Net cash flows from investing activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings raised		14,433,882	15,036,827
Repayment of bank and other borrowings		(10,672,254)	(13,820,039)
Release of pledged deposits		145,875	-
Placement of pledged deposits		(1,229,925)	-
Interest paid		(1,459,670)	(1,242,736)
Repayment to related companies		(7,459,576)	(9,740,634)
Advance from related companies		8,204,913	10,674,410
Principal portion of lease payments		(1,325)	-
Acquisition of non-controlling interests		(2,000)	-
Capital contributions from non-controlling shareholders		4,000	6,000
		<u>1,963,920</u>	<u>913,828</u>
Net cash flows from financing activities			
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		4,447,378	(219,410)
Cash and cash equivalents at beginning of year		1,653,777	1,859,939
Effect of foreign exchange rate changes, net		11,148	13,248
		<u>1,664,925</u>	<u>1,873,187</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
	18	<u>6,112,303</u>	<u>1,653,777</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	18	<u>6,112,303</u>	<u>1,653,777</u>

31 December 2019

1. CORPORATE INFORMATION

Zensun Group Limited (the “Company”) is a limited liability company incorporated in the British Virgin Islands (“BVI”) on 16 July 2018. The registered office of the Company is located at the office of Vistra Corporate Services Centre, with the registered address of Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin islands. The ultimate holding company of the Company is Vistra Trust (Singapore) Pte Limited, a private limited liability company incorporated in Singapore, acting as a trustee of a discretionary trust which is set up by Ms. Huang Yanping (“Ms. Huang”). Ms. Huang is the settlor and protector of the discretionary trust. Mr. Zhang Jingguo (“Mr. Zhang”), the director of the Company, is the spouse of Ms. Huang.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 40. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

During the year, the Group was involved in the following principal activities:

- Property development
- Property management and sales services
- Property investment
- Securities trading and investment
- Hotel operations

In the opinion of the director, the Company’s controlling shareholder is Ms. Huang.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and accounting principles generally accepted in Hong Kong. They have been prepared under the historical cost convention, except for investment properties and financial assets at FVPL and FVOCI which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the reporting period. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

31 December 2019

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

31 December 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

31 December 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

As a lessee – Leases previously classified as operating leases*Nature of the effect of adoption of HKFRS 16*

The Group has lease contracts for certain items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the applicable incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedient when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Relying on the entity’s assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review
- Excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application when applying HKFRS 16

Financial impact at 1 January 2019

The impacts arising from the adoption of HKFRS 16 at 1 January 2019 were as follows:

	RMB’000
Assets	
Increase in right-of-use assets	6,813
Liabilities	
Increase in lease liabilities	6,813

31 December 2019

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 were as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	8,079
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	(17)
	<u>8,062</u>
Weighted average incremental borrowing rate as at 1 January 2019	<u>7.50%</u>
Lease liabilities as at 1 January 2019	<u><u>6,813</u></u>

- (b) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in associates and joint ventures upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates and joint ventures continued to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.
- (c) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

31 December 2019

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in the financial statements:

Amendments to HKFRS 3	<i>Definition of a Business</i> ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
HKFRS 17	<i>Insurance Contracts</i> ²
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(continued)

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

The director of the Company considered that the application of those new and revised HKFRSs will not have a material impact on the Group's consolidated financial results.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and a joint venture

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in an associate and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of an associate and a joint venture is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate or joint venture are eliminated to the extent of the Group's investments in the associate or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate or a joint venture is included as part of the Group's investments in an associate or a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its investment properties, financial assets at FVPL and financial assets at FVOCI at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 - based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period .

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Land and buildings and hotel	Over the shorter of the lease terms and 2%
Leasehold improvements	Over the shorter of the lease terms and 6.67% to 20%
Furniture, office equipment and motor vehicles	19% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties (including investment properties classified as held for sale) are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets are amortised on the straight-line basis over the following useful economic lives:

Software	5 to 10 years
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Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated in the statement of financial position at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Offices	3 to 5 years
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When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its applicable incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of offices and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (applicable from 1 January 2019) (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, FVOCI and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Financial assets designated at FVOCI (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at FVOCI when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at FVOCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Other than accounts receivable with no significant financial component, financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, amounts due to related companies, loans from a related company, bank and other borrowings, and financial liabilities in other payables, deposits and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities is as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue is measured at the fair value of the consideration received or receivable for the sale of properties and services provided in the ordinary course of the Group's activities. Revenue is shown net of taxes.

31 December 2019

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sales of properties

Revenue from sales of properties in the ordinary course of business is recognised at a point in time when the purchaser obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

(b) Property management services

Revenue from the provision of property management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Hotel operations

Revenue from hotel operations is recognised when the relevant services are provided.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Retirement benefit schemes

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Schemes Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees’ relevant income from the Group and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a pension scheme (the “Pension Scheme”) operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the Pension Scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

The Company's functional currency is Hong Kong dollars. These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB, including Hong Kong dollars (“HK\$”), United States dollars (“USD”), Singapore dollars (“SGD”) and Japanese Yen (“JPY”). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statement of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax on investment properties

For the purposes of measuring deferred taxes arising from investment properties that are using the fair value model, the director of the Company has reviewed the Group's investment property portfolios and concluded that the Group's investment properties – senior housing communities located in the United States of America (the "USA") – are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale whereas those situated in Hong Kong, Singapore, the PRC and residential homes located in the USA are not held under such a business model. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is rebutted for properties of senior housing communities but is not rebutted for properties located in Hong Kong, Singapore, the PRC and residential homes located in the USA. The Group has not recognised any deferred taxes on changes in fair value of these investment properties located in Hong Kong and Singapore as the Group is not subject to any income taxes on disposal of these investment properties.

Deferred tax on withholding taxes

Deferred tax liabilities are recognised for withholding corporate income taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The amount of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries established in the PRC for the year ended 31 December 2019 was RMB95,000,000 (31 December 2018: Nil). Further details are contained in note 29 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

31 December 2019

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on accounts receivable and other receivables

The Group uses a provision matrix to calculate ECLs for accounts receivable and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The expected loss rate is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's accounts receivable and other receivables is disclosed in note 22 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2019 was RMB727,031,000 (2018: RMB717,043,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2019 was RMB80,451,000 (2018: RMB110,884,000). The amount of unrecognised tax losses at 31 December 2019 was RMB1,119,758,000 (2018: RMB927,715,000). Further details are contained in note 29 to the financial statements.

PRC corporate income tax ("CIT")

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)*Net realisable value assessment of properties under development and completed properties held for sale*

The Group carried out assessment on the net realisable value of properties under development and completed properties held for sale at the end of the reporting period and compared the costs and its net realisable value. The net realisable value is the estimated future selling price less estimated cost of completion or the estimated costs necessary to make the sale (if any). The estimated future selling prices are estimated by management with reference to the Group's pre-sale selling prices and the recent selling prices of similar properties in the nearby or relevant locations. Management also estimated the future selling expenses and the expected costs to completion by reference to the actual selling expenses of the Group's completed projects, adjusted by certain current market data, the legal and regulating framework and general market condition. The Group's properties under development and completed properties held for sale are all situated in the PRC, details of which are set out in the consolidated statement of financial position and in notes 20 and 19 to the financial statements. At 31 December 2019, the carrying amounts of properties under development and completed properties held for sale were approximately RMB48,702,175,000 (2018: RMB46,447,603,000) and RMB10,673,330,000 (2018: RMB7,547,378,000), respectively, which are expected to be recovered through future sales and stated at the lower of cost and net realisable value. All of the properties under development and completed properties held for sale are expected to be recovered higher than the cost and hence no write-down to net realisable value was required for the year ended 31 December 2019. When there is any decrease in the net realisable value of the properties and it is lower than the cost of the properties, loss will be recognised on the properties under development and completed properties held for sale in the consolidated statement of profit or loss.

Contingent liabilities

As at 31 December 2019, the Group had contingent liabilities relating to guarantees amounting to approximately RMB40,362,000,000 (2018: RMB39,049,609,000) in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyers of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the director of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2019 as the default risk is low and in case of default in payments, the net realisable of the related properties can cover the outstanding principal together with the accrued interest and penalties. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

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4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (a) Property development in the PRC
- (b) Property investment and management in the USA in American Housing REIT, Inc. (“AHR”) and property management provided to Global Medical REIT, Inc. (“GMR”)
- (c) Property investment other than AHR
- (d) Securities trading and investment
- (e) Hotel operations

The Group has property investment and/or management businesses in Hong Kong, the USA, the PRC and Singapore. Other than AHR which operates in the USA, the property investment businesses in other regions are evaluated together and assessed as one operating segment by anagement.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s profit/loss before tax except that certain other gains and losses, corporate and unallocated income and expenses (including unallocated finance costs) are excluded from this measurement.

Segment assets exclude deferred tax assets, unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax liabilities and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

ZENSUN GROUP LIMITED

NOTES TO FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION (continued)

Segment revenue and segment results

	Segment revenue		Segment results	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Property development in the PRC	26,467,232	19,336,349	7,270,747	4,070,032
Property investment and management on AHR and property management provided to GMR in the USA	59,947	46,639	18,031	6,659
Property investment other than AHR	12,340	13,535	1,788	17,237
Securities trading and investment	15,856	15,756	95,029	24,959
Hotel operations	5,029	3,708	(7,920)	(1,500)
	<u>26,560,404</u>	<u>19,415,987</u>	7,377,675	4,117,387
Unallocated corporate income			8,406	24,103
Other gains and losses			3,566	12,638
Unallocated corporate expenses			(21,545)	(13,295)
Unallocated finance costs			(27,053)	(32,448)
Profit before tax			<u>7,341,049</u>	<u>4,108,385</u>

ZENSUN GROUP LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

4. OPERATING SEGMENT INFORMATION (continued)

	2019 RMB'000	2018 RMB'000
<i>Segment assets</i>		
Property development in the PRC	84,006,104	77,613,613
Property investment and management on AHR and property management provided to GMR in the USA	275,257	253,750
Property investment other than AHR	461,792	503,032
Securities trading and investment	353,946	237,705
Hotel operations	<u>60,339</u>	<u>7,541</u>
Segment assets	85,157,438	78,615,641
Unallocated assets	<u>1,907,592</u>	<u>565,346</u>
Total assets	<u>87,065,030</u>	<u>79,180,987</u>
<i>Segment liabilities</i>		
Property development in the PRC	69,283,720	66,098,871
Property investment and management on AHR and property management provided to GMR in the USA	110,323	109,183
Property investment other than AHR	136,961	145,730
Hotel operations	<u>-</u>	<u>603</u>
Segment liabilities	69,531,004	66,354,387
Unallocated liabilities	<u>3,150,188</u>	<u>2,635,096</u>
Total liabilities	<u>72,681,192</u>	<u>68,989,483</u>

ZENSUN GROUP LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information

For the year ended 31 December 2019

	Property development in the PRC RMB'000	Property investment and management on AHR and property management provided to GMR in the USA RMB'000	Property investment other than AHR RMB'000	Securities trading and investment RMB'000	Hotel operations RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Additions to investment properties and property, plant and equipment	41,950	1,022	-	-	62,318	105,290	8	105,298
Depreciation of property, plant and equipment	9,173	376	14	-	2,051	11,614	298	11,912
Depreciation of right-of-use assets	-	1,641	-	-	-	1,641	-	1,641
Impairment losses on accounts receivable and other receivables	-	777	-	-	-	777	-	777
Loss on disposal of subsidiaries	-	-	-	-	6,815	6,815	-	6,815
Increase/(decrease) in fair value of investment properties	2,364	3,347	(1,097)	-	-	4,614	-	4,614
Increase in fair value of financial assets at FVPL	-	-	-	81,514	-	81,514	-	81,514

ZENSUN GROUP LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2019

4. OPERATING SEGMENT INFORMATION (continued)

Other segment information (continued)

For the year ended 31 December 2018

	Property development in the PRC RMB'000	Property investment and management on AHR and property management provided to GMR in the USA RMB'000	Property investment other than AHR RMB'000	Securities trading and investment RMB'000	Hotel operations RMB'000	Segment total RMB'000	Unallocated RMB'000	Total RMB'000
Additions to investment properties and property, plant and equipment	8,977	1,516	-	-	-	10,493	-	10,493
Depreciation of property, plant and equipment	7,308	110	71	-	150	7,639	368	8,007
Impairment losses on accounts receivable and other receivables	-	779	-	-	-	779	-	779
Gain on disposal of subsidiaries	-	-	-	-	-	-	7,447	7,447
Increase in fair value of investment properties	2,851	1,451	16,414	-	-	20,716	-	20,716
Increase in fair value of financial assets at FVPL	-	-	-	9,329	-	9,329	-	9,329

31 December 2019

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

	Revenue from external customers		Non-current assets	
	2019 RMB'000	2018 RMB'000	2019 RMB'000	2018 RMB'000
The PRC	26,471,411	19,336,998	982,162	709,168
The USA	76,187	62,692	237,596	233,017
Singapore	7,629	7,340	314,912	310,365
Japan	3,077	6,842	-	6,908
Hong Kong	2,100	2,115	119,144	114,848
	<u>26,560,404</u>	<u>19,415,987</u>	<u>1,653,814</u>	<u>1,374,306</u>

The geographical locations of revenue from external customers are based on the geographical markets of the customers, locations of properties and investments. The geographical locations of the non-current assets, excluding deferred tax assets and financial instruments, are based on the geographical locations of the assets.

Information about major customers

During the year ended 31 December 2019, there was no single customer from which 10% or more of the Group's total revenue was derived.

NOTES TO FINANCIAL STATEMENTS

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5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

	2019 RMB'000	2018 RMB'000
<i>Revenue from contracts with customers</i>		
Sales of properties in the PRC	26,467,232	19,336,349
Property management services	43,252	29,330
Hotel operations	<u>5,029</u>	<u>3,708</u>
	26,515,513	19,369,387
<i>Revenue from other sources</i>		
Rental income	29,035	30,844
Dividend income from financial assets at FVPL	<u>15,856</u>	<u>15,756</u>
	<u>26,560,404</u>	<u>19,415,987</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2019

<u>Segments</u>	Sales of properties in the PRC RMB'000	Property management services RMB'000	Hotel operations RMB'000	Total RMB'000
Type of goods or services and geographical markets				
Sale of properties in the PRC	26,467,232	-	-	26,467,232
Property management services in the USA	-	43,252	-	43,252
Hotel services and consumptions	<u>-</u>	<u>-</u>	<u>5,029</u>	<u>5,029</u>
Total revenue from contracts with external customers	<u>26,467,232</u>	<u>43,252</u>	<u>5,029</u>	<u>26,515,513</u>
Timing of revenue recognition				
Goods transferred at a point in time	26,467,232	-	-	26,467,232
Services transferred over time	<u>-</u>	<u>43,252</u>	<u>5,029</u>	<u>48,281</u>
Total revenue from contracts with external customers	<u>26,467,232</u>	<u>43,252</u>	<u>5,029</u>	<u>26,515,513</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2019

5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2018

<u>Segments</u>	Sales of properties in the PRC RMB'000	Property management services RMB'000	Hotel operations RMB'000	Total RMB'000
Type of goods or services and geographical markets				
Sale of properties in the PRC	19,336,349	-	-	19,336,349
Property management services in the USA	-	29,330	-	29,330
Hotel services and consumptions in Japan	-	-	3,708	3,708
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with external customers	<u>19,336,349</u>	<u>29,330</u>	<u>3,708</u>	<u>19,369,387</u>
Timing of revenue recognition				
Goods transferred at a point in time	19,336,349	-	-	19,336,349
Services transferred over time	-	29,330	3,708	33,038
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue from contracts with external customers	<u>19,336,349</u>	<u>29,330</u>	<u>3,708</u>	<u>19,369,387</u>

Revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2019 RMB'000	2018 RMB'000
Sale of properties in the PRC	<u>20,482,442</u>	<u>15,774,184</u>

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5. REVENUE AND OTHER INCOME (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied upon delivery of the properties and advance payments are required pursuant to the terms of sale and purchase agreements.

Rendering of services (property management services and hotel operations)

The performance obligation is satisfied over time as services are rendered and bills are issued when services are rendered.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and 2018 are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	17,585,518	26,561,534
After one year	<u>23,462,092</u>	<u>17,767,701</u>
	<u>41,047,610</u>	<u>44,329,235</u>

An analysis of other income is as follows:

	2019 RMB'000	2018 RMB'000
Interest income	50,921	33,840
Government grants	2,585	1,370
Others	<u>1,833</u>	<u>406</u>
	<u>55,339</u>	<u>35,616</u>

NOTES TO FINANCIAL STATEMENTS

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6. OTHER GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Gain from fair value change of investment properties (note 15)	4,614	20,716
Gain from the change of fair value of financial assets at FVPL	81,514	9,329
Exchange (loss)/gain, net	(702)	948
Impairment loss on accounts receivable and other receivables (note 22)	(777)	(779)
Loss on disposal of property, plant and equipment	(1)	(210)
(Loss)/gain on disposal of subsidiaries	(6,815)	7,447
Share of losses of a joint venture and an associate	(5,310)	(25,091)
Dividend income from equity investments designated at FVOCI	-	5,974
Dividend income from financial assets at FVPL	1,928	4,247
	<u>74,451</u>	<u>22,581</u>

7. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on bank and other borrowings	1,511,747	1,251,196
Interest arising from revenue contracts	1,806,973	2,161,548
Interest arising from lease liabilities	457	-
Less: Capitalised in properties under development	<u>(2,900,982)</u>	<u>(2,929,003)</u>
	<u>418,195</u>	<u>483,741</u>

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.568% to 12.80% (2018: 3.57% to 9.55%) per annum.

NOTES TO FINANCIAL STATEMENTS

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8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2019 RMB'000	2018 RMB'000
Cost of properties sold	18,185,135	14,143,066
Cost of services	7,677	9,425
Total employee benefit expenses:		
Director's emoluments	493	1,182
Other staff:		
Salaries and other benefits	227,875	266,374
Retirement benefit scheme contributions	28,910	30,067
	257,927	299,006
Less: Capitalised in properties under development	(12,943)	(13,868)
	<u>244,984</u>	<u>285,138</u>
Auditor's remuneration	3,600	4,750
Depreciation of property, plant and equipment	9,756	6,476
Amortisation of intangible assets (note 16)	1,649	1,523
Depreciation of right-of-use assets (note 17)	1,641	-
Minimum lease payments under operating leases	-	6,248
Lease payments not included in the measurement of lease liabilities	8,395	-
The Group's profit before tax is arrived at after crediting:		
Interest income	50,921	33,840
Gross rental income from investment properties	29,035	30,844
Less: Direct operating expenses incurred for:		
- investment properties generated rental income	(4,497)	(5,535)
- investment properties that did not generate rental income	(117)	(76)
	<u>(4,614)</u>	<u>(5,611)</u>
	<u>24,421</u>	<u>25,233</u>

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9. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax – charge for the year		
- Hong Kong Profits Tax	-	-
- PRC CIT	1,812,802	933,183
- PRC LAT	1,636,217	862,408
- Overseas corporate income tax	3,061	10,094
Under provision in prior years		
- Overseas corporate income tax	143	105
	<u>3,452,223</u>	<u>1,805,790</u>
Deferred tax (note 29)	<u>(270,621)</u>	<u>(80,867)</u>
Total tax charge for the year	<u>3,181,602</u>	<u>1,724,923</u>

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits generated in Hong Kong for each of the years.

PRC CIT is calculated at the applicable income tax rate of 25% on the assessable profits for both years.

In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax will be levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. Zensun Enterprises Limited (“Zensun Enterprises”), a subsidiary of the Group, is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The subsidiaries in the USA are generally subject to Federal Income Tax rate at 21% (2018: 21%) on the taxable income and the statutory regulation of State Income Tax in different jurisdictions for the year ended 31 December 2019. Certain of these subsidiaries retained with undistributed income are also entitled to an additional personal holding company tax at 20% on the taxable income. Certain subsidiaries are limited liability companies which are by default disregarded entities (i.e. viewed as divisions of the holding company) and would be taxed as part of their holding company for federal tax purposes.

NOTES TO FINANCIAL STATEMENTS

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9. INCOME TAX EXPENSE (continued)

Income tax expense for the year is reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	2019 RMB'000	2018 RMB'000
Profit before tax	<u>7,341,049</u>	<u>4,108,385</u>
Tax at the domestic income tax rate of 25%	1,835,262	1,027,096
Effect of different tax rates on operations in other jurisdictions	(630)	(2,388)
Tax effect of expenses not deductible for tax purpose	15,786	9,505
Tax effect of income not taxable for tax purpose	(24,911)	(11,236)
PRC LAT	1,636,217	862,408
Tax effect of PRC LAT	(409,054)	(215,602)
Tax effect of temporary differences not recognised	415	8,238
Tax effect of tax losses not recognised	78,444	78,207
Utilisation of tax losses previously not recognised	(45,070)	(31,410)
Under provision in prior years	143	105
Withholding tax on distributable profits of the Group's PRC subsidiaries	<u>95,000</u>	<u>-</u>
Income tax expense for the year	<u>3,181,602</u>	<u>1,724,923</u>

10. DIVIDENDS

The Director does not recommend the payment of a dividend in respect of the year ended 31 December 2019 (2018: Nil).

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11. INVESTMENT IN A JOINT VENTURE

	2019	2018
	RMB'000	RMB'000
Share of net assets	<u>296,370</u>	<u>296,370</u>

Particulars of the Group's material joint venture are as follows:

Name	Place of registration and business	Percentage of			Principal activity
		Ownership interest	Voting power	Profit sharing	
青島郁士房地產開發有限公司 (Qingdao Yushi Real Estate Development Co., Ltd.)	PRC/ Mainland China	51	51	51	Property development

The above investment is directly held by the Company.

Although the Group holds 51% of the equity of Qingdao Yushi Real Estate Development Co., Ltd. (hereinafter referred to as "Qingdao Yushi"), the Group is only entitled to interest in certain properties that are developed by Qingdao Yushi and the corresponding liabilities according to the cooperation agreement signed between the Group and other shareholders of Qingdao Yushi. Neither the Group nor other shareholders of Qingdao Yushi have control over Qingdao Yushi. Therefore, the Group considers Qingdao Yushi as a joint venture and Qingdao Yushi is accounted for using the equity method.

12. INVESTMENT IN AN ASSOCIATE

	2019	2018
	RMB'000	RMB'000
Share of net assets	<u>18,179</u>	<u>23,489</u>

Particulars of the material associate are as follows:

Name	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity

The Group's shareholding in the associate comprises equity shares held by the Company.

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13. EQUITY INVESTMENTS DESIGNATED AT FVOCI

	2019 RMB'000	2018 RMB'000
Equity investments designated at FVOCI		
鄭州聯合置業有限公司 (Zhengzhou United Real Estate Co., Ltd.)	2,000	2,000
上海謙毅投資管理中心（有限合夥） (Shanghai Qianyi Investment Management Center (Limited Partnership))	30,000	30,000
鷹潭投資管理有限公司（有限合夥） (Yingtang Investment Management Limited (Limited Partnership))	<u>30,000</u>	<u>-</u>
	<u>62,000</u>	<u>32,000</u>

The above equity investments were irrevocably designated at FVOCI as the Group considers these investments to be strategic in nature.

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14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Hotel RMB'000	Leasehold improve- ment RMB'000	Furniture, office equipment and motor vehicles RMB'000	Total RMB'000
31 December 2019					
Cost:					
At 1 January 2019	13,679	7,941	2,161	45,565	69,346
Additions	28,144	62,318	-	14,836	105,298
Disposals	-	-	-	(10)	(10)
Disposal of subsidiaries	-	(8,071)	(292)	(526)	(8,889)
Exchange realignment	259	130	47	96	532
At 31 December 2019	<u>42,082</u>	<u>62,318</u>	<u>1,916</u>	<u>59,961</u>	<u>166,277</u>
Accumulated depreciation:					
At 1 January 2019	3,981	1,283	1,803	29,245	36,312
Depreciation provided	488	2,051	25	9,348	11,912
Disposals	-	-	-	(8)	(8)
Disposal of subsidiaries	-	(1,375)	(163)	(300)	(1,838)
Exchange realignment	79	21	41	65	206
At 31 December 2019	<u>4,548</u>	<u>1,980</u>	<u>1,706</u>	<u>38,350</u>	<u>46,584</u>
Net carrying amount:					
At 1 January 2019	<u>9,698</u>	<u>6,658</u>	<u>358</u>	<u>16,320</u>	<u>33,034</u>
At 31 December 2019	<u>37,534</u>	<u>60,338</u>	<u>210</u>	<u>21,611</u>	<u>119,693</u>

31 December 2019

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings RMB'000	Hotel RMB'000	Leasehold improve- ment RMB'000	Furniture, office equipment and motor vehicles RMB'000	Total RMB'000
31 December 2018					
Cost:					
At 1 January 2018	12,969	7,336	2,058	35,810	58,173
Additions	-	-	-	10,493	10,493
Disposals	-	-	-	(947)	(947)
Exchange realignment	710	605	103	209	1,627
At 31 December 2018	<u>13,679</u>	<u>7,941</u>	<u>2,161</u>	<u>45,565</u>	<u>69,346</u>
Accumulated depreciation:					
At 1 January 2018	3,516	1,098	1,652	22,040	28,306
Depreciation provided	263	90	72	7,582	8,007
Disposals	-	-	-	(496)	(496)
Exchange realignment	202	95	79	119	495
At 31 December 2018	<u>3,981</u>	<u>1,283</u>	<u>1,803</u>	<u>29,245</u>	<u>36,312</u>
Net carrying amount:					
At 1 January 2018	<u>9,453</u>	<u>6,238</u>	<u>406</u>	<u>13,770</u>	<u>29,867</u>
At 31 December 2018	<u>9,698</u>	<u>6,658</u>	<u>358</u>	<u>16,320</u>	<u>33,034</u>

The carrying values of land and buildings and hotel held by the Group are analysed as follows:

	2019 RMB'000	2018 RMB'000
Leasehold land and building in the PRC	88,268	-
Leasehold land and building in Hong Kong	9,604	9,698
Freehold land and building in Japan	-	6,658
	<u>97,872</u>	<u>16,356</u>

At 31 December 2019, certain of the Group's leasehold land and buildings with an aggregate carrying value of approximately RMB9,604,000 (2018: RMB9,698,000) have been pledged to secure the Group's borrowings (note 36).

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15. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Carrying amount at 1 January	717,043	729,904
Disposals	(7,751)	(58,688)
Transfer to investment properties classified as held for sale	-	(5,582)
Net gain from a fair value adjustment	4,614	20,716
Exchange realignment	<u>13,125</u>	<u>30,693</u>
Carrying amount at 31 December	<u><u>727,031</u></u>	<u><u>717,043</u></u>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The investment properties with an aggregate fair value of RMB623,299,000 (2018: RMB609,005,000) have been pledged to secure the Group's borrowings (note 36).

The fair values of the investment properties situated in Hong Kong, Singapore and the USA as at 31 December 2019 are based on the valuations carried out by APAC Asset Valuation and Consulting Limited ("APAC"). APAC is a member of the Hong Kong Institute of Surveyors and Valuers and an independent qualified professional valuer not connected with the Group. The fair values of the investment properties situated in the PRC as at 31 December 2019 are based on the valuations carried out by Henan Cambridge United Assets Appraisal General Partnership, an independent qualified professional valuer not connected with the Group.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is the current use. The fair values of the investment properties are derived from the capitalisation of net income method with due allowance for the reversionary income.

At the end of the reporting period, management of the Group works with valuers to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the director of the Company.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 17 to the financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	31 December 2019 RMB'000	31 December 2018 RMB'000
<i>Fair value measurement using significant unobservable inputs (Level 3)</i>		
Recurring fair value measurement for investment properties located in		
- Hong Kong	109,255	104,857
- Singapore	314,895	310,332
- USA	230,094	231,431
- PRC	<u>72,787</u>	<u>70,423</u>
	<u><u>727,031</u></u>	<u><u>717,043</u></u>

NOTES TO FINANCIAL STATEMENTS

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15. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

Below is a summary of the valuation technique used and the key inputs to the valuation of the Group's significant investment properties categorised into Level 3:

Properties	Valuation technique	Significant unobservable inputs	Range or weight average	
			2019	2018
Offices located in Hong Kong with a carrying value of RMB109,255,000 (2018: RMB104,857,000)	Income capitalisation approach	Monthly market rent (HK\$ per sq. ft.)	47	46
		Term yield (per annum)	1.7%-2.0%	1.6%-2.0%
		Reversion yield (per annum)	1.9%-2.2%	1.9%-2.2%
Commercial and residential units located in Singapore with a carrying value of RMB314,895,000 (2018: RMB310,332,000)	Income capitalisation approach	Monthly market rent (SGD per sq. ft.)	3.7-7.8	3.7-9.0
		Term yield (per annum)	2.5%-2.9%	3.0%-3.4%
		Reversion yield (per annum)	2.7%-3.1%	3.2%-3.6%
Senior housing communities located in the USA with a carrying value of RMB199,148,000 (2018: RMB193,816,000)	Income capitalisation approach	Annual market rent (USD per sq. ft.)	23-25	20.2-29.8
		Term yield (per annum)	7.3%-8.5%	8.0%
		Reversion yield (per annum)	7.8%-9.0%	8.5%
Residential single homes located in the USA with a carrying value of RMB2,725,000 (2018: RMB9,828,000)	Income capitalisation approach	Monthly market rent (USD per sq. ft.)	0.65-0.79	0.56-0.86
		Term yield (per annum)	12%-14%	12%-14%
		Reversion yield (per annum)	12.5%-14.5%	12.5%-14.5%
Red river valley clubhouse located in Mainland China with a carrying value of RMB72,787,000 (2018: RMB70,423,000)	Income capitalisation approach	Daily market rent (RMB per sq. ft.)	1.1	1.1
		Term yield (per annum)	5%	5%
		Reversion yield (per annum)	3%	3%

A significant increase (decrease) in the market rent in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the term yield and reversion yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

There has been no change from the valuation technique used in the prior years.

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16. INTANGIBLE ASSETS

	2019 RMB'000	2018 RMB'000
Software		
Cost:		
At 1 January	11,636	10,088
Additions	<u>48</u>	<u>1,548</u>
At 31 December	<u>11,684</u>	<u>11,636</u>
Accumulated amortisation:		
At 1 January	(5,563)	(4,040)
Amortisation provided during the year	<u>(1,649)</u>	<u>(1,523)</u>
At 31 December	<u>(7,212)</u>	<u>(5,563)</u>
Net carrying amount:		
At 1 January	<u>6,073</u>	<u>6,048</u>
At 31 December	<u>4,472</u>	<u>6,073</u>

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17. LEASES

The Group as a lessee

The Group has lease contracts for offices used in its operations. Leases of offices are generally with lease terms from 2 to 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are no lease contracts that include extension and termination options and variable lease payments.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Offices RMB'000
As at 1 January 2019	6,813
Depreciation charge (note 8)	(1,641)
Exchange realignment	<u>74</u>
As at 31 December 2019	<u><u>5,246</u></u>

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	RMB'000
As at 1 January 2019	6,813
Accretion of interest recognised during the year (note 7)	457
Payments	(1,782)
Exchange realignment	<u>78</u>
As at 31 December 2019	<u><u>5,566</u></u>
Analysed into:	
Current portion	1,871
Non-current portion	<u><u>3,695</u></u>

The maturity analysis of lease liabilities is disclosed in note 34 to the financial statements.

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17. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	457
Depreciation charge of right-of-use assets	1,641
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	<u>5,081</u>
Total amount recognised in profit or loss	<u><u>7,179</u></u>

(d) The total cash outflow for leases is disclosed in note 35(b) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 15) consisting of offices, commercial and residential units, senior housing communities and residential single homes located in Hong Kong, Singapore, the USA and the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay the security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB29,035,000 (2018: RMB 30,844,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2019 RMB'000	2018 RMB'000
Within one year	24,332	25,057
After one year but within two years	19,916	20,250
After two years but within three years	18,273	17,590
After three years but within four years	18,590	18,034
After four years but within five years	17,613	18,490
After five years	<u>80,972</u>	<u>98,102</u>
	<u><u>179,696</u></u>	<u><u>197,523</u></u>

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18. PLEDGED DEPOSITS, RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Pledged deposits		
- Current	3,152,091	2,056,651
- Non-current	<u>22,525</u>	<u>33,915</u>
	<u>3,174,616</u>	<u>2,090,566</u>
Restricted bank balances	<u>1,221,422</u>	<u>1,053,346</u>
Cash and cash equivalents	<u>6,112,303</u>	<u>1,653,777</u>

Pledged deposits represent bank deposits of RMB3,112,140,000 (2018: RMB2,063,566,000) and deposits held with financial institutions of RMB62,476,000 (2018: RMB27,000,000) pledged to banks and financial institutions to secure the facilities granted to the Group and the mortgage loan facilities granted by certain banks to certain property buyers of the Group's properties. The pledged deposits will be released upon the settlement of relevant borrowings and the expiry of the mortgage guarantees provided to the property buyers. Bank deposits and deposits held with financial institutions amounting to RMB22,525,000 (2018: RMB33,915,000) have been pledged to secure the Group's non-current borrowings and are therefore classified as non-current assets.

Restricted bank balances are required, pursuant to the relevant regulations in the PRC, that certain amount of presale proceeds of properties be placed as guarantee deposits in designated bank accounts for the construction of the relevant properties. The deposits can only be used for payments for construction costs of the relevant properties with approval.

Cash at banks earns interest at floating or fixed rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate to their fair values.

At the end of the reporting period, pledged deposits, restricted bank balances and cash and cash equivalents of the Group denominated in RMB amounted to RMB9,452,621,000 (2018: RMB4,641,409,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

NOTES TO FINANCIAL STATEMENTS

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19. COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale are all situated in the PRC. The Group carried out assessment on the net realisable value at the end of the reporting period and compared to the cost and there was no written-down to the net realisable value of completed properties held for sale for both years.

20. PROPERTIES UNDER DEVELOPMENT

Properties under development are all situated in the PRC and RMB13,185,465,000 (2018: RMB18,130,656,000) are expected to be realised within twelve months and the remaining RMB35,516,710,000 (2018: RMB28,316,947,000) are expected to be realised after twelve months from the end of the reporting period. The Group carried out assessment on the net realisable value at the end of the reporting period and compared to the cost and there was no written-down to the net realisable value of properties under development for both years.

21. DEPOSITS AND PREPAYMENTS PAID FOR LAND ACQUISITIONS

The amount represented deposits and prepayments paid for land acquisitions arising from the acquisition of land use rights in the PRC. These deposits will be recognised as properties under development upon completion of the land acquisition process and fully refundable if the acquisition is not successful.

22. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

	2019 RMB'000	2018 RMB'000
Accounts receivable	114,154	82,456
Less: Impairment	-	-
	<u>114,154</u>	<u>82,456</u>
Debt investment at amortised cost	-	323,257
Prepaid value-added taxes and other taxes	1,772,135	1,535,573
Deposits and prepayments	2,263,541	2,918,235
Costs of obtaining contracts	192,056	142,164
Other receivables	5,560,509	4,275,406
	<u>9,788,241</u>	<u>9,194,635</u>
Less: Impairment	(650)	(650)
	<u>9,787,591</u>	<u>9,193,985</u>
	<u>9,901,745</u>	<u>9,276,441</u>

NOTES TO FINANCIAL STATEMENTS

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22. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS (continued)

Accounts receivable represent receivables from sales of properties, property management fee receivables, dividend receivables and rental receivables.

Receivables arising from sales of properties are due for settlement in accordance with the terms of the related sale and purchase agreements. The settlement terms of rental receivables and property management fee receivables are upon presentation of demand notes. Hotel room revenue is normally settled by cash or credit card. All accounts receivable were aged less than 3 months as at the end of the reporting period (2018: less than 3 months), based on the revenue recognition date or invoice date.

The movements in the loss allowance for impairment of accounts and other receivables are as follows:

	2019 RMB'000	2018 RMB'000
At beginning of year	650	5,284
Impairment losses	777	779
Amount written off	<u>(777)</u>	<u>(5,413)</u>
At end of year	<u><u>650</u></u>	<u><u>650</u></u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

No provision for impairment of accounts receivable was provided for as at 31 December 2019 and 2018 as the director of the Company considers the expected credit loss is insignificant.

NOTES TO FINANCIAL STATEMENTS

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23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Equity securities listed in Hong Kong	66,842	102,838
Equity securities listed in Singapore	7,285	5,301
REIT securities listed in the USA	342,547	227,186
	<u>416,674</u>	<u>335,325</u>
Unlisted financial assets	69,805	-
	<u>486,479</u>	<u>335,325</u>

24. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	2019 RMB'000	2018 RMB'000
Accounts payable	146,762	20,946
Accrued construction costs (Note)	9,260,864	6,806,710
Rental deposits received	8,285	7,827
Retention deposits and payable	85,860	30,073
Other taxes payable	184,994	118,586
Other payables and accruals	1,782,654	1,311,646
	<u>11,469,419</u>	<u>8,295,788</u>
Less: Rental deposits received – non-current	(7,010)	(7,128)
	<u>11,462,409</u>	<u>8,288,660</u>

The average credit period of accounts payable ranges from 30 to 90 days (2018: 30 to 90 days). All accounts payable were aged within one year, based on invoice dates.

Note: Included in accrued construction costs are amounts due to related companies controlled by the ultimate controlling shareholder of the Company and her spouse of approximately RMB1,991,490,000 (2018: RMB1,938,955,000) for their construction services.

25. CONTRACT LIABILITIES

The Group receives advance payments from customers based on schedules as established in the property sales contracts. The decrease in contract liabilities as at 31 December 2019 was because more property projects were completed and delivered to the customers during the current year.

26. AMOUNTS DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, interest-free and repayable on demand. Ms. Huang and together with her spouse, Mr. Zhang, have controlling interests over these related companies.

27. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and repayable on demand. Ms. Huang and together with her spouse, Mr. Zhang, have controlling interests over these related companies.

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28. BANK AND OTHER BORROWINGS

	2019			2018		
	Effective interest rate per annum (%)	Maturity	RMB'000	Effective interest rate per annum (%)	Maturity	RMB'000
Current						
Bank loans - secured	3.29 - 9.98	2020	4,836,698	3.02 - 7.94	2019 or on demand*	3,007,263
Bank loans - unsecured	4.99 - 7.13	2020	389,748	4.99	2019	150,000
Other loans - secured	5.50 - 9.98	2020	3,869,265	6.65 - 7.43	2019	976,218
Other loans - unsecured	-	-	-	8.00	2019	1,168,003
Bonds - unsecured (a)	8.00	2020	<u>695,963</u>	4.99	2019	<u>3,652,422</u>
			<u>9,791,674</u>			<u>8,953,906</u>
Non-current						
Bank loans - secured	3.29 - 9.98	2021 - 2030	7,536,139	3.02 - 9.55	2020 - 2030	6,578,962
Bank loans - unsecured	5.10 - 7.13	2021	268,390	4.99	2020	353,006
Senior notes - unsecured (b)	12.80	2021	2,311,130	-	-	-
Other loans - secured	7.00 - 9.98	2021 - 2022	1,270,000	5.5 - 7.43	2020	1,872,611
Bonds - unsecured (c)	5.58 - 7.20	2021 - 2022	1,304,699	-	-	-
Asset-backed securities - unsecured (d)	-	-	-	7.25	2021	<u>996,314</u>
			<u>12,690,358</u>			<u>9,800,893</u>
			<u>22,482,032</u>			<u>18,754,799</u>

	2019	2018
	RMB'000	RMB'000

Analysed into:

Bank and other borrowings repayable:

Within one year or on demand*	9,791,674	8,953,906
In the second year	7,760,755	4,504,226
In the third to fifth years, inclusive	4,917,010	5,279,380
Beyond five years	<u>12,593</u>	<u>17,287</u>
	<u>22,482,032</u>	<u>18,754,799</u>

* The Group had no amount which is not repayable within one year based on the scheduled repayment date but has been classified as current liability as the counterparty has discretionary rights to demand immediate repayment as at 31 December 2019(2018:RMB20,029,000).

The carrying amounts of bank and other borrowings at the end of the reporting period were denominated in the following currencies.

	2019	2018
	RMB'000	RMB'000
HK\$	482	3,720
SGD	78,420	80,662
USD	3,547,759	1,915,196
RMB	<u>18,855,371</u>	<u>16,755,221</u>
	<u>22,482,032</u>	<u>18,754,799</u>

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28. BANK AND OTHER BORROWINGS (continued)

Notes:

- (a) On 25 January 2019, Zensun Enterprises, a subsidiary of the Company, completed the issuance of bonds at a principal amount of USD100 million (at carrying amount of approximately RMB695,963,000 as at 31 December 2019) carrying interest of 8.0% per annum due on 22 January 2020 in accordance with the terms and conditions of the subscription agreement. The bonds were unsecured but guaranteed by related companies, which are ultimately controlled by Ms. Huang. The proceeds from bonds had been fully utilized as intended for general corporate purposes of the Group. The bonds were subsequently redeemed in January 2020.
- (b) On 3 October 2019, Zensun Enterprises, a subsidiary of the Company, issued senior notes at a principal amount of US\$220 million carrying interest of 12.8% per annum due on 3 October 2022 in accordance with the terms and conditions of the subscription agreement ("2019 Original Notes"). Subsequently on 20 December 2019, Zensun Enterprises issued additional senior notes at a principal amount of US\$120 million under the same terms and conditions of the subscription agreement of the 2019 Original Notes. The additional senior notes are consolidated with the 2019 Original Notes and form a single series at an aggregated principal amount of US\$340 million carrying interest of 12.8% per annum due on 3 October 2022. The US\$340 million senior notes are listed and traded on the Stock Exchange of Hong Kong. The senior notes were unsecured but guaranteed by related companies, which are ultimately controlled by Ms. Huang. The net proceeds of the senior notes were intended to refinance existing indebtedness and for project developments and general corporate purposes.
- (c) Henan Zensun Real Estate Co., Ltd., a subsidiary of the Company, issued (1) a 5-year corporate bond at a principal amount of RMB1 billion carrying interest of 5.58% per annum on 26 August 2016, of which an amount of RMB450,100,000 was redeemed on 26 August 2019, and (2) a three-year corporate bond at a principal amount of RMB750 million carrying interest of 7.2% per annum on 27 November 2019. The interest was all paid once a year and the last payment of interest was paid together with the principal.
- (d) On 31 July 2018, a wholly-owned PRC subsidiary of the Company engaged in property development completed the issuance of asset-backed securities at a carrying coupon rate of 7.2% per annum. The asset-backed securities were unsecured but guaranteed by a related company which is ultimately controlled by Ms. Huang. The securities were redeemed in April 2019.

Certain of the Group's bank and other borrowings are secured by the Group's pledged deposits, investment properties, property, plant and equipment and properties under development with the total carrying amount of RMB26,225,644,000 (2018: RMB21,890,780,000). In addition, shares of certain subsidiaries were pledged as securities to obtain certain bank and other borrowings granted to the Group as at 31 December 2019 and 2018, details of which are disclosed in note 36 to the financial statements.

In addition, as at 31 December 2019, borrowings, excluding bonds and senior notes, with a carrying amount of approximately RMB10,775,226,000 (2018: RMB971,414,400) were guaranteed by related companies.

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29. DEFERRED TAX

The movements in deferred tax assets and liabilities arising from temporary differences are as follows:

Deferred tax assets

	Tax losses RMB'000	Provision for LAT RMB'000	Accrued expenses for tax purpose RMB'000	Total RMB'000
At 1 January 2018	77,236	94,675	49,125	221,036
Credited to profit or loss during the year (note 9)	<u>33,648</u>	<u>5,525</u>	<u>31,540</u>	<u>70,713</u>
Deferred tax assets at 31 December 2018 and 1 January 2019	110,884	100,200	80,665	291,749
(Charged)/credited to profit or loss during the year (note 9)	<u>(30,433)</u>	<u>158,555</u>	<u>239,347</u>	<u>367,469</u>
Deferred tax assets at 31 December 2019	<u>80,451</u>	<u>258,755</u>	<u>320,012</u>	<u>659,218</u>

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29. DEFERRED TAX (continued)

Deferred tax liabilities

	Accelerated tax depreciation RMB'000	Revaluation of investment properties RMB'000	Revaluation of properties acquired under business combination RMB'000	Withholding tax on distributable profits of the Group's PRC subsidiaries RMB'000	Total RMB'000
At 1 January 2018	(55)	(5,697)	(23,887)	-	(29,639)
(Credited)/charged to profit or loss during the year (note 9)	-	(1,241)	11,395	-	10,154
Transfer to LAT payables	-	-	1,206	-	1,206
Exchange realignment	(3)	(121)	-	-	(124)
Deferred tax liabilities at 31 December 2018 and 1 January 2019	(58)	(7,059)	(11,286)	-	(18,403)
Credited to profit or loss during the year (note 9)	-	(1,848)	-	(95,000)	(96,848)
Transfer to LAT payables	-	-	1,200	-	1,200
Exchange realignment	(1)	(25)	-	-	(26)
Deferred tax liabilities at 31 December 2019	<u>(59)</u>	<u>(8,932)</u>	<u>(10,086)</u>	<u>(95,000)</u>	<u>(114,077)</u>

At 31 December 2019, the Group had total unrecognised unused tax losses of RMB1,119,758,000 (2018: RMB927,715,000), which were subject to agreement with the respective tax authorities, available to offset against future profits. No deferred tax asset has been recognised in respect of these unused tax losses as they have arisen in subsidiaries and the Company that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Except for the tax losses incurred in the PRC amounting to RMB479,135,000 (2018: RMB387,323,000) the will expire within five years since the date of carry forward, these unrecognised unused tax losses can be carried forward indefinitely, subject to fulfilment of certain conditions or rules.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. Zensun Enterprises, a subsidiary of the Group, is therefore liable for withholding taxes at an applicable rate of 10% on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

By the end of 31 December 2018, no deferred tax liabilities have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of a subsidiary of the Group established in the PRC. In the opinion of the director, it is not probable that this subsidiary will distribute earnings arising from 1 January 2008 to 31 December 2018 in the foreseeable future.

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29. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

For the year ended 31 December 2019, the director has decided to distribute certain dividends to overseas holding companies from the distributable profit earned by certain subsidiaries in the PRC from 1 January 2019 to 31 December 2019. Therefore, the Group is liable for withholding taxes on dividends distributed by certain subsidiaries established in the PRC in respect of earnings from 1 January 2019 to 31 December 2019 and deferred tax liability amounting to RMB95,000,000 was recognised regarding to withholding taxes as at 31 December 2019.

The aggregate amounts of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately RMB3,098,242,000 as at 31 December 2019 (2018: RMB2,762,528,000).

30. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2019 are presented in the consolidated statement of changes in equity.

(a) Capital and other reserve

Capital and other reserve represents the deemed contribution from controlling shareholder in the reorganisation, and the differences between the consideration and the proportionate shares of the net assets acquired.

(b) Merger reserve

The merger reserve represents the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the Company's share issued in exchange therefor.

(c) PRC statutory reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, each of these subsidiaries is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the entities, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(d) Property revaluation reserve

Property revaluation reserve represents the gain on revaluation of the property, plant and equipment upon transfer to investment properties.

(e) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

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31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In view of the Group's expansion strategy, the Group has sourced funding from banks, financial institutions, bonds, senior notes and its related companies and continued to look for other external financing sources. The Group's overall strategy remains unchanged from prior periods.

The director of the Company reviews the capital structure on an annual basis. As part of this review, the director of the Company considers the cost of capital and the risks associated with the capital. Based on recommendations of the director of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues, raising of new borrowings or redemption of debts.

The capital structure of the Group consists of net debt, which includes bank and other borrowings and amounts due to related companies, net of cash and cash equivalents, restricted bank balances, pledged deposits and time deposits. The gearing ratio as at the end of the reporting period was as follows:

	2019 RMB'000	2018 RMB'000
Amounts due to related companies	4,430,648	3,685,311
Bank and other borrowings	22,482,032	18,754,799
Less: Cash and cash equivalents	(6,112,303)	(1,653,777)
Restricted bank balances	(1,221,422)	(1,053,346)
Pledged deposits	(3,174,616)	(2,090,566)
Net debt	<u>16,404,339</u>	<u>17,642,421</u>
Total assets	<u>87,065,030</u>	<u>79,180,987</u>
Gearing ratio	<u>19%</u>	<u>22%</u>

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32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets

	Equity investments designated at FVOCI RMB'000	Financial assets at FVPL RMB'000	Financial assets at amortised cost RMB'000
Financial assets at FVPL	-	486,479	-
Equity investments designated at FVOCI	62,000	-	-
Accounts receivable	-	-	114,154
Financial assets included in other receivables and other assets	-	-	5,560,509
Amounts due from related companies	-	-	156,415
Pledged deposits	-	-	3,174,616
Restricted bank balances	-	-	1,221,422
Cash and cash equivalents	-	-	6,112,303
	<u>62,000</u>	<u>486,479</u>	<u>16,339,419</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Accounts payable	146,762
Financial liabilities included in other payables, deposits and accruals	11,137,663
Amounts due to related companies	4,430,648
Lease liabilities	5,566
Bank and other borrowings	22,482,032
	<u>38,202,671</u>

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32. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2018

Financial assets

	Equity investments designated at FVOCI RMB'000	Financial assets at FVPL RMB'000	Financial assets at amortised cost RMB'000
Financial assets at FVPL	-	335,325	-
Equity investments designated at FVOCI	32,000	-	-
Accounts receivable	-	-	82,456
Financial assets included in other receivables and other assets	-	-	4,275,406
Amounts due from related companies	-	-	628,602
Debt investment at amortised cost	-	-	323,257
Pledged deposits	-	-	2,090,566
Restricted bank balances	-	-	1,053,346
Cash and cash equivalents	-	-	1,653,777
	<u>32,000</u>	<u>335,325</u>	<u>10,107,410</u>

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Accounts payables	20,946
Financial liabilities included in other payables, deposits and accruals	8,156,256
Amounts due to related companies	3,685,311
Bank and other borrowings	<u>18,754,799</u>
	<u>30,617,312</u>

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33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments, other than those with carrying amounts that reasonably approximate to fair values, as at the end of the reporting period are as follows:

	Carrying amounts		Fair values	
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at FVPL	486,479	335,325	486,479	335,325
Equity investments designated at FVOCI	<u>62,000</u>	<u>32,000</u>	<u>62,000</u>	<u>32,000</u>
	<u>548,479</u>	<u>367,325</u>	<u>548,479</u>	<u>367,325</u>
Financial liabilities				
Bank and other borrowings (non-current)	<u>12,690,358</u>	<u>9,800,893</u>	<u>12,841,330</u>	<u>10,011,277</u>

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, pledged deposits, accounts receivable, accounts payable, financial assets included in other receivables and other assets, amounts due from related companies, financial liabilities included in other payables and accruals, amounts due to related companies and the current portion of bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for bank and other borrowings as at 31 December 2019 were assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates.

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33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	<u>Fair value measurement using</u>			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at FVPL	416,674	69,805	-	486,479
Equity investments designated at FVOCI	-	-	62,000	62,000
	<u>416,674</u>	<u>69,805</u>	<u>62,000</u>	<u>548,479</u>

As at 31 December 2018

	<u>Fair value measurement using</u>			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at FVPL	335,325	-	-	335,325
Equity investments designated at FVOCI	-	-	32,000	32,000
	<u>335,325</u>	<u>-</u>	<u>32,000</u>	<u>367,325</u>

During the year, changes of the Level 3 financial assets are included in note 13 to the financial statements.

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33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

The Group had no financial liabilities measured at fair value as at 31 December 2019.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

As at 31 December 2019

	<u>Fair value measurement using</u>			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Bank and other borrowings	-	12,841,330	-	12,841,330

As at 31 December 2018

	<u>Fair value measurement using</u>			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Bank and other borrowings	-	10,011,277	-	10,011,277

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted bank balances, accounts receivable, other receivables, amounts due from related companies, accounts payable, other payables and accruals, and amounts due to related companies, which arise directly from its operations. The Group has other financial assets and liabilities such as pledged deposits, financial assets at FVPL and FVOCI, bank and other borrowings and lease liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. The Group does not hold or issue derivative financial instruments for trading purposes. The director reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank and other borrowings with floating interest rates set out in note 28. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using a mix of fixed and variable rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax.

2019	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000
Loans and borrowings denominated in		
RMB	100	(22,001)
RMB	(100)	22,001
HK\$	100	(3,912)
HK\$	(100)	3,912
USD	100	(1,500)
USD	(100)	1,500
SGD	100	(784)
SGD	(100)	784
2018	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax RMB'000
Loans and borrowings denominated in		
RMB	100	(127,054)
RMB	(100)	127,054
HK\$	100	(34)
HK\$	(100)	34
USD	100	(1,538)
USD	(100)	1,538
SGD	100	(800)
SGD	(100)	800

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Other price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed investments classified as financial assets at FVPL. Management manages this exposure by regular review of price fluctuation.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks of financial assets at FVPL as at the end of the reporting period.

	Increase/(decrease) in market price %	Increase/(decrease) in profit before tax RMB'000
31 December 2019	10 (10)	48,648 (48,648)
31 December 2018	10 (10)	23,253 (23,253)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions by operating units in currencies other than the units' functional currencies. The director of the Company considers there is no significant foreign currency risk at the end of the reporting period.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which are mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Credit risk (continued)**Maximum exposure and year-end staging (continued)*

31 December 2019	12-month ECLs		Lifetime ECLs		Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Accounts receivable*	-	-	-	8,030	8,030
Accounts receivable					
- Normal**	106,124	-	-	-	106,124
Financial assets included in other receivables and other assets					
- Normal**	5,560,509	-	-	-	5,560,509
Amounts due from related companies	156,415	-	-	-	156,415
Pledged deposits					
- Not yet past due	3,174,616	-	-	-	3,174,616
Restricted bank balances					
- Not yet past due	1,221,422	-	-	-	1,221,422
Cash and cash equivalents					
- Not yet past due	6,112,303	-	-	-	6,112,303
	<u>16,331,389</u>	<u>-</u>	<u>-</u>	<u>8,030</u>	<u>16,339,419</u>

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Credit risk (continued)**Maximum exposure and year-end staging (continued)*

31 December 2018	12-month	Lifetime ECLs			Total
	ECLs	Simplified			
	Stage 1	Stage 2	Stage 3	approach	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accounts receivable*	-	-	-	8,694	8,694
Accounts receivable					
- Normal**	73,762	-	-	-	73,762
Financial assets included in					
other receivables and other assets					
- Normal**	4,275,406	-	-	-	4,275,406
Amounts due from related companies	628,602	-	-	-	628,602
Debt investment at amortised cost	323,257	-	-	-	323,257
Pledged deposits					
- Not yet past due	2,090,566	-	-	-	2,090,566
Restricted bank balances					
- Not yet past due	1,053,346	-	-	-	1,053,346
Cash and cash equivalents					
- Not yet past due	1,653,777	-	-	-	1,653,777
	<u>10,098,716</u>	<u>-</u>	<u>-</u>	<u>8,694</u>	<u>10,107,410</u>

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Credit risk (continued)**Maximum exposure and year-end staging (continued)*

* For accounts receivable to which the Group applies the simplified approach for impairment as detailed in note 22 to the financial statements, there is no significant concentration of credit risk.

** The credit quality of the financial assets included in accounts receivable, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Liquidity risk

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group’s financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2019

	On demand or within 1 year RMB’000	1 to 2 years RMB’000	3 to 5 years RMB’000	Over 5 years RMB’000	Total RMB’000
Accounts payable	146,762	-	-	-	146,762
Financial liabilities included in other deposits received and accruals	11,137,663	-	-	-	11,137,663
Amounts due to related companies	4,430,648	-	-	-	4,430,648
Lease liabilities	1,871	1,945	2,438	-	6,254
Bank and other borrowings	11,281,173	8,694,321	5,424,137	13,868	25,413,499
	<u>26,998,117</u>	<u>8,696,266</u>	<u>5,426,575</u>	<u>13,868</u>	<u>41,134,826</u>
Financial guarantee contracts (Note)	<u>40,362,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,362,000</u>

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34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)As at 31 December 2018

	On demand or within 1 year RMB'000	1 to 2 years RMB'000	3 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Accounts payable	20,946	-	-	-	20,946
Financial liabilities included in other deposits received and accruals	8,156,256	-	-	-	8,156,256
Amounts due to related companies	3,685,311	-	-	-	3,685,311
Bank and other borrowings	<u>8,482,771</u>	<u>10,909,344</u>	<u>3,770,377</u>	<u>19,000</u>	<u>23,181,492</u>
	<u>20,345,284</u>	<u>10,909,344</u>	<u>3,770,377</u>	<u>19,000</u>	<u>35,044,005</u>
Financial guarantee contracts (Note)	<u>39,049,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,049,609</u>

Note: The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement, because in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interest and penalties. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the guaranteed financial receivables held by the counterparty suffer credit losses.

As at December 2018, the Group's bank and other borrowings with a repayment on demand clause but not repayable within one year are classified under "on demand or within 1 year" time band in the maturity analysis. Taking into account the Group's financial position and the fair value of the pledged assets, the directors of the Company believe that it is not probable that the bank will exercise its discretionary right to demand immediate repayment and such term borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. On this basis, the interest and principal cash flows for the bank and other borrowings would be as follows:

As at 31 December 2018

	On demand or within 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Total RMB'000
Bank and other borrowings with a repayment on demand clause	<u>19,553</u>	<u>476</u>	<u>-</u>	<u>20,029</u>

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

	Amounts due to related companies RMB'000	Accrued interest* RMB'000	Lease liabilities RMB'000	Bank and other borrowings RMB'000	Total RMB'000
At 31 December 2018	3,685,311	84,214	-	18,754,799	22,524,324
Effect of adoption of HKFRS 16	-	-	6,813	-	6,813
At 1 January 2019 (restated)	3,685,311	84,214	6,813	18,754,799	22,531,137
Changes from financing cash flows (note)	745,337	(1,459,213)	(1,782)	3,761,628	3,045,970
Interest expenses	-	1,511,747	457	-	1,512,204
Foreign exchange translation	-	-	78	(34,395)	(34,317)
At 31 December 2019	<u>4,430,648</u>	<u>136,748</u>	<u>5,566</u>	<u>22,482,032</u>	<u>27,054,994</u>

	Amounts due to related companies RMB'000	Accrued interest* RMB'000	Bank and other borrowings RMB'000	Total RMB'000
At 31 December 2017	2,751,535	75,754	17,417,082	20,244,371
Financing cash flows (note)	933,776	(1,242,736)	1,216,788	907,828
Interest expenses	-	1,251,196	-	1,251,196
Foreign exchange translation	-	-	120,929	120,929
At 31 December 2018	<u>3,685,311</u>	<u>84,214</u>	<u>18,754,799</u>	<u>22,524,324</u>

Note: The financing cash flows are made up of the net amounts of new bank and other borrowings raised, repayment of bank and other borrowings, interest paid, advance from/repayment to related companies and lease payments including principal and interest portions in the consolidated statement of cash flows.

* Included in accounts payable, deposits received and accruals.

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2019 RMB'000
Within operating activities	5,081
Within financing activities	<u>1,782</u>
	<u>6,863</u>

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36. PLEDGE OF ASSETS

The following assets are pledged to certain banks and financial institutions for banking facilities granted to the Group and mortgage loan facilities granted to certain property buyers of the Group's properties at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Property under development	22,418,125	19,181,511
Investment properties	623,299	609,005
Property, plant and equipment	9,604	9,698
Pledged deposits	<u>3,174,616</u>	<u>2,090,566</u>
	<u>26,225,644</u>	<u>21,890,780</u>

In addition, shares of certain subsidiaries were pledged as securities to obtain certain banking facilities granted to the Group as at 31 December 2019 and 2018.

37. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2019 RMB'000	2018 RMB'000
Contracted for but not provided in respect of property development expenditures	<u>14,293,537</u>	<u>23,278,968</u>

(b) Operating lease arrangements as at 31 December 2018

The Group leased certain offices located overseas under operating lease arrangements and those leases were negotiated for an average term of two to four years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 RMB'000
Within one year	1,853
In the second to fifth years, inclusive	<u>6,226</u>
	<u>8,079</u>

(c) The Group had no lease contracts that have not yet commenced as at 31 December 2019.

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38. CONTINGENT LIABILITIES

As at 31 December 2019, the Group had contingent liabilities relating to guarantees amounting to approximately RMB40,362,000,000(2018: RMB39,049,609,000) in respect of mortgage loan facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over the legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyer of the property, and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the director of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2019 (2018: Nil) as the default risk is low and in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interest and penalties.

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39. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting period:

Related companies (Note (i))	Transactions	2019 RMB'000	2018 RMB'000
Relevant members of Henan Zensun Corporate Development Company Limited (the "Zensun Development Group")	Construction costs (capitalised in properties under development) (Note (ii))	<u>4,242,336</u>	<u>2,699,873</u>

Notes:

- (i) Zensun Development Group are the entities controlled by the ultimate controlling shareholder of the Company and her spouse.
- (ii) The construction costs were based on terms mutually agreed by both parties. These transactions constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules.

The Group's bonds, senior notes and certain bank and financial institutions facilities to the Group were guaranteed by related companies controlled by the ultimate controlling shareholder of the Company and her spouse. No assets of the Group were pledged to these related companies in respect of these guarantees.

- (b) Outstanding balances with related parties

Details of the Group's balances with related parties as at the end of the reporting period are included in notes 24, 26 and 27 to the financial statements.

- (c) Compensation of key management personnel of the Group

	2019 RMB'000	2018 RMB'000
Short term employee benefits	472	1,158
Post-employment benefits	<u>21</u>	<u>24</u>
Total compensation paid to key management personnel	<u>493</u>	<u>1,182</u>

Save as disclosed above, no transaction has been entered into with the director of the Company (being the key management personnel) during the reporting period other than the emoluments paid to him (being key management personnel compensation).

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40. PARTICULARS OF THE SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 December 2019 are as follows:

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Zensun Enterprises Ltd.	HK	Share capital HK\$2,279,912,498	-	74.77	Property investment
Zensun International Holdings Co., Ltd	Cayman Islands	Registered capital HK\$216,000	100	-	Property development
HQ Neptune Investments Ltd	BVI	Registered capital USD100	-	100	Property development
Ever Diamond Global Co., Ltd.	Hong Kong	Registered capital HK\$1,000	-	100	Property development
Honor Challenge Investment Ltd	BVI	Registered capital USD1	-	100	Property development
Joy Town Inc.	BVI	Registered capital USD1	100	-	Property development
Champ Win Ent Ltd	Hong Kong	Registered capital HK\$1	-	100	Property development
75 Wall Street, LLC	USA	Note (i)	-	74.77	Property investment
American Housing REIT, Inc.	USA	Common stock USD6,256	-	74.62	Property investment
AHR First Borrower, LLC	USA	Note (i)	-	74.62	Loan financing and property investment
AHR Second Borrower, LLC	USA	Note (i)	-	74.62	Loan financing
American Senior Housing REIT, LLC	USA	Note (i)	-	74.62	Property investment and investment holding
ASHR McKinney, LLC	USA	Note (i)	-	74.62	Property investment
ASHR First, LLC	USA	Note (i)	-	74.62	Property investment
China Credit Singapore Pte. Ltd.	Singapore	Ordinary shares SGD13,417,282	-	74.77	Investment holding
Expats Residences Pte. Ltd.	Singapore	Ordinary shares SGD25,002	-	74.77	Property investment
Heng Fung Capital Company Limited	Hong Kong	Ordinary shares HK\$2	-	74.77	Property investment and securities trading
Inter-American Management, LLC	USA	Note (i)	-	63.55	Provision of property management services
Keng Fong Foreign Investment Co., Ltd.	USA	Common stock USD250,000	-	74.77	Property investment
Singapore Service Residence Pte. Ltd.	Singapore	Ordinary shares SGD1,250,000	-	74.77	Property investment
Xpress Credit Limited	Hong Kong	Ordinary shares HK\$1,260,000	-	74.77	Securities trading
ZH USA, LLC	USA	Note (i)	-	74.77	Securities trading and investment holding
河南昌輝企業管理諮詢有限公司Note (ii)	PRC	Registered capital RMB1,000,000	-	74.77	Investment holding
河南正商經開置業有限公司Note (ii)	PRC	Registered capital RMB300,000,000	-	74.77	Property development, property management and sales service
河南興漢正商置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	74.77	Property development
河南象湖置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	74.77	Property development

continued/...

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40. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2019 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
河南新築置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	74.77	Property development
河南正商華府置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南正商新銘置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南正商新航置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	74.77	Property development
河南正商鄭東置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
北京上築置業有限公司Note (ii)	PRC	Registered capital RMB300,000,000	-	74.77	Property development
北京上陽置業有限公司Note (ii)	PRC	Registered capital RMB200,000,000	-	74.77	Property development
河南正商銘築置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南正商鄭新房地產有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南啟盛置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	74.77	Property development
河南正商中嶽置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
原陽縣正商置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	74.77	Property development
河南正商河洛置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南正商雅苑置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南正商金域置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南正商瓏水置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南正商新雅置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南正商新居置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南正商新府置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南沐歌置業有限公司Note (ii)	PRC	Registered capital RMB20,000,000	-	74.77	Property development
河南正商新宏置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南正商致遠置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
新乡市興漢正商置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南正商嶽村建設開發有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南正商佳居置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development

continued/...

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40. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2019 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
河南漢輝置業有限公司Note (ii)	PRC	Registered capital RMB200,000,000	-	44.86	Property development
河南正商王村置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南鑫筑建设工程有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南正商鴻雅置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南東象正商實業有限公司Note (ii)	PRC	Registered capital RMB300,000,000	-	44.86	Property development
河南嘉瑞昌置業股份有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南林盟置業有限公司Note (ii)	PRC	Registered capital RMB20,000,000	-	74.77	Property development
武漢豫正置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
荊陽博雅置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	74.77	Property development
河南正商金銘置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南正商新古置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	59.82	Property development
河南正商佳航置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南正商尚筑置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南鑫融置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南悅府置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	74.77	Property development
河南悅璽置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	74.77	Property development
河南佳悅美置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	52.34	Property development
河南惠東置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	74.77	Property development
河南金州置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	74.77	Property development
北京上瑞置業有限公司Note (ii)	PRC	Registered capital RMB200,000,000	-	74.77	Property development
武漢豫商置業有限公司Note (ii)	PRC	Registered capital RMB20,000,000	-	74.77	Property development
鄭州君聯房地產開發有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	74.77	Property development
河南宏光正商置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商置業有限公司Note (ii)	PRC	Registered capital RMB1,000,000,000	-	100	Property development
青島正商置業有限公司Note (ii)	PRC	Registered capital RMB30,000,000	-	100	Property development

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40. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2019 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
河南上林置業有限公司Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
海南正商房地產開發有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
信陽正商置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
新鄉市正商置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南晨光正商置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
新鄭正商置業有限公司Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南展宇置業有限公司Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
洛陽正商置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南豫路正商置業有限公司Note (ii)	PRC	Registered capital RMB20,000,000	-	70	Property development
中牟正商置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商中原置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商龍湖置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南正商惠濟置業有限公司Note (ii)	PRC	Registered capital RMB300,000,000	-	100	Property development
河南正商泓華置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南正商商都置業有限公司Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南正商領域置業有限公司Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南正商古城建設開發有限公司 (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南展陽商業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南正之悅置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development
河南鄭地置業有限公司Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南大亞置業有限公司Note (ii)	PRC	Registered capital RMB10,000,000	-	51	Property development
鄭州市地幔科技有限公司Note (ii)	PRC	Registered capital RMB15,000,000	-	100	Property development
河南萃居置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
武漢佳之美置業有限公司Note (ii)	PRC	Registered capital RMB100,000,000	-	100	Property development and decoration

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40. PARTICULARS OF THE SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31 December 2019 are as follows: (continued)

Name	Place of incorporation/ registration and place of business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
河南建正房地產有限公司Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南惠正城鄉建設有限公司Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南惠興城鄉建設有限公司Note (ii)	PRC	Registered capital RMB300,000,000	-	100	Property development
河南正商東華置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南正商中洲置業有限公司Note (ii)	PRC	Registered capital RMB200,000,000	-	100	Property development
河南正商尚濱置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
新鄭正商興城置業有限公司Note (ii)	PRC	Registered capital RMB400,000,000	-	100	Property development
河南佳傑置業有限公司Note (ii)	PRC	Registered capital RMB50,000,000	-	100	Property development
河南悅瑞置業有限公司Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development
河南新之悅置業有限公司Note (ii)	PRC	Registered capital RMB20,000,000	-	100	Property development

Notes:

- (i) No capital contribution is required unless otherwise required by law.
- (ii) Entities established in the PRC are limited liability companies and no English names have been registered or available upon establishment.

31 December 2019

41. EVENTS AFTER THE REPORTING PERIOD

- (a) In February 2020, the Group acquired land use rights of two separate land parcels located in Xinmi City, Henan Province, the PRC through listing for sale process in its respective public auction held by Xinmi City Nature Resources and Planning Bureau for transfer of state-owned land use rights (i) with site area of approximately 53,060.26 sq.m. at a consideration of RMB25,875,838; and (ii) with site area of approximately 25,968.97 sq.m. at a consideration of RMB104,771,000, respectively. These two land parcels are designated for residential purposes and underground for transportation usage, with a term of 70 years for residential purposes and a term of 50 years for underground for transportation services usage. The handover of the land parcel is expected to be completed no later than the second quarter of 2020.
- (b) In March 2020, the Group acquired land use rights of a land parcel located in Weihui City, Henan Province, the PRC through listing for sale process in its respective public auction held by Weihui City Nature Resources and Planning Bureau for transfer of state-owned land use rights at a consideration of RMB125,130,000 for land parcel. The land parcel is located at northeast corner of the intersection of Bigan Avenue and Zhenxing Road, Weihui City, Henan Province, the PRC with a total site area of approximately 43,964.41 sq.m. and permitted plot ratio of not higher than 2.5. The land parcel is designated for both residential purposes with a term of use of 70 years and commercial purposes with a term of use of 40 years. The handover of the land parcel is expected to be completed no later than the third quarter of 2020.
- (c) In March 2020, the Group entered into a purchase agreement and thereafter issued US\$200,000,000 12.5% senior notes due 2022. The Group intended to use the gross proceeds to refinance existing indebtedness and for project development and general corporate purposes.
- (d) After the outbreak of coronavirus disease 2019 (“COVID-19”) in early 2020, various precautionary and control measures have been and continued to be implemented across the world. Meanwhile, the Group has imposed a series of preventive and control measures within all of the property development projects and business locations to the outbreak and safeguard the employees and business operations. The Group will continue to pay close attention to the development of the COVID-19 situation and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, the major operations of the Group’s property development business in the PRC have substantially restored to normal and the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the outbreak.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the director on 30 April 2020.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Unaudited	
		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
REVENUE	4	5,595,511	2,237,563
Cost of sales		<u>(5,161,644)</u>	<u>(1,627,916)</u>
Gross profit		433,867	609,647
Other income		11,929	10,472
Other gains and losses, net	5	13,175	(83,656)
Administrative expenses		(113,674)	(90,033)
Sales and marketing expenses		(120,323)	(33,628)
Finance costs	6	<u>(21,947)</u>	<u>(52,978)</u>
PROFIT BEFORE TAX	7	203,027	359,824
Income tax expense	8	<u>(97,525)</u>	<u>(250,738)</u>
PROFIT FOR THE PERIOD		<u>105,502</u>	<u>109,086</u>
Attributable to:			
Owners of the Company		111,349	108,881
Non-controlling interests		<u>(5,847)</u>	<u>205</u>
		<u>105,502</u>	<u>109,086</u>
			(Restated)
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB cents)	10	5.8	10.3
Diluted		<u>N/A</u>	<u>N/A</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
PROFIT FOR THE PERIOD	105,502	109,086
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>25,743</u>	<u>(24,657)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	<u>25,743</u>	<u>(24,657)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>131,245</u>	<u>84,429</u>
Attributable to:		
Owners of the Company	137,171	84,942
Non-controlling interests	<u>(5,926)</u>	<u>(513)</u>
	<u>131,245</u>	<u>84,429</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

		Unaudited 30 June 2021 <i>RMB'000</i>	Audited 31 December 2020 <i>RMB'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	46,360	47,322
Investment properties	<i>11</i>	540,776	552,154
Goodwill		424,722	424,722
Intangible assets		188,526	199,000
Deferred tax assets		368,038	324,652
Pledged deposits		17,200	27,935
Total non-current assets		1,585,622	1,575,785
CURRENT ASSETS			
Completed properties held for sale		10,068,424	6,791,108
Properties under development		48,393,181	48,446,684
Deposits and prepayments paid for land acquisitions		1,438,980	2,646,093
Accounts receivable, other receivables and other assets	<i>12</i>	2,750,515	2,113,132
Financial assets at fair value through profit or loss		358,639	321,590
Prepaid income tax and tax recoverable		1,394,354	1,060,382
Pledged deposits		383,171	330,336
Restricted bank balances		1,151,677	648,635
Cash and cash equivalents		1,671,735	3,218,611
Total current assets		67,610,676	65,576,571
CURRENT LIABILITIES			
Accounts payable, deposits received and accruals	<i>13</i>	7,330,407	7,299,395
Contract liabilities		29,286,513	23,379,862
Amounts due to related companies	<i>14</i>	3,533,835	4,100,961
Loans from a related company	<i>15</i>	6,892,256	8,374,973
Bank and other borrowings		6,823,332	6,351,627
Tax liabilities		495,502	509,833
Total current liabilities		54,361,845	50,016,651
NET CURRENT ASSETS		13,248,831	15,559,920
TOTAL ASSETS LESS CURRENT LIABILITIES		14,834,453	17,135,705

		Unaudited	Audited
		30 June	31 December
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Rental deposits received	<i>13</i>	5,426	4,866
Bank and other borrowings		6,507,862	8,784,298
Deferred tax liabilities		456,089	457,726
		<hr/>	<hr/>
Total non-current liabilities		6,969,377	9,246,890
		<hr/>	<hr/>
Net assets		7,865,076	7,888,815
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>16</i>	5,326,923	5,326,923
Reserves		2,529,194	2,547,007
		<hr/>	<hr/>
Non-controlling interests		7,856,117	7,873,930
		8,959	14,885
		<hr/>	<hr/>
Total equity		7,865,076	7,888,815
		<hr/>	<hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL

Zensun Enterprises Limited (referred to as the “Company”) is a public limited liability company incorporated in Hong Kong with its shares listed on Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal activities of the Company and its subsidiaries (collectively, the “Group”) include property development, property investment, project management and sales services and securities trading and investment in Hong Kong, the People’s Republic of China (the “PRC”) and overseas.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The interim condensed consolidated financial information for the six months ended 30 June 2021 was approved for issue by the board (the “Board”) of directors of the Company (the “Directors”) on 26 August 2021. The interim condensed consolidated financial information is unaudited, but has been reviewed by the Company’s audit committee (“Audit Committee”).

The interim condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

The financial information relating to the year ended 31 December 2020 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance. The Company’s auditors have reported on the financial statements for the year ended 31 December 2020. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or 407(3) of the Hong Kong Companies Ordinance.

3. CHANGE IN ACCOUNTING POLICIES AND DISCLOSURES

Adoption of the new and revised Hong Kong Financial Reporting Standards

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>

The revised HKFRSs did not impact on the Group's interim condensed consolidated financial information.

4. REVENUE AND OPERATING SEGMENT INFORMATION

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
An analysis of revenue is as follows:		
Sale of properties in the PRC	5,542,023	2,104,607
Project management and sales services in the PRC	33,640	83,597
Rental income	12,196	13,567
Property management income	–	28,362
Dividend income from financial assets at fair value through profit or loss	7,652	7,430
	<u>5,595,511</u>	<u>2,237,563</u>

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (a) Property development in the PRC
- (b) Project management and sales services in the PRC
- (c) Property investment and management in the United States of America ("USA" or "US") in American Housing REIT, Inc. ("AHR") and property management in the USA provided to Global Medical REIT, Inc. ("GMR")
- (d) Property investment other than AHR
- (e) Securities trading and investment

The Group has property investment and/or management businesses in Hong Kong, the USA and Singapore. Other than AHR which is operated in the USA, the property investment businesses in other regions are evaluated together and assessed as one operating segment by the management.

Following the disposal of a subsidiary engaging in the property management business in the USA in July 2020, the Group no longer provided property management services to and received management fee income from GMR thereafter.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that certain other gains and losses, corporate and unallocated income and expenses are excluded from this measurement.

Segment assets exclude deferred tax assets, unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax liabilities and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Except for termination of property management business in the USA since July 2020, there are no differences from the Group's annual financial statements for the year ended 31 December 2020 on the basis of segmentation or on the basis of measurement of segment profit or loss, segment assets and liabilities.

Segment revenue and segment results

	Unaudited			
	Six months ended 30 June			
	Segment revenue		Segment results	
	2021	2020	2021	2020
	RMB'000	<i>RMB'000</i>	RMB'000	<i>RMB'000</i>
Property development in the PRC	5,542,023	2,104,607	124,637	354,257
Project management and sales services in the PRC	33,640	83,597	31,990	80,554
Property investment and management in the USA in AHR and property management provided to GMR	7,438	36,725	4,357	1,474
Property investment other than AHR	4,758	5,204	1,473	(20,260)
Securities trading and investment	7,652	7,430	48,463	(44,230)
	5,595,511	2,237,563	210,920	371,795
Unallocated corporate income			9	7,394
Other gains and losses, net			(2,364)	(4,116)
Unallocated corporate expenses			(5,538)	(15,249)
Profit before tax			203,027	359,824

Segment assets

	Unaudited	Audited
	30 June	31 December
	2021	2020
	RMB'000	<i>RMB'000</i>
Property development in the PRC	67,777,441	65,699,030
Project management and sales services in the PRC	34,008	125,026
Property investment and management in the USA in AHR and property management provided to GMR	201,923	210,755
Property investment other than AHR	364,447	375,026
Securities trading and investment	362,205	325,098
Unallocated assets	68,740,024	66,734,935
	456,274	417,421
	69,196,298	67,152,356

Segment liabilities

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Property development in the PRC	60,033,174	58,081,282
Project management and sales services in the PRC	2,018	2,395
Property investment and management in the USA in AHR and property management provided to GMR	66,464	82,514
Property investment other than AHR	119,484	126,071
	<u>60,221,140</u>	<u>58,292,262</u>
Unallocated liabilities	1,110,082	971,279
	<u>61,331,222</u>	<u>59,263,541</u>

5. OTHER GAINS AND LOSSES, NET

	Unaudited Six months ended 30 June 2021 RMB'000	2020 RMB'000
Fair value gain/(loss) on financial assets at fair value through profit or loss	40,812	(51,659)
Fair value loss on investment properties	(263)	(27,881)
Exchange losses	(2,364)	(4,116)
Write-down of completed properties held for sale to net realisable value	(25,000)	–
Loss on disposal of property, plant and equipment	(10)	–
	<u>13,175</u>	<u>(83,656)</u>

6. FINANCE COSTS

	Unaudited Six months ended 30 June 2021 RMB'000	2020 RMB'000
Interest on bank and other borrowings	705,437	774,616
Interest arising from revenue contracts	643,569	428,191
Less: Capitalised in properties under development	(1,327,059)	(1,150,023)
Interest arising from lease liabilities	–	194
	<u>21,947</u>	<u>52,978</u>

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.95% to 12.80% (30 June 2020: 4.95% to 12.80%) per annum during the six months ended 30 June 2021.

7. PROFIT BEFORE TAX

	Unaudited	
	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
The Group's profit before tax is arrived at after charging:		
Cost of properties sold	5,158,509	1,623,217
Cost of services	1,650	4,699
Depreciation of property, plant and equipment	1,100	1,338
Depreciation of right-of-use assets	–	838
The Group's profit before tax is arrived at after crediting:		
Interest income	5,027	7,382
Gross rental income from investment properties	12,196	13,567
Less: direct operating expenses incurred for:		
– investment properties generated rental income	(1,343)	(1,493)
– investment properties that did not generate rental income	(142)	(163)
	(1,485)	(1,656)
	10,711	11,911

8. INCOME TAX EXPENSE

	Unaudited	
	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax – charge for the period		
– Hong Kong Profits Tax	–	–
– PRC Corporate Income Tax (“PRC CIT”)	82,467	179,796
– PRC Land Appreciation Tax (“PRC LAT”)	60,125	175,078
– Overseas Corporate Income Tax	6	–
(Over)/under-provision in prior years	(61)	2,666
Deferred tax	142,537	357,540
	(45,012)	(106,802)
Total tax charge for the period	97,525	250,738

No provision for Hong Kong Profits Tax has been made as the Group had no estimated assessable profits generated in Hong Kong for both periods.

Taxes on profits assessable have been calculated at the rates of tax prevailing in the countries/places in which the Group's entities operate for both periods.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

9. DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

The final dividend in respect of the year ended 31 December 2020 of RMB0.81 cents per ordinary share was declared and approved at the annual general meeting of the Company on 8 June 2021. The final dividend amounting to approximately RMB154,984,000 has been distributed out of the Company's retained earnings and subsequently paid in July 2021.

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on:

	Unaudited	
	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	<u>111,349</u>	<u>108,881</u>
	<i>'000</i>	<i>'000</i> (Restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>1,913,387</u>	<u>1,053,227</u>

The weighted average number of ordinary shares in issue for both current and prior periods used in the basic earnings per share calculation has been adjusted for the share consolidation of every ten ordinary shares into one consolidated ordinary share (as detailed in note 18) which became effective on 9 August 2021.

No diluted earnings per share was presented for the six months ended 30 June 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during these periods.

11. INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired investment properties and property, plant and equipment of approximately RMB1.6 million (30 June 2020: approximately RMB1.7 million).

During the six months ended 30 June 2021, there was no material disposal of the Group's investment properties and property, plant and equipment (30 June 2020: The Group disposed of investment properties and property, plant and equipment with an aggregate carrying amount of approximately RMB3.3 million).

12. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 <i>RMB'000</i>
Accounts receivable	12,836	14,204
Less: Impairment	—	—
	<u>12,836</u>	<u>14,204</u>
Prepaid value-added taxes and other taxes	1,971,064	1,566,028
Deposits and prepayments	390,218	220,941
Costs of obtaining contracts	249,065	203,346
Other receivables	127,982	109,263
	<u>2,738,329</u>	<u>2,099,578</u>
Less: Impairment	(650)	(650)
	<u>2,737,679</u>	<u>2,098,928</u>
Accounts receivable, other receivables and other assets	<u>2,750,515</u>	<u>2,113,132</u>

All accounts receivable were aged less than 3 months (31 December 2020: less than 3 months), based on the revenue recognition date or invoice date.

No provision for impairment of accounts receivable and other receivables was provided during the six months ended 30 June 2021 as the Directors consider that the expected credit loss is insignificant. The maximum exposure to credit risk at the end of the reporting period is the carrying value of each class of the above receivables.

13. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Accounts payable	286,382	494,346
Accrued construction costs (<i>note i</i>)	6,122,762	6,221,656
Rental deposits received	6,116	5,749
Retention deposits and payable	97,544	109,498
Real estate and other taxes payable	177,439	47,428
Other payables and accruals	488,216	425,584
Dividends payable (<i>note ii</i>)	157,374	–
	<u>7,335,833</u>	<u>7,304,261</u>
Less: Rental deposits received – non-current	<u>(5,426)</u>	<u>(4,866)</u>
	<u>7,330,407</u>	<u>7,299,395</u>

The average credit period of accounts payable ranges from 30 to 90 days (31 December 2020: 30 to 90 days). All accounts payable were aged within one year, based on invoice dates.

Notes:

- (i) Included in accrued construction costs was amounts due to a related company ultimately controlled by Ms. Huang Yanping's daughter, Ms. Zhang Huiqi ("Ms. Zhang") of approximately RMB212,179,000 (31 December 2020: approximately RMB1,227,889,000) for its construction work.
- (ii) Dividends payable in respect of 31 December 2020 was subsequently paid in July 2021.

14. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies were unsecured, interest-free and repayable on demand.

Ms. Huang Yanping ("Ms. Huang") and together with her spouse, Mr. Zhang Jingguo ("Mr. Zhang") and her daughter, Ms. Zhang, have the controlling interests over these related companies.

15. LOANS FROM A RELATED COMPANY

The Group has entered into loan agreements with a related company, Henan Zensun Real Estate Co., Ltd ("Zensun Real Estate"), which is ultimately controlled by Ms. Huang, pursuant to which Zensun Real Estate will provide unsecured loans to the Group.

Those amounts were unsecured, interest-free and repayable on demand. Those amounts were shown under the current liabilities as Zensun Real Estate had the discretionary rights to demand immediate repayment.

In the opinion of the Directors, the carrying amounts of the loans approximated to their fair values at initial recognition.

16. SHARE CAPITAL

	Number of ordinary shares in issue	Unaudited Amount RMB'000
Ordinary shares with no par value:		
At 1 January 2020	10,294,699,948	2,014,112
Issue of new ordinary shares	1,235,360,000	375,341
Share issue expenses	–	(6,116)
	<u>11,530,059,948</u>	<u>2,383,337</u>
At 30 June 2020		
	<u>19,133,866,698</u>	<u>5,326,923</u>
At 1 January 2021 and 30 June 2021		

17. RELATED PARTY TRANSACTIONS

	Unaudited Six months ended 30 June	
	2021 RMB'000	2020 RMB'000
<i>Related companies (Note i)</i>	<i>Transactions (Note ii)</i>	
Relevant members of Ever Diamond Global Company Limited (“Ever Diamond”, and collectively, the “Ever Diamond Group”)	33,640	83,597
Relevant members of Henan Zensun Corporate Development Company Limited (“Zensun Development”, and collectively, the “Zensun Development Group”)	1,034,612	987,420
Relevant members of Xingye Wulian Service Group Company Limited (“Xingye Wulian”, and collectively, the “Xingye Wulian Group”)	<u>17,470</u>	<u>11,997</u>

Notes:

- (i) Ever Diamond Group are entities ultimately controlled by Ms. Huang together with her spouse, Mr. Zhang. Zensun Development Group and Xingye Wulian Group are entities ultimately controlled by Ms. Huang’s daughter, Ms. Zhang.
- (ii) These transactions were based on terms mutually agreed by both parties in individual agreement and constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules.

During the six months ended 30 June 2020, the Group acquired the entire issued share capital of Xingcheng Holdings Limited, from a related company which was ultimately controlled by Ms. Huang at consideration of RMB2,368,000,000. The acquisition was completed on 12 June 2020. The Company has entered into a loan agreement with the controlling shareholder, Joy Town Inc., which is ultimately controlled by Ms. Huang, to provide unsecured, interest-free loan of RMB2,368,000,000 as financial assistance to the Group to finance the acquisition.

The Group's senior notes, and certain bank and financial institutions facilities to the Group were guaranteed by related companies, which were controlled by Ms. Huang together with her spouse, Mr. Zhang and her daughter, Ms. Zhang. No asset of the Group was pledged to these related companies in respect of these guarantees.

The Group is licensed by Zensun Real Estate to use the trademark of "Zensun" and "正商" on a royalty – free basis until July 2025.

Details of the Group's balances with related parties as at the end of the reporting period are included in notes 13, 14, and 15 of this announcement.

Save as above, no transaction has been entered into with the Directors (being the key management personnel) during the period other than the emoluments paid to them (being key management personnel compensation) (30 June 2020: Nil).

18. IMPORTANT EVENTS AFTER THE REPORTING PERIOD

The implementation of the share consolidation (the "Share Consolidation") on the basis that every ten (10) issued ordinary shares in the share capital of the Company ("Existing Shares") be consolidated into one (1) ordinary share in the share capital of the Company ("Consolidated Shares") was approved at the extraordinary general meeting of the Company on 5 August 2021 and became effective on 9 August 2021. Accordingly, upon the Share Consolidation becoming effective, the change in board lot size for trading on the Stock Exchange from 10,000 Existing Shares to 1,000 Consolidated Shares also became effective on 9 August 2021.

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告



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To the members of Zensun Enterprises Limited
(Incorporated in Hong Kong with limited liability)

致：正商實業有限公司全體股東
(於香港註冊成立之有限公司)

OPINION

We have audited the consolidated financial statements of Zensun Enterprises Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 85 to 198, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

意見

我們已審核載於第85頁至198頁正商實業有限公司(「貴公司」)及其附屬公司(「貴集團」)之綜合財務報表，此等財務報表包括於2020年12月31日之綜合財務狀況報表及截至該日止年度之綜合損益賬、綜合全面收益賬、綜合權益變動表及綜合現金流量表，以及綜合財務報表附註，包括主要會計政策概要。

我們認為，綜合財務報表已根據香港會計師公會(「香港會計師公會」)頒佈之香港財務報告準則(「香港財務報告準則」)真實公平地反映貴集團於2020年12月31日之綜合財務狀況及貴集團截至該日止年度之綜合財務表現和綜合現金流量，並已按照香港公司條例之規定妥為編製。

意見之基礎

我們已根據香港會計師公會頒佈之香港審核準則(「香港審核準則」)進行審核。我們就該等準則承擔之責任在本報告核數師就審核綜合財務報表須承擔之責任一節中進一步闡述。根據香港會計師公會頒佈之專業會計師道德守則(「守則」)，我們獨立於貴集團，並已履行守則中之其他專業道德責任。我們相信，我們所獲得之審核憑證能充足及適當地為我們的意見提供基礎。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

關鍵審核事項

Valuation of investment properties

投資物業之估值

As at 31 December 2020, investment properties amounted to approximately RMB552,154,000, which was material to the consolidated financial statements. To support management's assessment of the fair value of the properties, it is the Group's policy that property valuations are performed by external appraisers at the end of the reporting period.

Significant judgement is required to determine the fair values of the investment properties, which reflect market conditions as at the end of the year. The use of different valuation techniques and assumptions could produce significantly different estimates of fair values.

The accounting policies and disclosures of the valuation of investment properties are included in notes 2.4, 3 and 15 to the consolidated financial statements.

於2020年12月31日，投資物業約為人民幣552,154,000元，該數字對綜合財務報表而言屬重大。為支持管理層對物業公平值的評估，貴集團的政策是於報告期間結算日委聘外部估值師進行物業估值。

在釐定投資物業的公平值時需要作出重大判斷，該等公平值反映年末的市況。採用不同的估值技術及假設可能導致公平值出現重大差異。

有關投資物業估值的會計政策及披露載於綜合財務報表附註2.4、3及15。

關鍵審核事項

關鍵審核事項是根據我們的專業判斷，對本期綜合財務報表之審核最為重要之事項。此等事項在我們審核整體綜合財務報表及出具意見時進行處理，而我們不會對該等事項提供單獨之意見。我們於審核中就下列各事項之處理方法描述載於下文。

我們已履行本報告核數師就審核綜合財務報表須承擔之責任一節所述包括與該等事項有關之責任。相應地，我們之審核工作包括執行旨在回應對綜合財務報表重大錯誤風險評估之程序。我們審核程序之結果，包括為處理以下事項所履行之程序已為我們就隨附之綜合財務報表作出之審核意見提供基礎。

How our audit addressed the key audit matter

我們的審核如何處理關鍵審核事項

We performed the following procedures to address valuation of investment properties:

- We evaluated the competency, independence and objectivity of the external valuer, and assessing the valuation approach used by the external valuer;
- We involved our internal valuation experts to assess the reasonableness of the assumptions such as the market rent, term yield and reversion yield used in the valuations by comparing them to available industry data, taking into consideration comparability and market factors;
- We tested the accuracy of the property related data used as inputs for the valuations; and
- We also assessed the relevant disclosures in the notes to the Group's financial statements.

我們已執行以下程序以對投資物業進行評估：

- 我們已評估外部估值師的能力、獨立性及客觀性，並評估外部估值師所使用之估值方法；
- 經考慮兼容性及市場因素後，透過將其與可用行業數據進行對比，我們邀請內部估值專家評估估值所用假設（如市場租金、年期收益率及復歸收益率等）之合理性；
- 我們測試用作估值輸入數據之物業相關數據的正確性；及
- 我們亦已評估 貴集團財務報表附註內的相關披露。

KEY AUDIT MATTERS (CONTINUED)**Key audit matter****關鍵審核事項**

Assessment of net realisable values of properties under development and completed properties held for sale
評估發展中物業及持作出售之已完工物業之可變現淨值

As at 31 December 2020, the carrying amounts of properties under development (“PUD”) and completed properties held for sale (“PHS”) situated in Mainland China were approximately RMB48,446,684,000 and RMB6,791,108,000, respectively. The Group carried out assessment on the net realisable values at the end of the reporting period and compared them to the costs.

This matter was significant to our audit because the determination of net realisable values of PUD and PHS involved critical accounting estimates on the selling price, variable selling expenses and estimated costs to completion of PUD.

The related accounting policies and disclosures are included in notes 2.4, 3, 20 and 21 to the consolidated financial statements.

於2020年12月31日，位於中國內地之發展中物業（「發展中物業」）及持作出售之已完工物業（「持作出售之物業」）之賬面值分別為約人民幣48,446,684,000元及人民幣6,791,108,000元。貴集團於報告期間結算日對可變現淨值進行評估並與成本比較。

由於釐定發展中物業及持作出售之物業之可變現淨值涉及對售價、變動銷售開支及估計發展中物業竣工成本的重大會計估計，故此事項對我們的審核而言乃屬重要。

相關會計政策及披露載於綜合財務報表附註2.4、3、20及21。

關鍵審核事項(續)**How our audit addressed the key audit matter****我們的審核如何處理關鍵審核事項**

We performed the following procedures to address the assessment of the net realisable values of PUD and PHS:

- We understood, evaluated and validated the internal control over the Group’s process in determining the net realisable values of PUD and PHS based on prevailing market conditions;
- We assessed the reasonableness of management’s key estimates:
 - (i) We compared the estimated selling price to the recent market transactions, such as the Group’s selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar size, usage and location;
 - (ii) We compared the estimated percentage with the actual average selling expenses to revenue ratio of the Group in the current year; and
 - (iii) We reconciled the estimated costs to completion to the budgets approved by management and examined, on a sample basis, the construction contracts or compared them to the actual costs of similar completed properties of the Group; and
- We also assessed the relevant disclosures in the notes to the Group’s financial statements.

我們已執行以下程序以對發展中物業及持作出售之物業之可變現淨值進行評估：

- 我們根據現行市況，了解、評估及驗證 貴集團釐定發展中物業及持作出售之物業之可變現淨值之內部監控程序；
- 我們評估管理層關鍵估計之合理性：
 - (i) 我們將估計銷售價格與近期市場交易進行比較，如 貴集團在同一項目預售單元之銷售價格或具有類似規模、用途及位置的可比物業之現行市場價格；
 - (ii) 我們將估計比率與 貴集團本年度之實際平均銷售開支佔收益之比率進行比較；及
 - (iii) 我們將預期完工成本核對至管理層批准之預算，並基於抽樣方法檢查至建築合約或將預期完工成本與 貴集團相似類型已完工物業之實際成本進行比較；及
- 我們亦已評估 貴集團財務報表附註內的相關披露。

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KEY AUDIT MATTERS (CONTINUED)

Key audit matter

關鍵審核事項

Provision for land appreciation tax ("LAT")

土地增值稅(「土地增值稅」)撥備

The subsidiaries of the Company that are engaged in property development in Mainland China are subject to LAT. LAT is levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of each reporting period, the management of the Group estimates the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditure, which includes lease charges for land use rights, property development costs, borrowing costs and development expenditure. When the LAT is subsequently determined, the actual payments may be different from the estimates. For the year ended 31 December 2020, LAT provision of approximately RMB185,488,000 was recorded in the consolidated statement of profit or loss.

The accounting policies and disclosures for the provision for LAT are included in notes 3 and 11 to the consolidated financial statements.

貴公司於中國內地從物業發展之附屬公司須繳納土地增值稅。土地增值稅乃按土地價格增值額30%至60%之累進稅率對所銷售物業進行徵收。於各報告期間結算日，貴集團管理層根據相關稅務法律法規的規定及解釋、估計銷售物業總額減可扣減總費用(包括土地使用權租賃費用、物業開發成本、借貸成本及開發費用)對土地增值稅撥備進行估算。於土地增值稅匯算清繳時，實際應付稅金可能與估計金額存在差異。截至2020年12月31日止年度，土地增值稅撥備約人民幣185,488,000元已於綜合損益賬入賬。

有關土地增值稅撥備的會計政策及披露載於綜合財務報表附註3及11。

關鍵審核事項(續)

How our audit addressed the key audit matter

我們的審核如何處理關鍵審核事項

We performed the following procedures to address provision for LAT:

- We involved our internal tax specialists to perform a review on the LAT provision, including the review of the estimates and assumptions used by the Group;
- We tested the underlying data used to evaluate LAT provision, including estimated total sales, property development costs, borrowing costs and tax rates;
- We recalculated the tax computation and comparing our calculations with the amounts recorded by the Group; and
- We also assessed the relevant disclosures in the notes to the Group's financial statements.

我們已執行以下程序以處理土地增值稅撥備：

- 我們已邀請內部稅務專家審查土地增值稅撥備，包括審查貴集團所採用之估計及假設；
- 我們測試了用於評估土地增值稅撥備之有關數據，包括估計總銷售額、物業開發成本、借貸成本及稅率；
- 我們重新計算稅項計算結果，並將我們的計算結果與貴集團錄得的金額進行比較；及
- 我們亦已評估貴集團財務報表附註內的相關披露。

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

關鍵審核事項

Acquisition of a subsidiary under common control

收購受共同控制之附屬公司

During the year 31 December 2020, the Group completed a business combination under common control at a consideration of RMB2,368,000,000. Management, assisted by an external valuer, evaluated the fair values of the identifiable assets acquired and liabilities assumed and completed the purchase price allocation. This matter was significant to our audit because the fair value determination in the accounting for the business combination relied on significant management judgement and estimation in respect of fair value assessments.

The related accounting policies and disclosures are included in notes 2.4, 3 and 33 to the consolidated financial statements.

於截至2020年12月31日止年度，貴集團已完成受共同控制之業務合併，代價為人民幣2,368,000,000元。管理層在外部估值師的協助下評估所收購可識別資產及所承擔負債的公平值，並完成購買價格分配。由於釐定業務合併會計處理之公平值依賴管理層對公平值評估之重大判斷及估計，故此事項對我們的審核而言乃屬重要。

相關會計政策及披露載於綜合財務報表附註2.4、3及33。

關鍵審核事項(續)

How our audit addressed the key audit matter

我們的審核如何處理關鍵審核事項

We performed the following procedures to address the acquisition of a subsidiary under common control:

- We obtained the purchase agreements, examined the settlement of the considerations and assessed the determination of the acquisition date;
- We assessed the competency, objectivity and independence of the external appraiser used by management;
- We involved our internal valuation specialists to assist us in assessing the valuation methodologies adopted and the assumptions used in the valuation of the identifiable assets and liabilities of the acquired subsidiary, and comparing the forecasts used with respect to future revenues and operating results against the historical trends and available market data to evaluate the pricing of consideration and whether the transaction has substance for the combining parties; and
- We also assessed the relevant disclosures in the notes to the Group's financial statements.

我們已執行以下程序以處理收購受共同控制之附屬公司：

- 我們已獲取採購協議、核實已支付的代價及評估釐定收購日期；
- 我們已評估管理層委聘之外部估值師之能力、客觀性及獨立性；
- 我們已邀請內部估值專家協助我們評估所收購附屬公司之可識別資產及負債估值所採用之估值方法及所用假設，並將有關未來收益及經營業績之預測與歷史趨勢及所取得之市場數據進行比較，以評估代價定價及交易對合併方是否具實質性；及
- 我們亦已評估 貴集團財務報表附註內的相關披露。

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KEY AUDIT MATTERS (CONTINUED)

Key audit matter

關鍵審核事項

Impairment of goodwill

商譽減值

As at 31 December 2020, the carrying value of goodwill in the consolidated financial statements amounted to RMB424,722,000. In accordance with HKFRSs, the Group is required to perform an impairment test for goodwill at least on an annual basis. The impairment test of goodwill is based on the recoverable amount of the cash-generating unit to which the goodwill is allocated. The recoverable amount of the cash-generating unit is the value in use using cash flow projections based on a financial budget. Management, assisted by an external valuer, evaluated the impairment of goodwill by comparing the recoverable amount and the carrying value of the cash-generating unit. This matter was significant to our audit because the impairment test process was complex and involved significant judgements and estimates.

The related accounting policies and disclosures are included in notes 2.4, 3, and 16 to the consolidated financial statements.

於2020年12月31日，綜合財務報表中商譽的賬面值為人民幣424,722,000元。根據香港財務報告準則，貴集團須至少每年對商譽進行減值測試。商譽減值測試乃基於商譽分配之現金產生單位之可收回金額。現金產生單位之可收回金額是使用基於財務預算之現金流量預測之使用價值。經比較現金產生單位之可收回金額與其賬面值，管理層已在外部估值師的協助下評估商譽減值。由於減值測試過程十分複雜，涉及重大判斷及估計，故此事項對我們的審核而言乃屬重要。

相關會計政策及披露載於綜合財務報表附註2.4、3及16。

關鍵審核事項(續)

How our audit addressed the key audit matter

我們的審核如何處理關鍵審核事項

We performed the following procedures to address the assessment of impairment of goodwill:

- We obtained an understanding of the process of estimating the future cash flows;
- We assessed the competency, objectivity and independence of the external appraiser used by management;
- We evaluated management's main assumptions including discount rate and estimated construction completion and pre-sale period;
- We examined the differences between cash flow projections and actual cash flows and checked the cash flow projection by comparing it to the market available data and industry outlook;
- We involved our internal valuation experts to assist us in evaluating the discount rate; and
- We also assessed the relevant disclosures in the notes to the Group's financial statements.

我們已執行以下程序以處理商譽減值評估：

- 我們已了解估計未來現金流量之過程；
- 我們已評估管理層委聘之外部估值師之能力、客觀性及獨立性；
- 我們已評估管理層之主要假設，包括貼現率以及預計竣工期及預售期；
- 我們已審查現金流量預測與實際現金流量之差額，透過與市場可得數據及行業展望比較以檢查現金流量預測；
- 我們已邀請內部估值專業協助我們評估貼現率；及
- 我們亦已評估 貴集團財務報表附註內的相關披露。

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

年報所載其他資料

貴公司董事須對其他資料負責。其他資料包括載於年報之資料，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表之意見並不涵蓋其他資料，我們亦不對其他資料發表任何形式之鑒證結論。

結合我們對綜合財務報表的審核，我們的責任是閱讀其他資料，在此過程中，考慮其他資料是否與綜合財務報表或我們在審核過程中所了解的情況存有重大抵觸，或者似乎存在重大錯誤陳述之情況。基於我們已執行之工作，如果我們認為其他資料有重大錯誤陳述，我們須報告該事實。在此方面，我們沒有任何報告。

董事就綜合財務報表須承擔之責任

貴公司董事須負責根據香港會計師公會頒佈之香港財務報告準則以及香港公司條例之規定編製並且真實公平地列報綜合財務報表，並落實董事認為編製綜合財務報表屬必要之內部控制，以使綜合財務報表不存在由於欺詐或錯誤而導致之重大錯誤陳述。

在編製綜合財務報表時，貴公司董事負責評估貴集團持續經營之能力，並在適用情況下披露與持續經營有關之事項，以及使用持續經營為會計基礎，除非貴公司董事有意將貴集團清盤或停止經營，或別無其他實際之替代方案。

審核委員會協助貴公司董事履行監督貴集團的財務報告過程的責任。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, 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.

核數師就審核綜合財務報表須承擔之責任

我們之目標，是對整體綜合財務報表是否不存在由於欺詐或錯誤而導致之任何重大錯誤陳述取得合理保證，並出具包括我們意見之核數師報告。我們依據香港公司條例第405條僅向全體股東報告我們之意見，除此之外不作其他目的。我們概不就本報告之內容對任何其他人士負責或承擔責任。

合理保證是高水平之保證，但不能保證按照香港審核準則進行之審核，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響綜合財務報表使用者依賴綜合財務報表所作出的經濟決定，則有關錯誤陳述可被視作重大。

在根據香港審核準則進行審核之過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審核程序以應對這些風險，以及取得充足和適當的審核憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審核相關的內部控制，以設計適當的審核程序，但目的並非對貴集團內部控制的有效性發表意見。

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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.

核數師就審核綜合財務報表須承擔之責任(續)

- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露資料的合理性。
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所得的審核憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能對貴集團持續經營的能力構成重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者對綜合財務報表中的相關披露資料的關注。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審核憑證。然而，未來事件或情況可能導致貴集團不能繼續持續經營。
- 評價綜合財務報表的整體列報方式、結構和內容，包括披露資料，以及綜合財務報表是否中肯反映交易和事項。
- 就貴集團中實體或業務活動的財務資料獲取充分、適當的審核憑證，以對綜合財務報表發表意見。我們負責貴集團審核的方向、監督和執行。我們對審核意見承擔全部責任。

我們與審核委員會溝通了(其中包括)計劃的審核範圍、時間安排、重大審核發現等事項，包括我們在審核期間識別出內部控制的任何重大缺陷。

我們亦向審核委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通所有合理地被認為會影響我們獨立性的關係和其他事項，以及在適用的情況下，為減少威脅而採取的行動或適用的防範措施。

INDEPENDENT AUDITOR'S REPORT 獨立核數師報告

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong

25 March 2021

核數師就審核綜合財務報表須承擔之責任(續)

從與審核委員會溝通的事項中，我們決定哪些事項對本期間綜合財務報表的審核最為重要，因而構成關鍵審核事項。我們會在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，若有合理預期在我們報告中溝通某事項而造成的負面後果將會超過其產生的公眾利益，我們將不會在此等情況下在報告中溝通該事項。

出具本獨立核數師報告的審核項目合夥人是何兆烽。

安永會計師事務所
執業會計師
香港

2021年3月25日

CONSOLIDATED STATEMENT OF PROFIT OR LOSS**綜合損益賬**

Year ended 31 December 2020 截至2020年12月31日止年度

			2020	2019
		Notes	2020年	2019年
		附註	RMB'000	RMB'000
			人民幣千元	人民幣千元
REVENUE	收益	5	8,069,061	8,887,186
Cost of sales	銷售成本		(6,322,783)	(6,600,707)
Gross profit	毛利		1,746,278	2,286,479
Other income	其他收入	5	27,520	9,678
Other gains and losses, net	其他收益及虧損淨額	6	(86,030)	109,086
Administrative expenses	行政費用		(205,198)	(166,817)
Sales and marketing expenses	銷售及市場推廣費用		(181,012)	(162,428)
Finance costs	融資成本	7	(79,686)	(38,221)
PROFIT BEFORE TAX	除稅前溢利	8	1,221,872	2,037,777
Income tax expense	所得稅開支	11	(443,499)	(886,319)
PROFIT FOR THE YEAR	年度溢利		778,373	1,151,458
Attributable to:	下列各方應佔：			
Owners of the Company	本公司擁有人		782,988	1,151,571
Non-controlling interests	非控股權益		(4,615)	(113)
			778,373	1,151,458
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	本公司擁有人應佔每股盈利			
Basic (RMB cents)	基本(人民幣分)	13	7.04	14.87
Diluted	攤薄		N/A不適用	N/A不適用

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**綜合全面收益賬**

Year ended 31 December 2020 截至2020年12月31日止年度

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
PROFIT FOR THE YEAR	年度溢利	778,373	1,151,458
OTHER COMPREHENSIVE INCOME	其他全面收益		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:	可能於其後期間重新分類至損益之其他全面收益：		
Exchange difference on translation of foreign operations	換算海外業務而產生之匯兌差額	225,325	33,359
Reclassification adjustments of exchange reserve for subsidiaries disposed of	已出售附屬公司匯兌儲備之重新分類調整	4,634	129
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	年內其他全面收益(稅後)	229,959	33,488
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	年內全面收益總額	1,008,332	1,184,946
Attributable to:	下列各方應佔：		
Owners of the Company	本公司擁有人	1,012,967	1,185,486
Non-controlling interests	非控股權益	(4,635)	(540)
		1,008,332	1,184,946

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況報表

31 December 2020 2020年12月31日

			31 December 2020 2020年 12月31日 RMB'000 人民幣千元	31 December 2019 2019年 12月31日 RMB'000 人民幣千元
	Notes 附註			
NON-CURRENT ASSETS				
非流動資產				
Property, plant and equipment		物業、廠房及設備	14 47,322	17,711
Investment properties		投資物業	15 552,154	654,244
Right-of-use assets		使用權資產	18 –	5,246
Goodwill		商譽	16 424,722	–
Intangible assets		無形資產	17 199,000	–
Deferred tax assets		遞延稅項資產	30 324,652	194,154
Pledged deposits		已抵押按金	19 27,935	22,525
Total non-current assets		非流動資產總額	1,575,785	893,880
CURRENT ASSETS				
流動資產				
Completed properties held for sale		持作出售之已完工物業	20 6,791,108	3,824,960
Properties under development		發展中物業	21 48,446,684	38,367,480
Deposits and prepayments paid for land acquisitions		已付土地收購按金及預付款項	22 2,646,093	1,198,992
Accounts receivable, other receivables and other assets		應收賬款、其他應收款項及其他資產	23 2,113,132	1,827,573
Financial assets at fair value through profit or loss		按公平值計入損益之金融資產	24 321,590	349,876
Prepaid income tax and tax recoverable		預繳所得稅及可收回稅項	1,060,382	723,402
Pledged deposits		已抵押按金	19 330,336	863,804
Restricted bank balances		受限制銀行結餘	19 648,635	691,992
Cash and cash equivalents		現金及現金等值項目	19 3,218,611	3,200,230
Total current assets		流動資產總額	65,576,571	51,048,309
CURRENT LIABILITIES				
流動負債				
Accounts payable, deposits received and accruals		應付賬款、已收按金及應計費用	25 7,299,395	3,096,086
Contract liabilities		合約負債	26 23,379,862	15,852,697
Amounts due to related companies		應付關連公司款項	27 4,100,961	956,458
Loans from a related company		來自一間關連公司之貸款	28 8,374,973	7,490,728
Lease liabilities		租賃負債	18 –	1,871
Bank and other borrowings		銀行及其他借貸	29 6,351,627	6,957,950
Tax liabilities		稅項負債	509,833	461,608
Total current liabilities		流動負債總額	50,016,651	34,817,398
NET CURRENT ASSETS		流動資產淨值	15,559,920	16,230,911
TOTAL ASSETS LESS CURRENT LIABILITIES		資產總值減流動負債	17,135,705	17,124,791

CONSOLIDATED STATEMENT OF FINANCIAL POSITION**綜合財務狀況報表**

31 December 2020 2020年12月31日

			31 December 2020 2020年 12月31日 RMB'000 人民幣千元	31 December 2019 2019年 12月31日 RMB'000 人民幣千元
	Notes 附註			
NON-CURRENT LIABILITIES				
		非流動負債		
Rental deposits received	25	已收租賃按金	4,866	7,010
Lease liabilities	18	租賃負債	-	3,695
Bank and other borrowings	29	銀行及其他借貸	8,784,298	13,277,895
Deferred tax liabilities	30	遞延稅項負債	457,726	99,150
Total non-current liabilities		非流動負債總額	9,246,890	13,387,750
Net assets		資產淨值	7,888,815	3,737,041
EQUITY				
		權益		
Equity attributable to owners of the Company		本公司擁有人應佔權益		
Share capital	31	股本	5,326,923	2,014,112
Reserves	32	儲備	2,547,007	1,726,522
Non-controlling interests		非控股權益	7,873,930	3,740,634
			14,885	(3,593)
Total equity		權益總額	7,888,815	3,737,041

Zhang Jingguo

張敬國

Director

董事

Zhang Guoqiang

張國強

Director

董事

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表

Year ended 31 December 2020 截至2020年12月31日止年度

		Attributable to owners of the Company 本公司擁有人應佔								
		Share capital	Capital reduction reserve*	PRC** statutory reserve*	Property revaluation reserve*	Exchange reserve*	Retained profits*	Total	Non-controlling interests	Total equity
		股本	資本削減儲備*	中國**法定儲備*	物業重估儲備*	外匯儲備*	保留溢利*	總計	非控股權益	權益總額
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		(note 31)		(note 32)	(note 32)	(note 32)				
		(附註31)		(附註32)	(附註32)	(附註32)				
At 1 January 2019	於2019年1月1日	587,529	119,330	37,236	13,861	(37,878)	408,487	1,128,565	(7,053)	1,121,512
Profit/(loss) for the year	年度溢利/(虧損)	-	-	-	-	-	1,151,571	1,151,571	(113)	1,151,458
Other comprehensive income/(loss) for the year:	年內其他全面收益/(虧損):									
Exchange differences on translation of foreign operations	換算海外業務之匯兌差額	-	-	-	-	33,786	-	33,786	(427)	33,359
Reclassification adjustments of exchange reserve for subsidiaries disposed of	已出售附屬公司匯兌儲備之重新分類調整	-	-	-	-	129	-	129	-	129
Total comprehensive income/(loss) for the year	年內全面收益/(虧損)總額	-	-	-	-	33,915	1,151,571	1,185,486	(540)	1,184,946
Transfer to PRC statutory reserve	轉撥至中國法定儲備	-	-	123,873	-	-	(123,873)	-	-	-
Issue of new ordinary shares	發行新普通股	1,428,031	-	-	-	-	-	1,428,031	-	1,428,031
Share issue expenses	股份發行開支	(1,448)	-	-	-	-	-	(1,448)	-	(1,448)
Capital contribution from non-controlling shareholders	來自非控股股東之供款	-	-	-	-	-	-	-	4,000	4,000
At 31 December 2019	於2019年12月31日	2,014,112	119,330	161,109	13,861	(3,963)	1,436,185	3,740,634	(3,593)	3,737,041
At 1 January 2020	於2020年1月1日	2,014,112	119,330	161,109	13,861	(3,963)	1,436,185	3,740,634	(3,593)	3,737,041
Profit/(loss) for the year	年度溢利/(虧損)	-	-	-	-	-	782,988	782,988	(4,615)	778,373
Other comprehensive income/(loss) for the year:	年內其他全面收益/(虧損):									
Exchange differences on translation of foreign operations	換算海外業務之匯兌差額	-	-	-	-	225,345	-	225,345	(20)	225,325
Reclassification adjustments of exchange reserve for subsidiaries disposed of	已出售附屬公司匯兌儲備之重新分類調整	-	-	-	-	4,634	-	4,634	-	4,634
Total comprehensive income/(loss) for the year	年內全面收益/(虧損)總額	-	-	-	-	229,979	782,988	1,012,967	(4,635)	1,008,332
Transfer to PRC statutory reserve	轉撥至中國法定儲備	-	-	100,322	-	-	(100,322)	-	-	-
Transfer of property revaluation reserve	轉撥物業重估儲備	-	-	-	(13,861)	-	13,861	-	-	-
2019 final dividend paid (note 12)	已付2019年末期股息(附註12)	-	-	-	-	-	(192,474)	(192,474)	-	(192,474)
Dividends paid to non-controlling interests	已付非控股權益之股息	-	-	-	-	-	-	-	(1,044)	(1,044)
Issue of new ordinary shares	發行新普通股	3,322,546	-	-	-	-	-	3,322,546	-	3,322,546
Share issue expenses	股份發行開支	(9,735)	-	-	-	-	-	(9,735)	-	(9,735)
Acquisition of non-controlling interests	收購非控股權益	-	-	-	-	-	(8)	(8)	(5,992)	(6,000)
Capital contribution from non-controlling shareholders	來自非控股股東之供款	-	-	-	-	-	-	-	29,900	29,900
Disposal of a subsidiary	出售一間附屬公司	-	-	-	-	-	-	-	249	249
At 31 December 2020	於2020年12月31日	5,326,923	119,330	261,431	-	226,016	1,940,230	7,873,930	14,885	7,888,815

* These reserve accounts comprise the consolidated reserves of RMB2,547,007,000 (2019: RMB1,726,522,000) in the consolidated statement of financial position.

* 該等儲備賬包括綜合財務狀況報表內之綜合儲備人民幣2,547,007,000元(2019年: 人民幣1,726,522,000元)。

** PRC refers to the People's Republic of China. For the purposes of these financial statements only, except where the context specifies otherwise, references to Mainland China or the PRC exclude Hong Kong, Macau and Taiwan.

** 中國指中華人民共和國。僅就該等財務報表而言, 除非文義另有規定外, 指中國內地或除香港、澳門及台灣以外的中國地區。

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

Year ended 31 December 2020 截至2020年12月31日止年度

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
	Notes 附註		
CASH FLOWS FROM OPERATING ACTIVITIES	經營業務所得現金流量		
Profit before tax	除稅前溢利	1,221,872	2,037,777
Adjustments for:	經下列各項調整：		
Fair value loss/(gain) on financial assets at fair value through profit or loss	按公平值計入損益之金融資產 之公平值虧損／(收益)	6 6,669	(112,726)
Fair value loss/(gain) on investment properties	投資物業公平值虧損／(收益)	6 33,511	(2,250)
(Gain)/loss on disposal of a subsidiary	出售一間附屬公司之 (收益)／虧損	6 (99,554)	6,815
Loss on disposal of property, plant and equipment	出售物業、廠房及設備之 虧損	6 -	1
Depreciation of property, plant and equipment	物業、廠房及設備折舊	8 2,388	3,489
Depreciation of right-of-use assets	使用權資產折舊	8 819	1,641
Interest income	利息收入	5 (20,438)	(7,980)
Impairment losses on accounts receivable and other receivables	應收賬款及其他應收款項之 減值虧損	6 -	777
Write-down of properties under development to net realisable value	撇減發展中物業至 可變現淨值	6 150,000	-
Finance costs	融資成本	7 79,686	38,221
		1,374,953	1,965,765
Decrease in inventories	存貨減少	-	60
Decrease/(increase) in accounts receivable, other receivables and other assets	應收賬款、其他應收款項及 其他資產減少／(增加)	485,471	(964,797)
Decrease/(increase) in restricted bank deposits from pre-sale proceeds of properties	因物業預售所得款項產生之 受限制銀行存款減少／(增加)	143,339	(590,079)
Increase in properties under development	發展中物業增加	(4,545,460)	(7,059,153)
Increase in completed properties held for sale	持作出售之已完工物業增加	(2,867,364)	(2,849,660)
(Increase)/decrease in deposits and prepayments paid for land acquisitions	已付土地收購按金及 預付款項(增加)／減少	(1,355,754)	3,405,920
Increase in accounts payable, deposits received and accruals	應付賬款、已收按金及 應計費用增加	3,844,903	1,668,783
Increase in contract liabilities	合約負債增加	5,558,835	4,281,864
Cash from/(used in) operating activities	經營業務所得／(所用)現金	2,638,923	(141,297)
Tax paid	已繳稅項	(795,876)	(673,594)
Net cash flows from/(used in) operating activities	經營業務所得／(所用) 現金流量淨額	1,843,047	(814,891)

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
	Notes 附註		
CASH FLOWS FROM INVESTING ACTIVITIES	投資活動所得現金流量		
Interest received	已收利息	16,271	7,980
Purchases of items of property, plant and equipment	購入物業、廠房及設備項目	(4,567)	(6,236)
Proceeds from disposal of investment properties	出售投資物業所得款項	3,220	13,333
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項	-	1
Proceeds from recovery a debt investment at amortised cost upon maturity	到期收回按攤銷成本計算之債務投資之所得款項	-	315,069
Net cash inflows/(outflows) of acquisition of a subsidiary	收購一間附屬公司之現金流入/(流出)淨額	33 534,838	(46,931)
Net cash inflows of disposal of a subsidiary	出售一間附屬公司之現金流入淨額	34 99,758	114
Net cash flows from investing activities	投資活動所得現金淨額	649,520	283,330
CASH FLOWS FROM FINANCING ACTIVITIES	融資活動所得現金流量		
Release of pledged deposits	解除已抵押按金	768,672	33,915
Placement of pledged deposits	存放已抵押按金	(184,960)	(205,879)
New bank and other borrowings raised	新增銀行及其他借貸	4,839,055	13,483,882
Repayment of bank and other borrowings	償還銀行及其他借貸	(7,490,722)	(5,619,205)
Principal portion of lease payments	租賃付款本金部分	39(a) (729)	(1,325)
Interest paid	已付利息	(1,530,301)	(931,181)
Repayment to related companies	償還關連公司款項	(1,185,843)	(713,851)
Advance from related companies	預收關連公司款項	3,653,053	956,458
Loans repaid to a related company	償還一間關連公司貸款	(3,846,993)	(6,132,852)
Loans received from a related company	收取一間關連公司貸款	1,731,238	747,270
Proceeds from issue of new ordinary shares	發行新普通股之所得款項	31 966,847	1,428,031
Share issue expenses	股份發行開支	31 (9,735)	(1,448)
Dividends paid	已付股息	(192,474)	-
Dividends paid to non-controlling shareholders	已付非控股股東之股息	(1,044)	-
Acquisition of non-controlling interests	收購非控股權益	(6,000)	-
Capital contributions from non-controlling shareholders	來自非控股股東之供款	29,900	4,000
Net cash flows (used in)/from financing activities	融資活動(所用)/所得現金流量淨額	(2,460,036)	3,047,815
NET INCREASE IN CASH AND CASH EQUIVALENTS	現金及現金等值項目增加淨額	32,531	2,516,254
Cash and cash equivalents at beginning of year	於年初之現金及現金等值項目	3,200,230	673,412
Effect of foreign exchange rate changes, net	外匯匯率變動影響淨額	(14,150)	10,564
CASH AND CASH EQUIVALENTS AT END OF YEAR	於年末之現金及現金等值項目	19 3,218,611	3,200,230
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	現金及現金等值項目結餘分析		
Cash and cash equivalents as stated in the consolidated statement of financial position	綜合財務狀況報表內列賬之現金及現金等值項目	19 3,218,611	3,200,230

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2020 2020年12月31日

1. CORPORATE INFORMATION

Zensun Enterprises Limited (the “Company”) is a public limited liability company incorporated in Hong Kong with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at 24th Floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong. In the opinion of the directors of the Company, the immediate holding company of the Company is Joy Town Inc., a private limited liability company incorporated in the British Virgin Islands (“BVI”). The ultimate holding company of the Company is Vistra Trust (Singapore) Pte Limited, a private limited liability company incorporated in Singapore, as trustee of a discretionary trust which is set up by Ms. Huang Yanping (“Ms. Huang”), a non-executive director of the Company. Ms. Huang is the settlor and protector of the discretionary trust. Mr. Zhang Jingguo (“Mr. Zhang”), the Chairman and an executive director of the Company, is the spouse of Ms. Huang.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 46. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

1. 公司資料

正商實業有限公司(「本公司」)為在香港註冊成立之上市有限公司，其股份在香港聯合交易所有限公司(「聯交所」)主板上市。本公司之註冊辦事處位於香港中環雲咸街40-44號雲咸商業中心24樓。本公司董事認為，本公司之直接控股公司Joy Town Inc.為於英屬處女群島(「英屬處女群島」)註冊成立之有限私營公司。本公司之最終控股公司為Vistra Trust (Singapore) Pte Limited為於新加坡註冊成立之有限私營公司，作為Huang Yanping女士(「Huang女士」)，本公司非執行董事)設立之全權信託之信託人。Huang女士為全權信託之授出人及保護人。本公司主席及執行董事張敬國先生(「張先生」)為Huang女士之配偶。

本公司為一間投資控股公司。其附屬公司主要業務載於附註46。本公司及其附屬公司以下統稱本集團。

2.1 編製基準

該等財務報表乃按照香港會計師公會(「香港會計師公會」)頒佈之香港財務報告準則(「香港財務報告準則」)，包括所有香港財務報告準則、香港會計準則(「香港會計準則」)及詮釋)、香港公認會計政策及香港公司條例編製。彼等已根據歷史成本法編製，惟已按公平值計量之投資物業及按公平值計入損益之金融資產除外。除另有說明外，該等財務報表乃以人民幣(「人民幣」)呈列，所有金額均約整至最近接之千位數。

綜合基準

綜合財務報表包括本集團截至2020年12月31日止年度之財務報表。附屬公司為本公司直接或間接控制的實體(包括結構實體)。本集團因參與投資對象而可以或有權獲得不定回報，且可透過對投資對象行使權力改變回報(即本集團運用既有權利現時可以左右投資對象有關業務)時，視為擁有控制權。

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.1 編製基準(續)

綜合基準(續)

如本公司直接或間接擁有投資對象投票權或類似權利不過半數，本集團衡量是否對投資對象有權力時，會考慮所有相關事實及情況，包括：

- (a) 投資對象其他投票權持有人的合約安排；
- (b) 其他合約安排的權利；及
- (c) 本集團的投票權及潛在投票權。

附屬公司使用與本公司一致的會計政策編製同一報告期間的財務報表。附屬公司的業績自本集團取得控制權之日起綜合入賬，並持續綜合入賬至有關控制權終止當日為止。

損益及其他全面收益的各組成部分會歸屬於本集團母公司擁有人及非控股權益，即使此舉引致非控股權益結餘為負數。本集團成員公司之所有公司間有關交易之資產及負債、權益、收入、開支及現金流量於綜合賬目時全數抵銷。

倘事實及情況顯示上文所述三項控制因素之一項或多項出現變化，本集團會重新評估其是否控制投資對象。於一間附屬公司之擁有權權益變動，惟並無失去控制權，則以權益交易入賬。

倘本集團失去對一間附屬公司之控制權，則其撤銷確認(i)該附屬公司之資產(包括商譽)及負債；(ii)任何非控股權益之賬面值及(iii)於權益內記錄之累計換算差額；及確認(i)所收代價之公平值、(ii)所保留任何投資之公平值及(iii)損益賬中任何因此產生之盈餘或虧損。先前於其他全面收益表內確認之本集團應佔部份重新分類為損益或保留溢利(視何者屬適當)，基準與倘若本集團直接出售有關資產或負債所需者相同。

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2020 2020年12月31日

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>COVID-19-Related Rent Concessions (early adopted)</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

- (a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

2.2 會計政策及披露之變動

本集團已就本年度之財務報表首次採納2018年財務報告概念框架及下列經修訂香港財務報告準則。

香港財務報告準則 第3號修訂本	業務之定義
香港財務報告準則 第9號、香港會計準則第39號及香港財務報告準則 第7號修訂本	利率基準改革
香港財務報告準則 第16號修訂本	與COVID-19有關之租金優惠 (提早採納)
香港會計準則第1號及香港會計準則第8號修訂本	重大性定義

2018年財務報告概念框架及經修訂香港財務報告準則之性質及影響載述如下：

- (a) 2018年財務報告概念框架(「概念框架」)載列有關財務報告及標準制定的整套概念，且提供指引以供財務報表編製者制定一致的會計政策，並提供協助予各方以理解及詮釋準則。概念框架包括有關計量及報告財務表現的新章節、有關終止確認資產及負債的新指引以及資產及負債的更新定義及確認標準。其亦澄清監管、審慎及計量不確定性於財務報告當中的角色。概念框架並非為一項準則，且其中包含的概念概無凌駕任何準則的概念或規定。概念框架不會對本集團的財務狀況及表現產生重大影響。
- (b) 香港財務報告準則第3號修訂本對業務之定義作出澄清，並提供更多指引。該等修訂說明，就被視為業務之一系列綜合活動及資產而言，其須包括最少一項對共同創造產出能力有顯著貢獻之投入及實質程序。業務可以不包括創造產出所需之所有投入及過程而存在。該等修訂取消對市場參與者是否有能力收購業務並繼續創造產出之評估。相反，重點在於獲得之投入及實質性過程是否共同對創造產出能力有顯著貢獻。該等修訂還縮窄產出之定義，重點關注向客戶提供之貨品或服務、投資收入或源自普通活動之其他收入。此外，該等修訂提供指引，以評估所收購之流程是否具重要性，並引入可選之公平值集中測試，以便簡化評估所獲得之一系列活動及資產是否並非業務。本集團已對2020年1月1日或之後發生之交易或其他事件前瞻性應用該修訂。該修訂對本集團財務狀況及表現並無任何影響。

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

- (c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (“RFR”). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. During the year ended 31 December 2020, no rent concessions were granted by the lessors arising from the COVID-19 pandemic. The amendments did not have any significant impact on the financial position and performance of the Group.
- (e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.2 會計政策及披露之變動(續)

- (c) 香港財務報告準則第9號、香港會計準則第39號及香港財務報告準則第7號修訂本處理銀行同業拆息改革對影響以替代無風險利率(「無風險利率」)取代現有利率基準之前期間的財務報告的事宜之影響。該等修訂提供暫時補救措施，以便於引入替代無風險利率前的不確定期間內繼續進行對沖會計。此外，該等修訂規定公司須向投資者提供有關受該等不確定因素直接影響之對沖關係之額外資料。由於本集團並無任何利率對沖關係，故該等修訂不會對本集團財務狀況及表現造成任何影響。
- (d) 香港財務報告準則第16號修訂本為承租人提供一個可行權宜方法以選擇就COVID-19疫情的直接影響產生的租金優惠不應用租賃修改會計處理。該可行權宜方法僅適用於疫情的直接後果產生的租金優惠，且僅當(i)租賃付款的變動導致租賃的經修訂代價與緊接變動前的租賃代價大致相同或較其為少；(ii)租賃付款的任何減少僅影響原先於2021年6月30日或之前到期的付款；及(iii)租賃的其他條款及條件並無實質變動。該修訂於2020年6月1日或之後開始之年度期間生效，並允許提早採納，且將追溯應用。於截至2020年12月31日止年度，出租人並無因COVID-19疫情而授出租金優惠。該修訂不會對本集團財務狀況及表現造成任何重大影響。
- (e) 香港會計準則第1號及香港會計準則第8號修訂本為重大一詞提供新定義。根據新定義，倘可合理預期遺漏、錯誤陳述或掩蓋個別資料將可影響使用財務報表作一般目的之主要使用者基於相關財務報表作出之決定的，則該資料屬重大。該修訂指明，重大性取決於資料之性質或牽涉範圍，或兩者兼備。該修訂不會對本集團財務狀況及表現造成任何重大影響。

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements:

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 17	<i>Insurance Contracts³</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{3, 6}</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{3, 5}</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use²</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract²</i>
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁶ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 已頒佈但尚未生效之香港財務報告準則

本集團並無於財務報表應用下列已頒佈但尚未生效之新訂及經修訂香港財務報告準則：

香港財務報告準則第3號修訂本	<i>提及概念框架²</i>
香港財務報告準則第9號、香港會計準則第39號、香港財務報告準則第7號、香港財務報告準則第4號及香港財務報告準則第16號修訂本	<i>利率基準改革 – 第2階段¹</i>
香港財務報告準則第10號及香港會計準則第28號 (2011年)修訂本	<i>投資者與其聯營公司或合營企業之間之資產出售或注入⁴</i>
香港財務報告準則第17號	<i>保險合約³</i>
香港財務報告準則第17號修訂本	<i>保險合約^{3, 6}</i>
香港會計準則第1號修訂本	<i>負債分類為流動或非流動^{3, 5}</i>
香港會計準則第16號修訂本	<i>物業、廠房及設備：擬定用途前所得款項²</i>
香港會計準則第37號修訂本	<i>虧損性合約 – 履行合約之成本²</i>
香港財務報告準則2018年至2020年之年度改進	香港財務報告準則第1號、香港財務報告準則第9號、香港財務報告準則第16號隨附之說明性示例及香港會計準則第41號修訂本 ²

¹ 於2021年1月1日或之後開始之年度期間生效

² 於2022年1月1日或之後開始之年度期間生效

³ 於2023年1月1日或之後開始之年度期間生效

⁴ 並未釐定強制生效日期，但可提早採納

⁵ 由於香港會計準則第1號修訂本，香港詮釋第5號財務報表呈列 – 借款人對含有即期還款條款之分期貸款的分類，於2020年10月修訂，統一相應用詞，惟結論未變

⁶ 由於香港財務報告準則第17號修訂本於2020年10月修訂，香港財務報告準則第4號亦予修訂，將允許承保人採用香港會計準則第39號而非香港財務報告準則第9號之暫時性豁免，展期至2023年1月1日之前開始之年度期間

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 已頒佈但尚未生效之香港財務報告準則(續)

預期將適用於本集團之該等香港財務報告準則之進一步資料於下文載述。

香港財務報告準則第3號修訂本旨在以2018年6月發佈財務報告概念框架之提述取代編製及呈列財務報表之框架之先前提述，而無需重大改變其要求。該等修訂亦為香港財務報告準則第3號增加確認原則之例外，實體可參考概念框架釐定資產或負債之構成要素。該例外情況規定，對於單獨而非於業務合併中承擔且屬於香港會計準則第37號或香港(國際財務報告詮釋委員會)－詮釋第21號的負債及或然負債，採用香港財務報告準則第3號的實體應分別提述香港會計準則第37號或香港(國際財務報告詮釋委員會)－詮釋第21號，而非概念框架。此外，該等修訂澄清或然資產於收購日期不符合確認資格。本集團預期自2022年1月1日起前瞻採用有關修訂。由於該等修訂可能對收購日期為首次採納日期或之後的業務合併前瞻性採納，本集團於過渡日期將不會受到該等修訂的影響。

香港會計準則第1號修訂本澄清劃分負債為流動或非流動之規定。該等修訂載明，倘實體推遲清償負債之權利受限於該實體須符合特定條件，則倘該實體符合當日之條件，其有權於報告期間結算日推遲清償負債。負債之分類不受實體行使其權利延遲清償負債之可能性之影響。該等修訂亦澄清被認為清償負債之情況。該等修訂自2023年1月1日或之後開始之年度期間生效，並將追溯應用。允許提早採納。預期該等修訂不會對本集團之財務報表產生任何重大影響。

香港會計準則第16號修訂本禁止實體從物業、廠房及設備項目成本中扣除出售任何使資產達到管理層擬定之營運方式所需之地點與條件時產生之項目之所得款項。相反，實體須於損益中確認出售任何有關項目之所得款項及成本。該等修訂自2022年1月1日或之後開始之年度期間生效，並僅對實體首次應用有關修訂之財務報表呈列之最早期間開始時或之後可供使用的物業、廠房及設備項目追溯應用。允許提早採納。預期該等修訂不會對本集團之財務報表產生任何重大影響。

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.3 已頒佈但尚未生效之香港財務報告準則(續)

香港會計準則第37號修訂本澄清，就根據香港會計準則第37號評估合約是否屬虧損性而言，履行合約之成本包括與合約直接相關之成本。與合約直接相關之成本包括履行該合約之增量成本(例如直接勞工及材料)及與履行合約直接相關之其他成本分配(例如分配履行合約所用物業、廠房及設備項目之折舊開支以及合約管理與監督成本)。一般及行政費用與合約並無直接關係，除非合約明確向對手方收費，否則將其排除在外。該等修訂自2022年1月1日或之後開始之年度期間生效，並適用於實體首次應用有關修訂之年度報告期間開始時實體尚未履行其全部責任之合約。允許提早採納。初步應用修訂之任何累積影響應於初始應用日期確認為期初權益之調整，且毋須重列比較資料。預期該等修訂不會對本集團之財務報表產生任何重大影響。

香港財務報告準則2018年至2020年之年度改進 載列香港財務報告準則第1號、香港財務報告準則第9號、香港財務報告準則第16號隨附之說明性示例及香港會計準則第41號修訂本。預計適用於本集團之該等修訂詳情如下：

- 香港財務報告準則第9號 *金融工具*：澄清於實體評估是否新訂或經修改金融負債之條款與原金融負債之條款存在實質差異時所包含之費用。該等費用僅包括借款人與貸款人之間已支付或收取之費用，包括借款人或貸款人代表其他方支付或收取之費用。實體將有關修訂應用於實體首次應用有關修訂之年度報告期開始或之後修改或交換之金融負債。該等修訂自2022年1月1日或之後開始之年度期間生效。允許提早採納。預期該等修訂不會對本集團之財務報表產生任何重大影響。
- 香港財務報告準則第16號 *租賃*：刪除香港財務報告準則第16號隨附之說明性示例13中有關租賃物業裝修之出租人付款說明。此舉消除於採用香港財務報告準則第16號有關租賃激勵措施處理方面之潛在困惑。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 主要會計政策概要

業務合併及商譽

業務合併乃以收購法入賬。轉讓代價乃以收購日期的公平值計算，該公平值為本集團所轉讓資產於收購日期之公平值、本集團自收購對象之前擁有人承擔的負債以及本集團發行以換取收購對象控制權之股本權益之總和。於各業務合併中，本集團選擇是否以公平值或收購對象可識別資產淨值的應佔比例，計算於收購對象屬現時擁有人權益的非控股權益，並賦予擁有人權利，於清盤時按比例分佔淨資產。非控股權益之一切其他成分乃按公平值計量。收購相關成本於產生時列為開支。

當所收購的一組活動及資產包括一項投入及一項實質過程，而兩者對創造產出的能力有重大貢獻，則本集團認為其已收購一項業務。

倘本集團收購一項業務，則會根據合約條款、於收購日期的經濟環境及相關條件評估所承接的金融資產及負債，以作出適合的分類及標示，其中包括分開收購對象主合約中的嵌入式衍生工具。

商譽初步按成本計量，即已轉讓代價、非控股權益的確認金額及本集團先前所持於被收購方的任何股本權益的公平值總額超出所收購可識別資產淨值及所承擔負債的差額。倘此代價及其他項目的總和低於所收購資產淨值的公平值，則於重新評估後的差額會於損益確認為議價購買的收益。

初步確認後，商譽按成本減任何累計減值虧損計量。商譽每年進行減值測試，或倘有事件發生或情況變化顯示賬面值可能出現減值跡象，則進行更為頻密的減值測試。本集團於12月31日對商譽進行年度減值測試。就減值測試而言，業務合併中購入的商譽由收購日期起被分配到預期將從合併的協同效應中受益的本集團各現金產生單位或現金產生單位組別，不論本集團的其他資產或負債是否被分配至該等單位或單位組別。

減值透過對與商譽有關的現金產生單位（現金產生單位組別）的可收回金額進行評估釐定。倘現金產生單位（現金產生單位組別）的可收回金額少於其賬面值，則確認減值虧損。就商譽確認的減值虧損不會於其後期間撥回。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash generating unit retained.

Fair value measurement

The Group measures its investment properties and financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 主要會計政策概要(續)

業務合併及商譽(續)

倘商譽已被分配到現金產生單位(或現金產生單位組別)而該單位的某部分業務被出售,則於釐定出售的收益或虧損時,與出售業務相關的商譽將計入該業務的賬面值內。在此等情況下出售的商譽將按出售業務及保留的現金產生單位部分相對價值進行計量。

公平值計量

本集團於各報告期間結算日計量按公平值計量投資物業及按公平值計入損益之金融資產。公平值為市場參與者於計量日期在有序交易中出售資產所收取或轉讓負債所支付的價格。公平值計量乃基於假設出售資產或轉讓負債的交易於資產或負債主要市場或(在無主要市場的情況下)最具優勢市場進行而作出。主要或最具優勢市場須為本集團可進入的市場。資產或負債的公平值乃假設市場參與者以最佳經濟利益行事,按照其於為資產或負債定價時所使用的假設計量。

非金融資產的公平值計量須計及市場參與者自最大限度使用該資產達致最佳用途,或將該資產出售予將最大限度使用該資產達致最佳用途的其他市場參與者,以產生的經濟效益的能力。

本集團採用適用於當時情況且具備充分數據以供計量公平值的估值方法,以盡量使用相關可觀察輸入數據及盡量減少使用不可觀察輸入數據。

所有公平值於本財務報表計量或披露的資產及負債乃基於對公平值計量整體而言屬重大的最低層級輸入數據按以下公平值層級分類:

- 第一級 – 基於相同資產或負債於活躍市場的報價(未經調整)
- 第二級 – 基於對公平值計量而言屬重大的最低層級輸入數據可觀察(直接或間接)的估值方法
- 第三級 – 基於對公平值計量而言屬重大的最低層級輸入數據不可觀察的估值方法

就按經常性基準於本財務報表確認的資產及負債而言,本集團透過於各報告期間結算日重新評估分類(基於對公平值計量整體而言屬重大的最低層輸入數據)確定是否發生不同層級轉移。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 主要會計政策概要(續)

非金融資產減值

倘有跡象顯示出現減值或需就資產(不包括存貨、遞延稅項資產、金融資產及投資物業)進行年度減值測試，則會估計該資產之可收回金額。資產之可收回金額為該資產或現金產生單位之使用價值及其公平值減銷售成本(以較高者為準)，並就個別資產而確定，除非有關資產並無產生在頗大程度上獨立於其他資產或資產類別之現金流入，在此情況下，可收回金額就資產所屬之現金產生單位而確定。

減值虧損僅於資產之賬面值超逾其可收回金額時確認。於評估使用價值時，估計未來現金流量按可反映現時市場評估之貨幣時間價值及資產特定風險之稅前貼現率貼現至現值。減值虧損於產生期間內在損益賬中與已減值資產功能一致之支出類別內扣除。

於各報告期末須評估有否跡象顯示過往確認減值虧損不再存在或已減少。如有該跡象存在，則會估計可收回金額。過往確認之資產(商譽除外)減值虧損，僅會於用以釐定該資產可收回金額之估計改變時撥回，惟撥回後之金額不得高於假設過往年度並無就資產確認減值虧損而釐定之賬面值(扣除任何折舊／攤銷)。該項減值虧損的回撥於發生時計入損益賬，惟倘若資產按重估值列賬，則按照該重估資產之相關會計政策處理減值虧損的回撥。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 主要會計政策概要(續)

關連人士

任何人士倘符合以下情況即被認為屬本集團之關連人士：

- (a) 該方為一名人士或該名人士之近親，而該名人士：
- (i) 於本集團擁有控制權或共同控制權；
 - (ii) 對本集團有重大影響力；或
 - (iii) 為本集團或本集團母公司之高級管理人員之一；

或

- (b) 該方為一個實體並符合以下任何一項條件：
- (i) 該實體及本集團為同一集團之成員公司；
 - (ii) 一個實體為另一實體(或該另一實體之母公司、附屬公司或同系附屬公司)之聯營公司或合營企業；
 - (iii) 該實體及本集團為同一第三方之合營企業；
 - (iv) 一個實體為一名第三方實體之合營企業，而另一實體為該第三方實體之聯營公司；
 - (v) 該實體乃為本集團或與本集團有關連之實體之僱員福利而設之離職後福利計劃；
 - (vi) 該實體由(a)所界定之人士控制或共同控制；
 - (vii) 於(a)(i)所界定之人士對該實體有重大影響力或為該實體(或該實體之母公司)之高級管理人員之一；及
 - (viii) 該實體，或其所屬集團之任何成員公司，向本集團或本集團之母公司提供主要管理人員服務。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the shorter of the lease terms and 2%
Leasehold improvement	Over the shorter of the lease terms and 6.67% to 20%
Furniture, office equipment and motor vehicles	20% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 主要會計政策概要(續)

物業、廠房及設備以及折舊

物業、廠房及設備乃按成本減累計折舊及任何減值虧損列賬。物業、廠房及設備項目成本包括其購買價及將資產達至營運狀況及地點以作擬定用途之任何直接應佔成本。

物業、廠房及設備項目開始運作後產生之支出，如維修及保養費用等，一般於產生期間在損益賬中扣除。倘符合確認標準，主要檢查之開支於資產賬面值中資本化為重置成本。倘物業、廠房及設備之重要部份須不時更換，則本集團將該等部份確認為具有特定使用年期之個別資產及作出相應折舊。

折舊乃以直線法按每項物業、廠房及設備項目之估計可使用年期撇銷其成本至其剩餘價值計算。就此採用之主要年率如下：

土地及樓宇	租賃年期與2%之較短者
租賃物業裝修	租賃年期與6.67%至20%之較短者
傢俬、辦公設備及汽車	20%至25%

倘物業、廠房及設備項目各部份之可使用年期不同，則該項目的成本按合理基準於各部份之間分配，而各部份乃分別折舊。剩餘價值、可使用年期及折舊方法至少於各財政年度末予以檢討，並適時作出調整。

初始確認的物業、廠房及設備項目(包括任何重大部分)於出售或預期使用或出售不會再產生未來經濟利益時終止確認。於資產終止確認年度在損益內確認的任何出售或報廢產生的收益或虧損，乃有關資產出售所得款項淨額與其賬面值的差額。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

2.4 主要會計政策概要(續)

投資物業

投資物業指持作賺取租金收入及／或資本增值的土地及樓宇權益(包括符合投資物業定義的持作使用權資產的租賃物業)，但不包括用作生產或作供應貨品或提供服務或作行政管理用途或持作日常業務過程中出售的土地及樓宇權益。該等物業初步按成本(包括交易成本)計量。初始確認後，投資物業按公平值列賬，以反映報告期間結算日的市況。

投資物業公平值變動產生的收益或虧損計入其產生年度的損益賬。

報廢或出售投資物業產生的任何收益或虧損於報廢或出售年度的損益賬確認。

就投資物業轉移至業主自用物業而言，在後續會計處理上，物業成本會被視作其於改變用途當日的公平值。倘本集團作業主自用物業的物業成為投資物業，則本集團根據自用物業的「物業、廠房及設備以及折舊」所述政策及／或根據持作使用權資產之物業的「使用權資產」所述政策，直至改變用途當日為該物業入賬，並根據上文「物業、廠房及設備以及折舊」所述政策，賬面值與物業公平值於該日的任何差額按重新估價入賬。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Contract benefit

Contract benefit acquired in a business combination is recognised at fair value at the acquisition date, which is related to the future acquisition of the land use right. Before completing the acquisition of the land use right, contract benefit is tested for impairment annually and is not amortised. And after completing the acquisition of the land use right, contract benefit is subsequently carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method over the period of the property development.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets except those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

2.4 主要會計政策概要(續)

無形資產(商譽除外)

分開收購的無形資產於初步確認時按成本計量。經業務合併收購的無形資產成本為收購當日的公平值。無形資產的可使用年期可評定為有限期或無限期。有限期無形資產其後於可使用經濟年期攤銷，並於無形資產可能出現減值跡象時評估減值。有限可使用年期無形資產的攤銷期間及攤銷方法至少須於各財政年度末進行檢討。

合約利益

於業務合併中收購的合約利益於收購當日按公平值確認，其與未來收購土地使用權有關。於收購土地使用權完成前，合約利益每年進行減值測試，不進行攤銷。於收購土地使用權完成後，合約利益其後按成本減累計攤銷及減值虧損計量。攤銷於物業發展期間使用直線法計算。

發展中物業

發展中物業擬持作竣工後出售。

發展中物業按成本及可變現淨值的較低者列賬，成本包括土地成本、建築成本、借貸成本、專業費用與於發展期內產生與該等物業直接相關的其他成本。

除非發展中物業不會於正常營運周期內變現，否則其分類為流動資產。物業於竣工時轉至持作出售之已完工物業。

持作出售之已完工物業

持作出售之已完工物業乃按成本與可變現淨值的較低者列賬。成本乃按未出售物業應佔土地及樓宇總成本的分攤比例釐定。可變現淨值計及最終預期將變現的價格減去銷售該物業時將產生的估計成本。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Offices	3 to 5 years
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When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its applicable incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 主要會計政策概要(續)

租賃

本集團於合約開始時評估合約是否為或包含租賃。倘合約為換取代價而給予在一段時間內控制已識別資產使用的權利，則合約為或包含租賃。

本集團作為承租人

本集團對所有租賃(惟短期租賃及低價值資產租賃除外)採取單一確認及計量方法。本集團確認租賃負債以作出租賃款項，而使用權資產指使用相關資產的權利。

(a) 使用權資產

於租賃開始日期(即相關資產可供使用當日)確認使用權資產。使用權資產按成本減任何累計折舊及任何減值虧損計量，並就任何重新計量租賃負債作出調整。使用權資產成本包括已確認租賃負債金額、初始已產生直接成本及於開始日期或之前作出之租賃付款減任何已收取租賃優惠。使用權資產於租期與其估計可使用年期(以較短者為準)按直線法折舊如下：

辦公室	三至五年
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倘使用權資產符合投資物業之定義，該資產須計入投資物業。相應之使用權資產於開始時按成本計量，而其後須根據本集團對「投資物業」之政策按公平值計量。

(b) 租賃負債

於租賃開始日期，租賃負債按租賃期內作出之租賃付款之現值計予以確認。租賃付款包括固定付款(包括實質固定付款)減任何應收租賃優惠、取決於指數或利率之可變租賃款項以及預期根據剩餘價值擔保支付之金額。

於計算租賃付款之現值時，因為租賃內含利率無法確定，故本集團應用租賃開始日期之適當增量借款利率計算。於開始日期後，租賃負債金額之增加反映了利息上調，其減少則關乎所作出之租賃付款。此外，倘存在租期的修改、變動、租賃付款變動(即由指數或利率變動引起之未來租賃付款變動)或選擇購買相關資產之評估變動，則重新計量租賃負債之賬面值。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of offices and motor vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 主要會計政策概要(續)

租賃(續)

本集團作為承租人(續)

(c) 短期租賃

本集團對辦公室及汽車短期租賃(即自開始日期起租期為12個月或以下且不含購買選擇權的租賃)應用短期租賃確認豁免。

短期租賃的租賃付款以直線法按租期確認為開支。

本集團作為出租人

當本集團作為出租人行事時，其自租賃開始時(或存在租賃修改時)將租賃分類為經營租賃或融資租賃。

所有本集團並未轉讓資產所有權所附帶的絕大部分風險及回報的租賃歸類為經營租賃。倘合約包含租賃及非租賃部分，本集團按相關單獨售價基準將合約代價分配至各部分。租金收入於租期內按直線法列賬，由於其經營性質而計入損益賬之收益。於磋商及安排經營租賃時產生的初始直接成本乃計入租賃資產的賬面值，並於租期內按相同方法確認為租金收入。

所有向承租人轉讓相關資產所有權所附帶的絕大部分風險及回報的租賃列賬為融資租賃。

投資及其他金融資產

初始確認及計量

於初始確認時，金融資產以按公平值計入損益之方式進行分類，其後則按攤銷成本計量。

金融資產於初始確認時之分類取決於取決於金融資產之合約現金流量特徵及本集團管理金融資產之業務模式。若不計及應收賬款(並不包含重大融資部分或本集團就此應用不調整重大融資部分的影響的切實權益法)，本集團初步按公平值加交易成本(倘金融資產並非按公平值計入損益)計量金融資產。根據下文「收益確認」所載之政策，應收賬款(並不包含重大融資部分或本集團就此應用切實權益法)乃按根據香港財務報告準則第15號釐定之交易價格計量。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 主要會計政策概要(續)

投資及其他金融資產(續)

初始確認及計量(續)

為使金融資產按攤銷成本或按公平值計入其他全面收益進行分類及計量，須就未償還本金產生純粹為支付本金及利息(「純粹為支付本金及利息」)的現金流量。現金流量並非純粹為支付本金及利息的金融資產，不論其業務模式如何，均按公平值計入損益進行分類及計量。

本集團管理金融資產之業務模式指本集團管理其金融資產以產生現金流量之方法。該業務模式釐定現金流量是否將因收取合約現金流量、出售金融資產或兩者產生。按攤銷成本進行分類及計量的金融資產乃於旨在持有金融資產以收取合約現金流量的業務模式中持有，而按公平值計入其他全面收益進行分類及計量的金融資產則於以收取合約現金流量及出售金融資產的業務模式中持有。並無於上述業務模式中持有的金融資產按公平值計入損益進行分類及計量。

所有常規買賣之金融資產概於交易日(即本集團承諾購買或出售該資產之日期)予以確認。常規買賣乃指按照一般市場規定或慣例在一定期間內交付資產之金融資產買賣。

後續計量

金融資產按其分類之後續計量如下：

按攤銷成本計量之金融資產(債務工具)

按攤銷成本列賬之金融資產其後使用實際利率法計量，並可能受減值影響。當終止確認、修訂或減值時，收益及虧損於損益中確認。

按公平值計入損益之金融資產

按公平值計入損益之金融資產按公平值於財務狀況報表列賬，而公平值變動則於損益賬中確認。

此類別包括本集團並無不可撤銷地選擇按公平值計入其他全面收益之方式進行分類之股權投資。分類為按公平值計入損益之金融資產之股權投資股息亦於支付權利確立時在損益賬中確認為其他收入。與股息相關之經濟利益可能將流入本集團及股息金額能夠可靠計量。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 主要會計政策概要(續)

終止確認金融資產

金融資產或(如適用)一項金融資產的一部分或一組同類金融資產的一部分主要在下列情況將終止確認(即自本集團綜合財務狀況報表移除):

- 收取該項資產所得現金流量的權利已屆滿;或
- 本集團已轉讓收取該項資產所得現金流量的權利,或已透過一項「轉付」安排,承擔在未有嚴重延誤的情況下,向一名第三方支付所有已收現金流量的責任;及(a)本集團已轉讓該項資產的絕大部分風險及回報,或(b)本集團並無轉讓或保留該項資產絕大部分風險及回報,但已轉讓該項資產的控制權。

倘本集團已轉讓其從一項資產收取現金流量之權利或已訂立一項轉付安排,其將評估是否保留資產擁有權之風險及回報及保留程度。倘其並無轉讓或保留該項資產的絕大部份風險及回報,且並無轉讓該項資產的控制權,本集團將繼續確認該已轉讓資產,惟以本集團持續參與者為限。於該情況下,本集團亦確認一項相關負債。已轉讓之資產及相關負債乃按反映本集團已保留權利及責任之基準計量。

本公司就已轉讓資產作出保證之持續參與,乃以該項資產之原賬面值及本集團或須償還之代價數額上限(以較低者為準)計算。

金融資產減值

本集團就所有並非以按公平值計入損益之方式持有之債務工具確認預期信貸虧損(「預期信貸虧損」)撥備。預期信貸虧損乃按根據合約到期之合約現金流量與本集團預期將收取之所有現金流量之間之差額計算,並按原有實際利率之約數進行折現。預期現金流量將包括出售所持抵押品或其他信貸提升措施(屬於合約條款之一部分)所產生之現金流量。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 主要會計政策概要(續)

金融資產減值(續)

通用方法

預期信貸虧損分兩個階段確認。就初始確認以來信貸風險並無大幅增加的信貸敞口而言，會為未來十二個月(十二個月預期信貸虧損)可能發生的違約事件所產生之信貸虧損計提預期信貸虧損撥備。就初始確認以來信貸風險大幅增加之信貸敞口而言，須就預期於敞口之餘下年期產生之信貸虧損計提減值撥備，不論違約的時間(全期預期信貸虧損)。

於各報告日期，本集團會評估金融工具的信貸風險自初始確認以來是否大幅增加。於作出評估時，本集團會比較金融工具於報告日期之違約風險與金融工具於初始確認日期之違約風險，並會考慮毋須耗費不當成本或精力即可獲得之合理及有理據資料(包括過往及前瞻性資料)。

於合約付款逾期90天時，本集團視金融資產出現違約。然而，於若干情況下，在計及本集團持有之任何信貸措施前，倘內外部資料顯示本集團不大可能悉數收回尚未收回合約款項，則本集團亦可視金融資產出現違約。倘合理預期不會收回合約現金流量，則會撇銷金融資產。

按攤銷成本計量之金融資產須根據通用方法計量減值，其亦於計量預期信貸虧損之下列階段內進行分類，惟應用簡化方法(如下文詳述)之應收賬款除外：

- 第1階段 – 自初始確認以來，信貸風險並無顯著增加，且其虧損撥備按相當於十二個月預期信貸虧損之金額計量之金融工具
- 第2階段 – 自初始確認以來，信貸風險顯著增加，但並非屬信貸減值金融資產且其虧損撥備按相當於全期預期信貸虧損之金額計量之金融工具
- 第3階段 – 於報告日期出現信貸減值(但未購買或產生信貸減值)且其虧損撥備按相當於全期預期信貸虧損之金額計量之金融資產

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payables, amounts due to related companies, loans from a related company, bank and other borrowings, and financial liabilities in other payables, deposits and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities is as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, banks and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.4 主要會計政策概要(續)

金融資產減值(續)

簡化方法

就並不包含重大融資部分或本集團就此應用不調整重大融資部分的影響的切實權宜法，本集團會應用簡化方法計算預期信貸虧損。根據簡化方法，本集團並不追蹤信貸風險之變動，而是在每個報告日確認基於全期預期信貸虧損之減值虧損。本集團已建立基於過往信貸虧損經驗之撥備矩陣，並就應收賬款及經濟環境特定之前瞻性因素作出調整。

對於含有重大融資部分及應收租賃之應收賬款，本集團會選擇採用簡化方法計算具有上述政策之預期信用損失作為其會計政策。

金融負債

初始確認及計量

金融負債於初始確認時分類為貸款及借款或應付款項(如適用)。

初始確認時，所有金融負債均按公平值確認，而貸款及借款以及應付款項則扣除直接應佔交易成本確認。

本集團金融負債包括應付賬款、應付關連公司款項、來自一間關連公司之貸款、銀行及其他借款以及其他應付款項、按金及應計費用中的金融負債。

後續計量

金融負債的後續計量如下：

按攤銷成本計算之金融負債(貸款和借款)

初始確認後，銀行及其他借款其後以實際利率法按攤銷成本計量，惟倘貼現之影響並不重大，於此情況下，則按成本列賬。倘負債被終止確認，則盈虧在損益中透過實際利率法攤銷程式確認。

攤銷成本計算時會考慮任何收購折讓或溢價以及構成實際利率整體部份的費用或成本。實際利率法攤銷包括在損益內的財務費用。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Subsequent measurement (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in “Impairment of financial assets”; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 主要會計政策概要(續)

金融負債(續)

後續計量(續)

財務擔保合約

本集團發出的財務擔保合約為要求付款以彌償擔保持有人因指定債務人未能按照債務工具條款於到期時付款而招致的損失的合約。財務擔保合約初始按公平值確認為負債，並就直接歸屬於發出該擔保的交易成本作出調整。初始確認後，本集團按以下兩者中的較高者計量財務擔保合約：(i)根據「金融資產減值」所載政策釐定之預期信貸虧損撥備；及(ii)初始確認的金額減(若適用)累計已確認收入金額。

終止確認金融負債

倘金融負債下的義務被解除、取消或到期，則本集團終止確認負債。

當現有金融負債被來自同一放債人的另一項條款迥異的金融負債取代，或現有負債的條款大部分被修訂時，該項交換或修訂會視作終止確認原有負債及確認新負債，各自的賬面金額差額於損益賬確認。

抵銷金融工具

倘現時存在一項可在法律上強制執行的權利，可抵銷已確認金額，且有意以淨額結算或同時變現資產及償付債務，則金融資產與金融負債可予抵銷，並將淨金額列入綜合財務狀況報表。

現金及現金等價物

就綜合現金流量表而言，現金及現金等價物包括手頭現金及活期存款，以及可隨時兌換為已知數額現金、價值變動風險不大、一般於收購後三個月內到期的短期高度流通投資(須按求償還並構成本集團現金管理重要部分)。

就綜合財務狀況報表而言，現金及等同現金項目包括用途不受限制的手頭現金及銀行存款(包括定期存款以及現金類似性質資產)。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 主要會計政策概要(續)

撥備

當因過往發生的事件而產生目前的債務(法定或推定)，並可能導致日後須流出資源以清償債務時，本集團會確認撥備，惟債務的金額須能夠可靠地估計。

當貼現的影響重大時，本集團會就撥備確認的金額為預期清償債務所需的未來開支於報告期末的現值。因時間流逝而產生的已貼現現值金額增加計入損益賬的融資成本。

所得稅

所得稅包括即期及遞延稅項。有關損益外確認項目的所得稅會於損益外確認，即於其他全面收益或直接於權益確認。

即期稅項資產及負債乃根據於報告期末已頒佈或實質上已頒佈的稅率(及稅法)，並考慮本集團業務所在國家的現有詮釋及慣例，按預期自課稅機關退回或支付予課稅機關的金額計量。

遞延稅項就於報告期末資產與負債的稅基及作財務申報用途的賬面金額兩者間的所有暫時差額以負債法計提撥備。

遞延稅項負債乃就所有應課稅暫時差額確認，惟：

- 遞延稅項負債乃因一項交易(並非業務合併)中最初確認商譽或資產或負債而產生，且於交易時並無對會計溢利或應課稅溢利或虧損構成影響除外；及
- 就與於附屬公司、聯營公司及合營企業的投資有關的應課稅暫時差額而言，暫時差額的撥回時間可以控制及暫時差額有可能不會於可預見未來撥回除外。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 主要會計政策概要(續)

所得稅(續)

遞延稅項資產就所有可扣減暫時差額及未被動用稅項抵免與任何未被動用稅項虧損的結轉確認。遞延稅項資產僅在可能有未來應課稅溢利以動用可扣減暫時差額及結轉的未被動用稅項抵免及未被動用稅項虧損時，方可確認，惟：

- 遞延稅項資產與於一項交易(並非業務合併)中最初確認資產或負債時產生而於交易時並無對會計溢利或應課稅溢利或虧損構成影響的可扣減暫時差額有關除外；及
- 就與於附屬公司的投資有關的可扣減暫時差額而言，遞延稅項資產僅以暫時差額有可能於可預見未來撥回及可能有未來應課稅溢利以動用暫時差額為限確認。

本集團於各報告期末檢討遞延稅項資產的賬面金額，並於不再可能會有足夠應課稅溢利動用全部或部分資產時作調減。未確認的遞延稅項資產會於各報告期末重新評估，並於可能會有足夠應課稅溢利收回全部或部分遞延稅項資產時確認。

遞延稅項資產與負債以變現資產或清還負債的期間的預期適用稅率，按於報告期末已頒佈或實質上已頒佈的稅率(及稅法)計量。

倘及僅倘本集團有在法律上可強制執行的權利抵銷即期稅項資產與即期稅項負債，且遞延稅項資產及遞延稅項負債涉及同一課稅機關就同一應課稅實體徵收的所得稅，或涉及就有意於各個預期清償大額遞延稅項負債或收回大額遞延稅項資產的未來期間以淨額基準結算即期稅項負債與資產或同時變現資產及清償負債的不同應課稅實體徵收的所得稅，則遞延稅項資產及遞延稅項負債會作抵銷。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue is measured at the fair value of the consideration received or receivable for the sale of properties and services provided in the ordinary course of the Group's activities. Revenue is shown net of taxes.

2.4 主要會計政策概要(續)

政府補助

政府補助於能合理確定將能收取補助及將符合所有附帶條件時按公平值確認。當補助與支出項目有關時，會於補助擬補償的成本支銷的期間內按有系統基準確認為收入。

收益確認

客戶合約收益

來自客戶合約的收益乃於商品或服務的控制權轉讓予客戶時確認，該金額能反映本集團預期就交換該等商品或服務有權獲得的代價。

當合約中的代價包含可變金額時，代價金額於本集團向客戶轉讓商品或服務而有權獲得交換時估計。可變代價於合約開始時估計並受到約束，直至與可變代價相關的不確定因素其後得到解決時，確認的累積收益金額極有可能不會發生重大收益回撥。

當合約中包含融資成分，該融資成分為客戶提供超過一年的商品或服務轉讓融資的重大利益時，收益按應收款項的現值計量，使用貼現率折現，該貼現率將反映在本集團與客戶在合同開始時的單獨融資交易中。當合約中包含融資部分，該融資部分為本集團提供了一年以上的重大財務利益時，合約項下確認的收益包括按實際利息法在合約負債上累計的利息。就客戶付款至轉讓承諾商品或者服務的期限為一年或者更短的合約而言，交易價格採用香港務報告準則第15號中實際權宜之計，不會對重大融資部分的影響作出調整。

就於本集團日常業務過程中出售物業及提供服務而言，收益按已收或應收代價之公平值計量。收益於扣除稅項後列賬。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

- (a) *Sale of properties*
Revenue from the sale of properties in the ordinary course of business is recognised at a point in time when the purchaser obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.
- (b) *Project management and sales services*
Revenue from the provision of project management and sales services is recognised over time based on the scheduled period of the contracts.
- (c) *Property management services*
Revenue from the provision of property management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.
- (d) *Hotel operations*
Revenue from hotel operations is recognised when the relevant services are provided.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4 主要會計政策概要(續)

收益確認(續)

客戶合約收益(續)

- (a) *物業銷售*
就於日常業務過程中出售物業而言，收益於買方獲得竣工物業的實際所有權或法定業權、本集團現時擁有要求付款權及代價有可能收回時確認。
- (b) *項目管理及銷售服務*
就提供項目管理及銷售服務而言，收益根據合約的計劃期間隨時間確認。
- (c) *物業管理服務*
就提供物業管理服務而言，收益按直線基準於計劃期間確認，原因是客戶同時間收取及消費本集團提供的利益。
- (d) *酒店營運*
就酒店營運而言，收益於提供相關服務時確認。

其他來源收益

租金收入於租期內按時間比例基準確認。

股息收入於股東收取派付的權利獲確定、與股息有關的經濟利益可能流向本集團及股息金額能可靠計量時確認。

其他收入

利息收入按累計基準使用實際利息法確認，當中採用將金融工具預期年期或更短期間(如適用)內的估計未來現金收入準確貼現至金融資產賬面淨額的利率。

合約負債

倘本集團轉讓有關貨品或服務前自客戶收取付款或付款到期時(以較早者為準)，則確認合約負債。合約負債於本集團履行合約時確認為收益(即將有關貨品或服務的控制權轉讓予客戶)。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Other employee benefits

Retirement benefit scheme and pension scheme

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Schemes Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees’ relevant income from the Group and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

The employees of the Group’s subsidiary which operates in Mainland China are required to participate in a pension scheme (the “Pension Scheme”) operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the Pension Scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the Pension Scheme.

2.4 主要會計政策概要(續)

合約成本

除資本化為存貨、物業、廠房及設備以及無形資產的成本外，倘符合下列全部標準，履行客戶合約產生的成本資本化為資產：

- (a) 有關成本與實體可明確識別之合約或預期合約有直接關係。
- (b) 有關成本令實體將用於履行(或持續履行)日後履約責任之資源得以產生或有所增加。
- (c) 有關成本預期可收回。

資本化合約成本按與向客戶轉讓與該資產相關的商品或服務一致的基準系統化地攤銷並於損益賬扣除。其他合約成本於產生時支銷。

其他僱員福利

退休福利計劃及退休金計劃

本集團根據強制性公積金計劃管理局之規則及規例為全體香港合資格僱員提供強制性公積金計劃(「強積金計劃」)。強積金計劃資產與本集團資產分開持有，由受託人管理之基金持有。按照參與僱員從本集團所得相關收入之百分比供款，由彼等根據強積金計劃規則應付並於損益賬扣除。當僱員退出強積金計劃時，強制性供款全數歸僱員所有。

本集團於中國內地經營的附屬公司的僱員被要求參與地方市政府營辦的退休金計劃(「退休金計劃」)。附屬公司須將其一定比例的薪金成本向該退休金計劃供款。根據退休金計劃規則須支付的供款於損益賬列賬。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

The Company's functional currency is the Hong Kong dollar. These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

2.4 主要會計政策概要(續)

借貸成本

與收購、建造或生產需要長時間方能達致擬定用途或銷售之合資格資產直接有關之借貸成本，均資本化為該等資產成本的一部分，直至該等資產可大致上作擬定用途或銷售為止。將特定借貸用以支付合資格資產前就該等借貸所作暫時投資賺取之投資收入，從資本化借貸成本中扣除。所有其他借貸成本於其產生期間支銷。借貸成本包括利息及實體產生之有關資金借貸的其他成本。

股息

末期股息於股東在股東大會上批准時確認為負債。建議末期股息於財務報表附註披露。

外幣

本公司的功能貨幣為港元。該等財務報表以人民幣呈列。本集團各實體釐定其各自之功能貨幣，各實體財務報表所載項目使用功能貨幣計量。本集團實體所列外幣交易初步使用交易日期其各自的功能貨幣匯率入賬。以外幣計值的貨幣資產及負債按於報告期末的外幣匯率進行換算。貨幣項目結算或換算產生的差額於損益賬確認。

貨幣項目結算或換算產生的差額於損益賬確認，惟就指定作為對沖本集團的海外業務投資淨額一部分的貨幣項目則除外。該等貨幣項目於其他全面收益確認，直至投資淨額已出售，此時累算金額乃重新分類至損益賬。就該等貨幣項目匯兌差額應佔的稅項支出及抵免亦計入其他全面收益內。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain Hong Kong and overseas subsidiaries are currencies other than the RMB, including the Hong Kong dollar (“HK\$”), United States dollar (“USD”), Singapore dollar (“SGD”) and Japanese Yen (“JPY”). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.4 主要會計政策概要(續)

外幣(續)

按外幣歷史成本計量的非貨幣項目按首次交易日期的匯率換算。按外幣公平值計量的非貨幣項目採用計量公平值當日之匯率換算。兌換非貨幣項目產生及按公平值計量的損益之處理方式與確認該項目公平值變動產生之損益相符。

於終止確認涉及預付代價的非貨幣資產或非貨幣負債時，為了確定相關資產、開支或收入於初始確認時的匯率，初始交易日期為本集團初始確認預付代價產生的非貨幣資產或非貨幣負債的日期。倘支付或收受多項預付代價，則本集團就支付或收受每項預付代價確定交易日期。

若干香港及海外附屬公司之功能貨幣為人民幣以外之貨幣，包括港元(「港元」)、美元(「美元」)、新加坡元(「新加坡元」)及日圓(「日圓」)。於報告期末，該等實體之資產與負債，按報告期末之匯率換算為人民幣，其損益賬則按本年度之加權平均匯率換算為人民幣。

因此而產生之匯兌差額於其他全面收益確認，並於外匯變動儲備中累計。出售外國業務時，就該項外國業務確認之其他全面收益部份，會在損益賬中確認。

任何因收購外國業務引起之商譽及任何由於收購所得之資產及負債面值金額之公平值調整均視為外國業務之資產及負債及以收市價換算。

就綜合現金流量表而言，海外附屬公司之現金流量乃以現金流動日之匯率換算為人民幣。於年內產生之海外附屬公司經常性現金流量乃以年內之加權平均匯率換算為人民幣。

NOTES TO FINANCIAL STATEMENTS

財務報表附註

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax on investment properties

For the purposes of measuring deferred taxes arising from investment properties that are using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties – senior housing communities located in the United States of America (the "USA") – are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale whereas those situated in Hong Kong and Singapore and residential homes located in the USA are not held under such a business model. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is rebutted for properties of senior housing communities but is not rebutted for properties located in Hong Kong and Singapore and residential homes located in the USA. The Group has not recognised any deferred taxes on changes in fair value of these investment properties located in Hong Kong and Singapore as the Group is not subject to any income taxes on disposal of these investment properties.

Deferred tax on withholding taxes

Deferred tax liabilities are recognised for withholding corporate income taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The amount of deferred tax liabilities arising from the withholding tax associated with the investments in subsidiaries established in the PRC for the year ended 31 December 2020 was RMB75,745,000 (2019: RMB95,000,000). Further details are contained in note 30 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. 重大會計判斷及估計

編製本集團之財務報表時，管理層須作出會影響收益、開支、資產及負債之呈報金額，及其隨附披露以及或然負債披露之判斷、估計及假設。然而，有關該等假設及估計之不確定因素可導致於日後須對受影響之資產或負債賬面值作出重大調整。

判斷

於應用本集團會計政策之過程中，除涉及估計之判斷外，管理層亦作出以下對於財務報表中確認之金額構成最重大影響之判斷：

於投資物業之遞延稅項

就以公平值模型計量之投資物業產生之遞延稅項而言，本公司董事已審閱本集團之投資物業組合，總結為本集團位於美利堅合眾國（「美國」）之投資物業—長者住房院舍以商業模式（其目標是隨時間而非透過銷售消耗投資物業所包含之絕大部分經濟利益）持有，而該等位於香港及新加坡之投資物業及位於美國之住宅單位則並非以該商業模式持有。因此，就長者住房院舍之物業而言，透過出售全部回收投資物業賬面值之假定被推翻，惟就位於香港及新加坡之物業及位於美國之住宅單位而言，假定則不被推翻。由於本集團出售該等位於香港及新加坡之投資物業時毋須繳納任何所得稅，故本集團並無就該等投資物業之公平值變動確認任何遞延稅項。

於預扣稅之遞延稅項

就本集團於中國成立之附屬公司須繳納預扣稅的未匯出盈利應付的預扣企業所得稅確認遞延稅項負債。管理層須基於該等附屬公司於可見未來可能分派有關盈利之水平作出重大判斷，以釐定遞延稅項負債金額。於截至2020年12月31日止年度，與於中國成立之附屬公司的投資相關之預扣稅產生之遞延稅項負債金額為人民幣75,745,000元（2019年：人民幣95,000,000元）。進一步詳情載於財務報表附註30。

估計不明朗因素

有關未來之主要假設及於報告期間結算日估計不明朗因素（會導致下個財政年度內之資產及負債賬面值出現大幅調整之重大風險）之其他主要來源載述如下。

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Valuation of the identifiable assets and liabilities through business combination

The Group completed the acquisition of a subsidiary under common control during the year. The purchase prices are allocated between the fair values of the identifiable assets acquired and the liabilities assumed which result in the recognition of goodwill. Management, assisted by an external appraisers, evaluated the fair values of the identifiable assets acquired and liabilities assumed and completed the purchase price allocation. The fair value determination in the accounting for the business combination relied on significant management estimation in respect of fair value assessments.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was RMB424,722,000 (2019: Nil). Further details are given in note 16.

Provision for expected credit losses on accounts receivable and other receivables

The Group uses a provision matrix to calculate ECLs for accounts receivable and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The expected loss rate is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's accounts receivable and other receivables is disclosed in note 23 to the financial statements.

3. 重大會計判斷及估計(續)

估計不明朗因素(續)

透過業務合併對可識別資產及負債估值

本集團於本年度內完成收購一間受共同控制之附屬公司。收購價格在所收購的可識別資產與所承擔的負責的公平值之間予以分配，從而確認商譽。管理層在外部估值師的協助下評估所收購的可識別資產與所承擔的負責的公平值及完成收購價格分配。在業務合併的會計處理中有關公平值評估的公平值釐定依賴管理層作出重大判斷。

商譽減值

本集團至少每年釐定商譽是否減值。其要求估計獲分配商譽的現金產生單位的使用價值。估計使用價值要求本集團對現金產生單位的預期未來現金流量作出估計，並須選擇合適的貼現率計算該等現金流量的現值。於2020年12月31日商譽的賬面值為人民幣424,722,000元(2019年：無)。進一步詳情載於附註16。

應收賬款及其他應收款項之預期信貸虧損撥備

本集團使用撥備矩陣計算應收賬款及其他應收款項之預期信貸虧損。撥備率乃基於具有類似虧損模式之多個客戶分部組別(即地理位置、產品類別、客戶類別及評級)之逾期天數釐定。

預期虧損率初步基於本集團之過往觀察所得違約率。本集團將調整矩陣，藉以按前瞻性資料調整過往信貸虧損經驗。例如，倘預測經濟狀況(即國內生產總值)預期將在未來一年內惡化，可能導致製造業之違約次數增加，則會調整過往違約率。於各報告日期，過往觀察所得違約率會予以更新，並分析前瞻性估計之變動。

過往觀察所得違約率、經濟狀況預測及預期信貸虧損之間的相關性評估為一個重要估計。預期信貸虧損金額對環境及經濟狀況預測之變動極為敏感。本集團之過往信貸虧損經驗及經濟狀況預測亦或不能代表客戶未來的實際違約。有關本集團應收賬款及其他應收款項之預期信貸虧損之資料於財務報表附註23中披露。

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財務報表附註

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2020 was RMB552,154,000 (2019: RMB654,244,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. An intangible asset not yet available for use is tested for impairment annually and at other times when such an indicator exists. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2020 was RMB125,658,000 (2019: RMB63,198,000). The amount of unrecognised tax losses at 31 December 2020 was RMB532,018,000 (2019: RMB613,587,000). Further details are contained in note 30 to the financial statements.

3. 重大會計判斷及估計(續)

估計不明朗因素(續)

投資物業公平值之估計

當活躍市場上缺乏相似物業之現價時，本集團會參考不同資料來源，包括：

- (a) 在活躍市場上不同性質、條件或地點之物業現價，並作出調整以反映該等差異；
- (b) 在較為不活躍市場上相似物業之現價，並作出調整以反映該等價格自交易日以來經濟狀況任何變動對該等價格之影響；及
- (c) 基於未來現金流量之可靠估計之貼現現金流量預測，並根據任何現有租約及其他合約之條款，以及(如可能)外部證據，例如同地地點及狀況之類似物業的現行市場租金，並使用貼現率反映現時市場對現金流量之金額及時間之不確定性評估。

於2020年12月31日，投資物業賬面值為人民幣552,154,000元(2019年：人民幣654,244,000元)。進一步詳情(包括計量公平值採用之主要假設及敏感度分析)載於財務報表附註15。

非金融資產減值(商譽除外)

本集團於各報告期間結算日評估所有非金融資產(包括使用權資產)有否任何減值跡象。尚未達至使用狀態的無形資產每年進行減值測試，並於存在減值跡象的其他時間進行測試。非金融資產會於有跡象顯示可能無法收回賬面值時進行減值測試。當資產或現金產生單位之賬面值超出其可收回金額(即其公平值減銷售成本及其使用價值的較高者)時，則存在減值。公平值減出售成本乃基於同類資產按公平協商基準進行的具約束力的銷售交易的可用數據，或可觀察市價減出售資產之遞增成本而計算。計算使用價值時，管理層須估計資產或現金產生單位之預計未來現金流量，並選用合適的貼現率以計算該等現金流量之現值。

遞延稅項資產

遞延稅項資產就未動用稅項虧損予以確認，惟以可能出現應課稅溢利將可用以抵銷有關可動用之虧損為限。在釐定可予以確認之遞延稅項資產金額時，須根據日後應課稅溢利可能出現之時間及水平以及未來稅項規劃策略作出重大管理判斷。於2020年12月31日，有關已確認稅項虧損之遞延稅項資產賬面值為人民幣125,658,000元(2019年：人民幣63,198,000元)。於2020年12月31日，未確認稅項虧損為人民幣532,018,000元(2019年：人民幣613,587,000元)。進一步詳情載於財務報表附註30。

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

Net realisable value assessment of properties under development and completed properties held for sale

The Group carried out assessment on net realisable value of properties under development and completed properties held for sale at each end of reporting period and compared the costs and its net realisable value. The net realisable value is the estimated future selling price less estimated cost of completion or the estimated costs necessary to make the sale (if any). The estimated future selling prices are estimated by management with reference to the Group's pre-sale selling prices and the recent selling prices of similar properties in the nearby or relevant locations. The management also estimated the future selling expenses and the expected costs to completion by reference to the actual selling expenses of the Groups' completed projects, adjusted by certain current market data, the legal and regulating framework and general market condition. The Group's properties under development and completed properties held for sale are all situated in the PRC, details of which are set out in the consolidated statement of financial position and notes 20 and 21 to the financial statements. At 31 December 2020, the carrying amounts of properties under development and completed properties held for sale were approximately RMB48,446,684,000 (2019: RMB38,367,480,000) and RMB6,791,108,000 (2019: RMB3,824,960,000), respectively, which are expected to be recovered through future sales and stated at the lower of cost and net realisable value. The Group carried out assessment on net realisable value at the end of the reporting period and recognised RMB150,000,000 (2019: nil) of write-down for properties under development for the year end 31 December 2020. When there is any decrease in net realisable value of the properties and it is lower than the cost of the properties, loss will be recognised on the properties under development and completed properties held for sale in the consolidated statement of profit or loss.

3. 重大會計判斷及估計(續)

估計不明朗因素(續)

中國土地增值稅(「土地增值稅」)

本集團須繳納中國土地增值稅。土地增值稅撥備根據管理層對中國相關稅務法律及法規所載規定的理解所作之最佳估計而計提。實際土地增值稅負債須待物業發展項目竣工後由稅務機關釐定。本集團尚未就其全部物業發展項目與稅務機關落實其土地增值稅之計算及付款。最終結果可能與初步入賬之金額不同，而差額將會影響差額變現期間之土地增值稅開支及相關撥備。

發展中物業及持作出售之已完工物業之可變現淨值評估

本集團於各報告期間結算日對發展中物業及持作出售之已完工物業之可變現淨值進行評估並對比成本與其可變現淨值。可變現淨值乃按估計未來售價減估計完成成本或出售所需之估計成本(如有)計算。估計未來售價乃由管理層經參考本集團之預售價及於附近或相關地點之類似物業之近期售價後估計得出。管理層亦已參考本集團竣工項目所需的實際銷售開支對未來銷售開支及預期完工成本進行估計，有關實際銷售開支已根據若干現有市場數據、法律及監管體制以及整體市況作出調整。本集團之發展中物業及持作出售之已完工物業均位於中國，其詳情載於綜合財務狀況報表以及財務報表附註20及21。於2020年12月31日，發展中物業及持作出售之已完工物業之賬面值分別約人民幣48,446,684,000元(2019年：人民幣38,367,480,000元)及人民幣6,791,108,000元(2019年：人民幣3,824,960,000元)預期可透過未來銷售予以收回，並按成本及可變現淨值兩者之較低者列賬。截至2020年12月31日止年度，本集團於報告期間結算日對可變現淨值進行評估並就發展中物業確認撇減人民幣150,000,000元(2019年：無)。倘物業之可變現淨值出現任何減少並低於物業之成本，則將就發展中物業及持作出售之已完工物業於綜合損益賬確認虧損。

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Contingent liabilities

As at 31 December 2020, the Group had contingent liabilities relating to guarantees amounting to approximately RMB13,559,922,000 (2019: RMB7,819,571,000) in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interests thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyers of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the directors of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2020 as the default risk is low and in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interests and penalties. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

3. 重大會計判斷及估計(續)

估計不明朗因素(續)

或然負債

於2020年12月31日，本集團就有關本集團物業之物業買家訂立之按揭貸款而由若干銀行提供之按揭融資之擔保擁有或然負債約人民幣13,559,922,000元(2019年：人民幣7,819,571,000元)。根據擔保條款，倘該等物業買家拖欠按揭款項，本集團須負責支付失責買家欠付銀行的未償還按揭本金連同累計利息及任何罰款。本集團將有權接管相關物業的法定業權及擁有權。該等擔保將於以下較早者發生時解除：(i)物業買家償還按揭貸款；及(ii)就按揭物業發出物業所有權證並完成按揭的取消登記。本公司董事認為，由於違約風險不大及倘付款出現違約，相關物業之可變現淨值可涵蓋未償還本金連同累計利息及罰款，故並無就擔保合約於截至2020年12月31日止年度之綜合財務報表作出撥備。倘實際結果與預期不同，則將於綜合財務報表確認虧損撥備。

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (a) Property development in the PRC
- (b) Project management and sales services in the PRC
- (c) Property investment and management in the United States of America ("USA" or "US") in American Housing REIT, Inc. ("AHR") and property management in the USA provided to Global Medical REIT, Inc. ("GMR")
- (d) Property investment other than AHR
- (e) Securities trading and investment

The Group has property investment and/or management businesses in Hong Kong, the USA and Singapore. Other than AHR which is operated in the USA, the property investment businesses in other regions are evaluated together and assessed as one operating segment by the management.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that certain other gains and losses, corporate and unallocated income and expenses (including unallocated finance costs) are excluded from this measurement.

Following the disposal of a subsidiary engaging in the property management business in the USA during the year, the Group no longer provided property management services to and received management fee income from GMR.

Segment assets exclude deferred tax assets, unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax liabilities and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. 經營分部資料

為進行管理，本集團根據其產品及服務成立業務分部，其五個可報告經營分部如下：

- (a) 於中國之物業發展
- (b) 於中國之項目管理及銷售服務
- (c) 於美利堅合眾國(「美國」)對美洲房地產投資信託(「AHR」)進行之物業投資及管理以及向國際醫療房地產投資信託(「GMR」)提供之物業管理
- (d) AHR以外之物業投資
- (e) 證券買賣及投資

本集團於香港、美國及新加坡擁有物業投資及／或管理業務。除於美國經營的AHR外，其他地區之物業投資業務乃由管理層一併估值，並作為一個經營分部予以評估。

管理層個別監控本集團之經營分部之業績，以便作出有關資源分配及表現評估之決定。評估分部表現乃根據可報告之分部溢利／(虧損)(除稅前經調整溢利／(虧損)之計量)。除稅前經調整溢利／(虧損)乃貫徹本集團之除稅前溢利／(虧損)計量，惟若干其他收益及虧損、公司及未分配收入及支出(包括未分配融資成本)除外。

於本年度內出售於美國從事物業管理業務之附屬公司後，本集團不再向GMR提供物業管理服務及收取管理費收入。

分部資產不包括遞延稅項資產、總部及公司未分配資產，因該等資產是以集團基準管理。

分部負債不包括遞延稅項負債、稅項負債以及總部及公司未分配負債，因該等負債是以集團基準管理。

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財務報表附註

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4. OPERATING SEGMENT INFORMATION
(CONTINUED)

4. 經營分部資料(續)

Segment revenue and segment results

分部收益及分部業績

		Segment revenue		Segment results	
		分部收益		分部業績	
		2020	2019	2020	2019
		2020年	2019年	2020年	2019年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Property development in the PRC	於中國之物業發展	7,877,160	8,795,966	1,033,298	1,907,343
Project management and sales services in the PRC	於中國之項目管理及銷售服務	123,516	–	117,614	–
Property investment and management on AHR and property management provided to GMR in the USA	於美國對AHR進行之物業投資及管理以及向GMR提供之物業管理	44,070	59,947	111,556	18,031
Property investment other than AHR	AHR以外之物業投資	9,711	12,340	(27,291)	1,788
Securities trading and investment	證券買賣及投資	14,604	15,856	7,934	128,578
Hotel operations	酒店業務	–	3,077	–	(7,920)
		8,069,061	8,887,186	1,243,111	2,047,820
Unallocated corporate income	未分配公司收入			738	8,370
Other gains and losses	其他收益及虧損			1,047	1,703
Unallocated corporate expenses	未分配公司開支			(23,024)	(20,116)
Profit before tax	除稅前溢利			1,221,872	2,037,777

4. OPERATING SEGMENT INFORMATION (CONTINUED)

4. 經營分部資料(續)

Segment revenue and segment results (continued)

分部收益及分部業績(續)

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
<i>Segment assets</i>	<i>分部資產</i>		
Property development in the PRC	於中國之物業發展	65,699,030	49,632,056
Project management and sales services in the PRC	於中國之項目管理及銷售服務	125,026	-
Property investment and management on AHR and property management provided to GMR in the USA	於美國對AHR進行之物業投資及管理以及向GMR提供之物業管理	210,755	275,257
Property investment other than AHR	AHR以外之物業投資	375,026	461,792
Securities trading and investment	證券買賣及投資	325,098	353,946
Segment assets	分部資產	66,734,935	50,723,051
Unallocated assets	未分配資產	417,421	1,219,138
Total assets	總資產	67,152,356	51,942,189
<i>Segment liabilities</i>	<i>分部負債</i>		
Property development in the PRC	於中國之物業發展	58,081,282	47,138,155
Project management and sales services in the PRC	於中國之項目管理及銷售服務	2,395	-
Property investment and management on AHR and property management provided to GMR in the USA	於美國對AHR進行之物業投資及管理以及向GMR提供之物業管理	82,514	110,323
Property investment other than AHR	AHR以外之物業投資	126,071	136,962
Segment liabilities	分部負債	58,292,262	47,385,440
Unallocated liabilities	未分配負債	971,279	819,708
Total liabilities	總負債	59,263,541	48,205,148

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財務報表附註

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

Other segment information
For the year ended 31 December 2020

4. 經營分部資料(續)

其他分部資料
截至2020年12月31日止年度

	Property development in the PRC	Project management and sales services in the PRC	Property investment and management on AHR and property management provided to GMR in the USA 於美國對AHR 進行之物業 投資及管理 以及向GMR 提供之 物業管理	Property investment other than AHR AHR以外 之物業投資	Securities trading and investment 證券買賣 及投資	Segment total	Unallocated	Total
	於中國之 物業發展 RMB'000 人民幣千元	於中國之 項目管理及 銷售服務 RMB'000 人民幣千元	以及向GMR 提供之 物業管理 RMB'000 人民幣千元	人民幣千元	人民幣千元	分部總額 RMB'000 人民幣千元	未分配 RMB'000 人民幣千元	總計 RMB'000 人民幣千元
Additions to investment properties and property, plant and equipment	3,527	-	434	-	-	3,961	606	4,567
Depreciation of property, plant and equipment	2,042	128	258	10	-	2,438	1,240	3,678
Depreciation of right-of-use assets	-	-	819	-	-	819	-	819
Gain on disposal of a subsidiary	-	-	99,554	-	-	99,554	-	99,554
Fair value loss on investment properties	-	-	4,578	28,933	-	33,511	-	33,511
Fair value loss on financial assets at fair value through profit or loss	-	-	-	-	6,669	6,669	-	6,669
Write-down of properties on properties under development to net realisable value	150,000	-	-	-	-	150,000	-	150,000

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Other segment information (continued) For the year ended 31 December 2019

	Property investment and management on AHR and property management	Property investment provided to GMR in the USA	Property investment other than AHR	Securities trading and investment	Hotel operations	Segment total	Unallocated	Total	
	於美國對AHR進行之物業投資及管理以及向GMR	提供之物業管理	AHR以外之物業投資	證券買賣及投資	酒店業務	分部總額	未分配	總計	
	Property development in the PRC	於中國之物業發展	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	
Additions to investment properties and property, plant and equipment	投資物業及物業、廠房及設備之添置	5,176	1,022	-	-	30	6,228	8	6,236
Depreciation of property, plant and equipment	物業、廠房及設備折舊	4,297	376	14	-	111	4,798	298	5,096
Depreciation of right-of-use assets	使用權資產折舊	-	1,641	-	-	-	1,641	-	1,641
Impairment losses on accounts receivable and other receivables	應收賬款及其他應收款項減值虧損	-	777	-	-	-	777	-	777
Loss on disposal of a subsidiary	出售一間附屬公司之虧損	-	-	-	-	6,815	6,815	-	6,815
Fair value gain/(loss) on investment properties	投資物業之公平值收益/(虧損)	-	3,347	(1,097)	-	-	2,250	-	2,250
Fair value gain on financial assets at fair value through profit or loss	按公平值計入損益之金融資產之公平值收益	-	-	-	112,726	-	112,726	-	112,726

4. 經營分部資料(續)

其他分部資料(續) 截至2019年12月31日止年度

NOTES TO FINANCIAL STATEMENTS**財務報表附註**

31 December 2020 2020年12月31日

4. OPERATING SEGMENT INFORMATION (CONTINUED)**Geographical information**

		Revenue from external customers 來自外部客戶收益		Non-current assets 非流動資產	
		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
The PRC	中國	8,001,725	8,798,193	630,897	5,549
The USA	美國	52,053	76,187	207,856	237,596
Singapore	新加坡	13,633	7,629	281,537	314,912
Hong Kong	香港	1,650	2,100	102,908	119,144
Japan	日本	-	3,077	-	-
		8,069,061	8,887,186	1,223,198	677,201

The geographical information of revenue from external customers is based on the geographical markets of the customers, and the locations of properties and investments. The geographical information of the non-current assets, excluding deferred tax assets and financial instruments, is based on the locations of the assets.

Information about major customers

During the years ended 31 December 2020 and 2019, no single customer has contributed 10% or more of the Group's total revenue.

4. 經營分部資料(續)**地區資料**

來自外部客戶收益之地區資料乃基於客戶地區市場、物業及投資之所在地而釐定。非流動資產(遞延稅項資產及金融工具除外)之地區資料乃基於有關資產之區域而釐定。

有關主要客戶之資料

截至2020年及2019年12月31日止年度，概無單一客戶貢獻本集團總收益10%或以上。

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
<i>Revenue from contracts with customers</i>	<i>客戶合約收益</i>		
Sales of properties in the PRC	於中國出售物業	7,877,160	8,795,966
Project management and sales services in the PRC	於中國之項目管理及銷售服務	123,516	-
Property management services	物業管理服務	27,742	43,252
Hotel operations	酒店業務	-	3,077
		8,028,418	8,842,295
<i>Revenue from other sources</i>	<i>其他收益來源</i>		
Gross rental income from investment properties	投資物業租金收入總額	26,039	29,035
Dividend income from financial assets at fair value through profit or loss	按公平值計入損益之金融資產之股息收入	14,604	15,856
		8,069,061	8,887,186

5. 收益及其他收入

收益分析如下：

Revenue from contracts with customers (i) *Disaggregated revenue information* For the year ended 31 December 2020

客戶合約收益 (i) *收益分拆資料* 截至2020年12月31日止年度

Segments	分部	Project management and sales services			Total
		Sales of properties in the PRC	and sales services in the PRC	Property management services	
		於中國出售物業	於中國之項目管理及銷售服務	物業管理服務	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Types of goods or services and geographical markets	商品或服務之類別及區域市場				
Sale of properties in the PRC	於中國出售物業	7,877,160	-	-	7,877,160
Project management and sales services in the PRC	於中國之項目管理及銷售服務	-	123,516	-	123,516
Property management services in the USA	於美國之物業管理服務	-	-	27,742	27,742
Total revenue from contracts with customers	客戶合約收益總額	7,877,160	123,516	27,742	8,028,418
Timing of revenue recognition	收益確認時間				
Goods transferred at a point in time	於某一時間點轉讓貨物	7,877,160	-	-	7,877,160
Services transferred over time	隨時間轉讓服務	-	123,516	27,742	151,258
Total revenue from contracts with customers	客戶合約收益總額	7,877,160	123,516	27,742	8,028,418

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5. REVENUE AND OTHER INCOME (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2019

Segments	分部	Sales of properties in the PRC 於中國出售物業 RMB'000 人民幣千元	Property management services 物業管理服務 RMB'000 人民幣千元	Hotel operations 酒店業務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Types of goods or services and geographical markets	商品或服務之類別及區域市場				
Sale of properties in the PRC	於中國出售物業	8,795,966	–	–	8,795,966
Property management services in the USA	於美國之物業管理服務	–	43,252	–	43,252
Hotel services and consumptions in Japan	於日本之酒店服務及消費	–	–	3,077	3,077
Total revenue from contracts with customers	客戶合約收益總額	8,795,966	43,252	3,077	8,842,295
Timing of revenue recognition	收益確認時間				
Goods transferred at a point in time	於某一時間點轉讓貨物	8,795,966	–	–	8,795,966
Services transferred over time	隨時間轉讓服務	–	43,252	3,077	46,329
Total revenue from contracts with customers	客戶合約收益總額	8,795,966	43,252	3,077	8,842,295

Revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

於本報告期間確認並計入報告期初之合約負債之收益如下：

	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元	
Sale of properties in the PRC	於中國出售物業	6,575,432	7,080,881

5. 收益及其他收入(續)

客戶合約收益(續)

(i) 收益分拆資料(續)

截至2019年12月31日止年度

5. REVENUE AND OTHER INCOME (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied upon delivery of the properties and advance payments are required pursuant to the terms of sale and purchase agreements.

Rendering of services (project management and sales services and property management services)

The performance obligation is satisfied over time as services are rendered and bills are issued when services are rendered.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 2019 are as follows:

		2020	2019
		2020年	2019年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Within one year	一年內	14,871,578	7,311,903
After one year	一年後	11,937,280	13,704,793
		26,808,858	21,016,696

An analysis of other income is as follows:

		2020	2019
		2020年	2019年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Interest income	利息收入	20,438	7,980
Government grants	政府資助	820	1,285
Others	其他	6,262	413
		27,520	9,678

5. 收益及其他收入(續)

客戶合約收益(續)

(ii) 履約責任

有關本集團履約責任之資料概述如下：

物業銷售

履約責任乃於交付物業後獲履行，且須根據買賣協議條款預付款項。

提供服務(項目管理及銷售服務以及物業管理服務)

履約責任乃於已提供服務並在提供服務後獲出具賬單時隨時間履行。

於2020年及2019年12月31日，分配至餘下履約責任(未履行或部分未履行)之交易價格如下：

	2020	2019
	2020年	2019年
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Within one year	14,871,578	7,311,903
After one year	11,937,280	13,704,793
	26,808,858	21,016,696

其他收入之分析如下：

	2020	2019
	2020年	2019年
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Interest income	20,438	7,980
Government grants	820	1,285
Others	6,262	413
	27,520	9,678

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6. OTHER GAINS AND LOSSES, NET

6. 其他收益及虧損淨額

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Fair value (loss)/gain on investment properties (note 15)	投資物業之公平值(虧損)/收益(附註15)	(33,511)	2,250
Fair value (loss)/gain on financial assets at fair value through profit or loss	按公平值計入損益之金融資產之公平值(虧損)/收益	(6,669)	112,726
Exchange gains	匯兌收益	4,596	1,703
Write-down of properties under development to net realisable value	撇減發展中物業至可變現淨值	(150,000)	-
Impairment losses on accounts receivable and other receivables	應收賬款及其他應收款項之減值虧損	-	(777)
Loss on disposal of property, plant and equipment	出售物業、廠房及設備之虧損	-	(1)
Gain/(loss) on disposal of a subsidiary (note 34)	出售一間附屬公司之收益/(虧損)(附註34)	99,554	(6,815)
		(86,030)	109,086

7. FINANCE COSTS

7. 融資成本

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Interest on bank and other borrowings	銀行及其他借貸之利息	1,563,416	1,019,398
Interest arising from revenue contracts	合約收益產生之利息	944,468	776,557
Interest on lease liabilities	租賃負債之利息	190	457
Less: Capitalised in properties under development	減：於發展中物業資本化	(2,428,388)	(1,758,191)
		79,686	38,221

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.568% to 12.80% (2019: 4.568% to 12.80%) per annum.

來自銀行及其他借貸之借貸成本已按介乎4.568厘至12.80厘(2019年：4.568厘至12.80厘)之年利率予以資本化。

8. PROFIT BEFORE TAX

8. 除稅前溢利

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
The Group's profit before tax is arrived at after charging:	本集團之除稅前溢利已扣除下列各項：		
Cost of properties sold	已售物業成本	6,313,705	6,593,030
Cost of services	服務成本	5,902	7,677
Total employee benefit expenses:	僱員福利開支總額：		
Directors' emoluments (note 9)	董事薪酬(附註9)	1,052	1,140
Other staff:	其他員工：		
Salaries and other benefits	薪金及其他福利	86,410	71,761
Retirement benefit scheme contributions	退休福利計劃供款	9,610	8,141
		97,072	81,042
Less: Capitalised in properties under development	減：於發展中物業資本化	(19,592)	(11,979)
		77,480	69,063
Auditor's remuneration	核數師薪酬	1,700	1,700
Depreciation of property, plant and equipment	物業、廠房及設備折舊	2,388	3,489
Depreciation of right-of-use assets	使用權資產折舊	819	1,641
Lease payments not included in the measurement of lease liabilities	並未計入租賃負債計量的租賃付款	5,866	5,081
The Group's profit before tax is arrived at after crediting:	本集團之除稅前溢利已計入下列各項：		
Interest income	利息收入	20,438	7,980
Gross rental income from investment properties	投資物業租金收入總額	26,039	29,035
Less: Direct operating expenses incurred for:	減：所產生之直接經營開支：		
– investment properties generating rental income	– 產生租金收入之投資物業	(2,890)	(4,497)
– investment properties not generating rental income	– 並無產生租金收入之投資物業	(286)	(117)
		(3,176)	(4,614)
		22,863	24,421

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9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

9. 董事及主要行政人員薪酬

根據上市規則、香港公司條例第383(1)(a)、(b)、(c)及(f)條以及公司(披露董事利益資料)規例第2部披露之年內董事及主要行政人員薪酬如下：

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Fees	袍金	639	633
Other emoluments:	其他薪酬：		
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	368	461
Retirement benefit scheme contributions	退休福利計劃供款	45	46
		1,052	1,140

For the year ended 31 December 2020

截至2020年12月31日止年度

		Fees 袍金 RMB'000 人民幣千元	Salaries, allowances and benefits in kind 薪金、津貼 及實物福利 RMB'000 人民幣千元	Retirement benefit scheme contributions 退休福利 計劃供款 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
<i>Executive directors:</i>	<i>執行董事：</i>				
Mr. Zhang*	張先生*	-	-	-	-
Mr. Zhang Guoqiang	張國強先生	-	368	45	413
<i>Non-executive director:</i>	<i>非執行董事：</i>				
Ms. Huang	Huang女士	-	-	-	-
<i>Independent non-executive directors:</i>	<i>獨立非執行董事：</i>				
Mr. Liu Da	劉達先生	213	-	-	213
Dr. Liu Qiao	劉俏博士	213	-	-	213
Mr. Ma Yuntao	馬運強先生	213	-	-	213
		639	368	45	1,052

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

For the year ended 31 December 2019

		Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total
		袍金	薪金、津貼及 實物福利	退休福利計劃 供款	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
<i>Executive directors:</i>	<i>執行董事：</i>				
Mr. Zhang*	張先生*	-	-	-	-
Mr. Zhang Guoqiang	張國強先生	-	461	46	507
<i>Non-executive director:</i>	<i>非執行董事：</i>				
Ms. Huang	Huang女士	-	-	-	-
<i>Independent non-executive directors:</i>	<i>獨立非執行董事：</i>				
Mr. Liu Da	劉達先生	211	-	-	211
Dr. Liu Qiao	劉俏博士	211	-	-	211
Mr. Ma Yuntao	馬運弢先生	211	-	-	211
		633	461	46	1,140

* Mr. Zhang is also the chief executive of the Company.

There was no arrangement under which the directors waived or agreed to waive any remuneration during the reporting period (2019: Nil).

9. 董事及主要行政人員薪酬(續)

截至2019年12月31日止年度

		Fees	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total
		袍金	薪金、津貼及 實物福利	退休福利計劃 供款	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
<i>Executive directors:</i>	<i>執行董事：</i>				
Mr. Zhang*	張先生*	-	-	-	-
Mr. Zhang Guoqiang	張國強先生	-	461	46	507
<i>Non-executive director:</i>	<i>非執行董事：</i>				
Ms. Huang	Huang女士	-	-	-	-
<i>Independent non-executive directors:</i>	<i>獨立非執行董事：</i>				
Mr. Liu Da	劉達先生	211	-	-	211
Dr. Liu Qiao	劉俏博士	211	-	-	211
Mr. Ma Yuntao	馬運弢先生	211	-	-	211
		633	461	46	1,140

* 張先生亦為本公司行政總裁。

報告期間內概無董事據此豁免或同意豁免任何薪酬的安排(2019年：無)。

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10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year were neither a director nor chief executive of the Company (2019: Nil), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the five (2019: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

10. 五名最高薪人士

年內五名最高薪人士並非本公司董事亦非主要行政人員(2019年：無)，有關彼等薪酬之詳情載於上文附註9。有關年內五(2019年：五)名最高薪人士(並非本公司董事亦非主要行政人員)薪酬之詳情如下：

		2020	2019
		2020年	2019年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	8,854	11,798

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

酬金介乎下列組別之最高薪人士(非董事及非主要行政人員)之人數如下：

		2020	2019
		2020年	2019年
HK\$1,000,001 to HK\$1,500,000	1,000,001港元至1,500,000港元	2	-
HK\$1,500,001 to HK\$2,000,000	1,500,001港元至2,000,000港元	2	-
HK\$2,000,001 to HK\$2,500,000	2,000,001港元至2,500,000港元	-	2
HK\$2,500,001 to HK\$3,000,000	2,500,001港元至3,000,000港元	-	2
HK\$3,000,001 to HK\$3,500,000	3,000,001港元至3,500,000港元	1	-
HK\$3,500,001 to HK\$4,000,000	3,500,001港元至4,000,000港元	-	1
		5	5

11. INCOME TAX EXPENSE

Current tax – charge for the year	本期稅項 – 一年內開支
– Hong Kong Profits Tax	– 香港利得稅
– PRC CIT	– 中國企業所得稅
– PRC LAT	– 中國土地增值稅
– Overseas Corporate Income Tax	– 海外企業所得稅
Under-provision in prior years	過往年度撥備不足
Deferred tax (note 30)	遞延稅(附註30)
Total tax charge for the year	年內稅項開支總額

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits generated in Hong Kong for both years.

PRC CIT is calculated at the applicable income tax rate of 25% on the assessable profits for both years. In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax will be levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The subsidiaries in the USA are generally subject to Federal Income Tax at a rate of 21% (2019: 21%) on the taxable income and the statutory regulation of State Income Tax in different jurisdiction for the year ended 31 December 2020. Certain of these subsidiaries retained with undistributed income are also subjected to an additional personal holding company tax at 20% on the taxable income. Certain subsidiaries are limited liability companies which are by default disregarded entities (i.e. viewed as divisions of the holding company) and would be taxed as part of their holding company for federal tax purposes.

11. 所得稅開支

2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
–	–
425,139	516,123
185,488	402,978
273	3,061
2,607	143
613,507	922,305
(170,008)	(35,986)
443,499	886,319

由於本集團於兩個年度內均無於香港產生應課稅溢利，因此並無於綜合財務報表就香港利得稅作出撥備。

中國企業所得稅兩個年度按應課稅溢利之25%適用所得稅率計算。根據中國企業所得稅法，在中國成立的外資企業向外國投資者宣派的股息將被徵收10%預扣所得稅。因此，本集團須就於中國成立的附屬公司自2008年1月1日以來賺取的盈利所派付的股息繳付預扣稅。

中國土地增值稅乃按土地價格增值額30%至60%之累進稅率徵收，增值額為銷售物業所得款項減除土地使用權費用及所有物業發展開支等應扣除開支的餘額。

截至2020年12月31日止年度，於美國之附屬公司一般均需就應課稅收入按21%（2019年：21%）之聯邦所得稅稅率支付稅項並需遵守不同司法權區州所得稅之法定規例。預留未分派收入之若干該等附屬公司亦需就應課稅收入之20%支付個人控股公司附加稅。若干附屬公司屬有限公司，本身不被視為實體（即視為控股公司之分部），將就聯邦稅而言當作控股公司一部分計算稅項。

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11. INCOME TAX EXPENSE (CONTINUED)

Income tax expense for the year is reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Profit before tax	除稅前溢利	1,221,872	2,037,777
Tax at the statutory tax rate of 25% (2019: 25%)	按法定稅率25%(2019年: 25%) 計算之稅項	305,468	509,444
Effect of different tax rates on operations in other jurisdictions	在其他司法權區營運稅率 不同之影響	(187)	(630)
Tax effect of expenses not deductible for tax purpose	不可扣稅支出之稅務影響	14,060	5,206
Tax effect of income not taxable for tax purpose	毋須課稅收入之稅務影響	(30,636)	(32,440)
PRC LAT	中國土地增值稅	185,488	402,978
Tax effect of PRC LAT	中國土地增值稅之稅務影響	(46,372)	(100,744)
Tax effect of temporary differences not recognised	未確認暫時差額之稅務影響	77	414
Tax effect of tax losses not recognised	未確認之稅項虧損之稅務影響	13,614	9,813
Utilisation of tax losses previously not recognised	動用過往未確認之稅項虧損	(620)	(2,865)
Under provision in prior years	過往年度撥備不足	2,607	143
Withholding tax on distributable profits of the Group's PRC subsidiaries	本集團中國附屬公司可供分派 溢利之預扣稅	-	95,000
Income tax expenses for the year	年內所得稅開支	443,499	886,319

12. DIVIDENDS

Proposed final – RMB0.81 cents (2019: RMB1.67 cents) per ordinary share	建議末期股息每股普通股份人民幣 0.81分(2019年: 人民幣1.67分)	154,984	192,474
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The Board recommends the payment of a dividend in respect of the year ended 31 December 2020 of RMB0.81 cents (2019: RMB1.67 cents) per share, amounting to a total dividend of RMB154,984,000 (2019: RMB192,474,000). Such dividend is subject to the approval by the shareholders at the forthcoming annual general meeting. These consolidated financial statements did not reflect this dividend payable.

The final dividend in respect of the year ended 31 December 2019 of RMB1.67 cents per ordinary share was declared and approved at the annual general meeting of the Company on 9 June 2020. The final dividend amounting to approximately RMB192,474,000 has been distributed out of the Company's retained earnings and paid in July 2020.

11. 所得稅開支(續)

年內所得稅開支與綜合損益賬所示除稅前溢利對賬如下:

	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Profit before tax	1,221,872	2,037,777
Tax at the statutory tax rate of 25% (2019: 25%)	305,468	509,444
Effect of different tax rates on operations in other jurisdictions	(187)	(630)
Tax effect of expenses not deductible for tax purpose	14,060	5,206
Tax effect of income not taxable for tax purpose	(30,636)	(32,440)
PRC LAT	185,488	402,978
Tax effect of PRC LAT	(46,372)	(100,744)
Tax effect of temporary differences not recognised	77	414
Tax effect of tax losses not recognised	13,614	9,813
Utilisation of tax losses previously not recognised	(620)	(2,865)
Under provision in prior years	2,607	143
Withholding tax on distributable profits of the Group's PRC subsidiaries	-	95,000
Income tax expenses for the year	443,499	886,319

12. 股息

	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Proposed final – RMB0.81 cents (2019: RMB1.67 cents) per ordinary share	154,984	192,474

董事建議派付截至2020年12月31日止年度之股息每股股份人民幣0.81分(2019年: 人民幣1.67分), 總計股息人民幣154,984,000元(2019年: 人民幣192,474,000元)。有關股息須待股東於應屆股東週年大會上批准。本綜合財務報表並未反映此應付股息。

截至2019年12月31日止年度之末期股息每股普通股份人民幣1.67分已於2020年6月9日舉行之本公司股東週年大會上獲宣派及批准。末期股息約人民幣192,474,000元已於2020年7月從本公司保留盈餘中分派及支付。

13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on:

		2020	2019
		2020年	2019年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Earnings	盈利		
Profit attributable to owners of the Company used in the basic earnings per share calculation	本公司擁有人應佔溢利，用於計算每股基本盈利	782,988	1,151,571
		2020	2019
		2020年	2019年
		'000	'000
		千股	千股
Shares	股份		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	年內已發行普通股加權平均數，用於計算每股基本盈利	11,125,477	7,744,999

No diluted earnings per share amounts were presented for the years ended 31 December 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during these years.

每股基本盈利乃按以下資料計算：

由於本集團於截至2020年及2019年12月31日止年度並無潛在攤薄已發行普通股，故該兩個年度概無呈列每股攤薄盈利。

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14. PROPERTY, PLANT AND EQUIPMENT

14. 物業、廠房及設備

		Land and buildings	Leasehold improvement	Furniture, office equipment and motor vehicles	Total
		土地及樓宇	租賃物業裝修	傢俬、辦公室 設備及汽車	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
31 December 2020	2020年12月31日				
Cost:	成本:				
At 1 January 2020	於2020年1月1日	13,938	1,916	18,540	34,394
Additions	添置	-	596	3,971	4,567
Acquisition of a subsidiary (note 33)	收購一間附屬公司 (附註33)	-	-	1,831	1,831
Transfer from investment property	轉撥自投資物業	33,376	-	-	33,376
Disposals	出售	-	-	(386)	(386)
Disposal of a subsidiary (note 34)	出售一間附屬公司 (附註34)	-	-	(2,985)	(2,985)
Exchange realignment	匯兌調整	(2,760)	(130)	(307)	(3,197)
At 31 December 2020	於2020年12月31日	44,554	2,382	20,664	67,600
Accumulated depreciation:	累計折舊:				
At 1 January 2020	於2020年1月1日	4,334	1,706	10,643	16,683
Depreciation provided	折舊撥備	1,105	119	2,454	3,678
Acquisition of a subsidiary (note 33)	收購一間附屬公司 (附註33)	-	-	1,562	1,562
Disposals	出售	-	-	(386)	(386)
Disposal of a subsidiary (note 34)	出售一間附屬公司 (附註34)	-	-	(704)	(704)
Exchange realignment	匯兌調整	(310)	(93)	(152)	(555)
At 31 December 2020	於2020年12月31日	5,129	1,732	13,417	20,278
Net carrying amount:	賬面淨值:				
At 1 January 2020	於2020年1月1日	9,604	210	7,897	17,711
At 31 December 2020	於2020年12月31日	39,425	650	7,247	47,322

14. PROPERTY, PLANT AND EQUIPMENT
(CONTINUED)

14. 物業、廠房及設備(續)

		Land and buildings	Hotel	Leasehold improvement	Furniture, office equipment and motor vehicles	Total
		土地及樓宇 RMB'000 人民幣千元	酒店 RMB'000 人民幣千元	租賃物業裝修 RMB'000 人民幣千元	傢俬、辦公室 設備及汽車 RMB'000 人民幣千元	總計 RMB'000 人民幣千元
31 December 2019	2019年12月31日					
Cost:	成本：					
At 1 January 2019	於2019年1月1日	13,679	7,941	2,161	12,452	36,233
Additions	添置	-	-	-	6,236	6,236
Acquisition of a subsidiary	收購一間附屬公司	-	-	-	146	146
Disposals	出售	-	-	-	(10)	(10)
Disposal of a subsidiary	出售一間附屬公司	-	(8,071)	(292)	(380)	(8,743)
Exchange realignment	匯兌調整	259	130	47	96	532
At 31 December 2019	於2019年12月31日	13,938	-	1,916	18,540	34,394
Accumulated depreciation:	累計折舊：					
At 1 January 2019	於2019年1月1日	3,981	1,283	1,803	6,040	13,107
Depreciation provided	折舊撥備	274	71	25	4,726	5,096
Acquisition of a subsidiary	收購一間附屬公司	-	-	-	84	84
Disposals	出售	-	-	-	(8)	(8)
Disposal of a subsidiary	出售一間附屬公司	-	(1,375)	(163)	(264)	(1,802)
Exchange realignment	匯兌調整	79	21	41	65	206
At 31 December 2019	於2019年12月31日	4,334	-	1,706	10,643	16,683
Net carrying amount:	賬面淨值：					
At 1 January 2019	於2019年1月1日	9,698	6,658	358	6,412	23,126
At 31 December 2019	於2019年12月31日	9,604	-	210	7,897	17,711

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying values of land and building held by the Group are analysed as follows:

Leasehold land and building in Hong Kong 於香港之租賃土地及樓宇

At 31 December 2020, the Group had no leasehold land and buildings pledged to secure the Group's borrowings (2019: RMB9,604,000) (note 40).

15. INVESTMENT PROPERTIES

Carrying amount at 1 January
Disposals
Transfer to owner-occupied property
Net (loss)/gain from a fair value adjustment
Exchange realignment

Carrying amount at 31 December

於1月1日之賬面值
出售
轉撥至擁有人用物業
調整公平值之(虧損)/收益淨額
匯兌調整

於12月31日之賬面值

14. 物業、廠房及設備(續)

本集團所持土地及樓宇之賬面值分析如下：

2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
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39,425	9,604
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於2020年12月31日，本集團概無(2019年：人民幣9,604,000元)租賃土地及樓宇已抵押以取得本集團之借貸(附註40)。

15. 投資物業

2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
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654,244	646,620
(3,220)	(7,751)
(33,376)	-
(33,511)	2,250
(31,983)	13,125

552,154	654,244
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All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The investment properties with an aggregate fair value of RMB463,392,000 (2019: RMB623,299,000) have been pledged to secure the Group's borrowings (note 40).

本集團所有以經營租賃持有以賺取租金或作資本升值之物業權益皆按公平值模式計量，並分類為投資物業入賬。公平值合共人民幣463,392,000元(2019年：人民幣623,299,000元)之投資物業已抵押以取得本集團之借貸(附註40)。

15. INVESTMENT PROPERTIES (CONTINUED)

The fair values of the investment properties situated in Hong Kong, Singapore and the USA as at 31 December 2020 are based on the valuations carried out by APAC Asset Valuation and Consulting Limited ("APAC"). APAC is the member of the Hong Kong Institute of Surveyors and Valuers and an independent qualified professional valuer not connected with the Group.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is the current use. The fair values of the investment properties are derived from the capitalisation of net income method with due allowance for the reversionary income.

At the end of the reporting period, management of the Group works with valuers to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 18 to the financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Fair value measurement using significant unobservable inputs (Level 3)

Recurring fair value measurement for investment properties located in

- Hong Kong
- Singapore
- USA

採用重大不可觀察輸入數據之公平值計量(第三級)

就位於下列地區之投資物業之經常性公平值計量

- 香港
- 新加坡
- 美國

31 December 2020 2020年 12月31日 RMB'000 人民幣千元	31 December 2019 2019年 12月31日 RMB'000 人民幣千元
65,049	109,255
281,530	314,895
205,575	230,094
552,154	654,244

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

15. 投資物業(續)

位於香港、新加坡及美國之投資物業於2020年12月31日之公平值乃基於亞太資產評估及顧問有限公司(「亞太」)所進行估值釐定。亞太為Hong Kong Institute of Surveyors and Valuers會員且與本集團並無關連之獨立合資格專業估值師。

估計投資物業公平值時，投資物業最常用及最佳用途為現時用途。投資物業公平值自收入淨額資本化法得出，並為復歸收入作出適當撥備。

於報告期間結算日，本集團管理層與估值師合作，就第三級公平值計量建立和決定適當之估值技術及輸入數據。倘資產之公平值有重大改動，其波動原因將向本公司董事報告。

投資物業根據經營租賃出租予第三方，其進一步詳情概要載於財務報表附註18。

公平值層級

下表列示本集團投資物業之公平值計量層級：

年內，第一級與第二級之間並無發生任何公平值計量轉移之情況，且並無發生轉入或轉出第三級之情況(2019年：無)。

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15. INVESTMENT PROPERTIES (CONTINUED)

Set out below is a summary of the valuation technique used and the key inputs to the valuation of the Group's significant investment properties categorised into Level 3:

15. 投資物業(續)

下文載列本集團分類為第三級之主要投資物業估值所使用之估值技術及主要輸入數據之概要：

Properties 物業	Valuation technique 估值技術	Significant unobservable inputs 重大不可觀察輸入數據	Range or weighted average 範圍或加權平均數	
			2020 2020年	2019 2019年
Offices located in Hong Kong with a carrying value of RMB65,049,000 (2019: RMB109,255,000) 位於香港賬面值人民幣65,049,000元(2019年：人民幣109,255,000元)之辦公室	Income capitalisation approach 收入資本化法	Monthly market rent (HK\$ per sq. ft.) 每月市場租金(每平方呎港元)	46	47
		Term yield (per annum) 年期收益率(每年)	1.9%	1.7%-2.0%
		Reversion yield (per annum) 復歸收益率(每年)	2.1%	1.9%-2.2%
Commercial and residential units located in Singapore with a carrying value of RMB281,530,000 (2019: RMB314,895,000) 位於新加坡賬面值人民幣281,530,000元(2019年：人民幣314,895,000元)之商用及住宅單位	Income capitalisation approach 收入資本化法	Monthly market rent (SGD per sq. ft.) 每月市場租金(每平方呎新加坡元)	3.6-7.6	3.7-7.8
		Term yield (per annum) 年期收益率(每年)	2.5%-2.8%	2.5%-2.9%
		Reversion yield (per annum) 復歸收益率(每年)	2.7%-3.0%	2.7%-3.1%
Senior housing communities located in the USA with a carrying value of RMB181,862,000 (2019: RMB199,148,000) 位於美國賬面值人民幣181,862,000元(2019年：人民幣199,148,000元)之長者住房院舍	Income capitalisation approach 收入資本化法	Annual market rent (USD per sq. ft.) 每年市場租金(每平方呎美元)	21.7-23.5	23-25
		Term yield (per annum) 年期收益率(每年)	7.3%-8.5%	7.3%-8.5%
		Reversion yield (per annum) 復歸收益率(每年)	7.8%-9.0%	7.8%-9.0%

A significant increase (decrease) in the market rent in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the term yield and reversion yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

市場租金單獨大幅增加(減少)會導致投資物業公平值大幅增加(減少)。年期收益率及復歸收益率單獨大幅增加(減少)會導致投資物業公平值大幅減少(增加)。

There has been no change from the valuation technique used in the prior years.

所用估值技術與過往年度相同。

16. GOODWILL

		2020 2020年 RMB'000 人民幣千元
Cost and net carrying amount at 1 January	於1月1日之成本及賬面淨值	-
Acquisition of a subsidiary (note 33)	收購一間附屬公司(附註33)	424,722
Cost and net carrying amount at 31 December	於12月31日之成本及賬面淨值	424,722

Goodwill acquired through business combination is allocated to the corresponding subsidiary acquired as the acquired subsidiary is the only cash-generating unit, which is Xingcheng Holdings Limited (“Xingcheng Holdings”) and its subsidiaries (together, “Xingcheng Group”).

Impairment testing of goodwill**Xingcheng Group cash-generating unit**

The recoverable amount of the Xingcheng Group cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a six-year period approved by senior management. The discount rate applied to the cash flow projections is 29.74% (2019: Nil).

Assumptions were used in the value in use calculation of the cash-generating unit for 31 December 2020. The following describes the key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Selling price – Management determined the selling price based on the selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar size, usage and location.

Costs to completion – Management determined the costs to completion based on the budgets approved by management, which is estimated according to the past project construction experience and its knowledge of expected market prices of land and construction cost.

The value assigned to the key assumptions is consistent with external information sources.

The following table illustrates the breakeven point of the key variable, with all other variables held constant, where the recoverable amount of the cash-generating unit would have been approximately equal to the carrying amount.

		2020 2020年
Discount rate	貼現率	30.14%

16. 商譽

由於所收購附屬公司乃唯一現金產生單位，即興城控股有限公司(「興城控股」)及其附屬公司(統稱「興城集團」)，故透過業務合併收購之商譽乃分配至相應所收購附屬公司。

商譽減值測試**興城集團現金產生單位**

興城集團現金產生單位之可收回金額乃根據使用價值計算釐定，該計算使用的現金流量預測基於高級管理層所批准之涵蓋六年期間之財務預算。現金流量預測適用之貼現率為29.74% (2019年：零)。

計算2020年12月31日之現金產生單位使用價值已使用假設。管理層基於其現金流量預測對商譽進行減值測試之關鍵假設描述如下：

貼現率 – 所採用貼現率為除稅前貼現率，反映與相關單位有關之特定風險。

售價 – 管理層根據同一項目預售單位之售價或具相若規模、用途及位置之可比較物業之現行市價釐定售價。

完工成本 – 管理層根據管理層批准之預算釐定完工成本，預算乃根據過往項目建設經驗及其對土地及建築成本預期市價之了解估計。

賦予關鍵假設之各項數值與外部資料來源一致。

下表闡述主要變量之平衡點，即在所有其他變量維持不變之情況下，現金產生單位之可收回金額與賬面值大致相等。

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17. INTANGIBLE ASSETS

		Contract benefit 合約效益 RMB'000 人民幣千元
Cost and net carrying amount at 1 January 2020	於2020年1月1日之成本及賬面淨值	-
Acquisition of a subsidiary	收購一間附屬公司	199,000
Cost and net carrying amount at 31 December 2020	於2020年12月31日之成本及賬面淨值	199,000

Impairment testing of intangible assets

Intangible assets acquired through business combinations is tested for impairment individually. The recoverable amount of the Xingcheng Group cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a six-year period approved by senior management. The discount rate applied to the cash flow projections is 24.53% (2019: Nil).

Assumptions were used in the value in use calculation of the cash-generating unit for 31 December 2020. The following describes the key assumption on which management has based its cash flow projections to undertake impairment testing of the contract benefit:

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

Selling price – Management determined the selling price based on the selling price of the pre-sale units in the same project or the prevailing market price of the comparable properties with similar size, usage and location.

Costs to completion – Management determined the costs to completion based on the budgets approved by management, which is estimated according to the past project construction experience and its knowledge of expected market prices of land and construction cost.

The value assigned to the key assumption is consistent with external information sources.

17. 無形資產

無形資產減值測試

透過業務合併收購之無形資產單獨進行減值測試。興城集團現金產生單位之可收回金額乃根據使用價值計算釐定，該計算使用的現金流量預測基於高級管理層所批准之涵蓋六年期間之財務預算。現金流量預測適用之貼現率為24.53% (2019年：零)。

計算2020年12月31日之現金產生單位使用價值已使用假設。管理層基於其現金流量預測對合約效益進行減值測試之關鍵假設描述如下：

貼現率 – 所採用貼現率為除稅前貼現率，反映與相關單位有關之特定風險。

售價 – 管理層根據同一項目預售單位之售價或具相若規模、用途及位置之可比較物業之現行市價釐定售價。

完工成本 – 管理層根據管理層批准之預算釐定完工成本，預算乃根據過往項目建設經驗及其對土地及建築成本預期市價之了解估計。

賦予關鍵假設之各項數值與外部資料來源一致。

18. LEASES

The Group as a lessee

The Group has lease contracts of offices used in its operations. Leases of offices are generally with lease terms from 2 to 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are no lease contracts that include extension and termination options and variable lease payments.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

		Offices 辦公室 RMB'000 人民幣千元
As at 1 January 2019	於2019年1月1日	6,813
Depreciation charge (note 8)	折舊開支(附註8)	(1,641)
Exchange realignment	匯兌調整	74
As at 31 December 2019 and 1 January 2020	於2019年12月31日及2020年1月1日	5,246
Depreciation charge (note 8)	折舊開支(附註8)	(819)
Disposal of a subsidiary (note 34)	出售一間附屬公司(附註34)	(4,142)
Exchange realignment	匯兌調整	(285)
As at 31 December 2020	於2020年12月31日	-

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

		RMB'000 人民幣千元
As at 1 January 2019	於2019年1月1日	6,813
Accretion of interest recognised during the year (note 7)	上調年內確認的利息(附註7)	457
Payments	付款	(1,782)
Exchange realignment	匯兌調整	78
As at 31 December 2019 and 1 January 2020	於2019年12月31日及2020年1月1日	5,566
Accretion of interest recognised during the year (note 7)	上調年內確認的利息(附註7)	190
Payments	付款	(919)
Disposal of a subsidiary (note 34)	出售一間附屬公司(附註34)	(4,526)
Exchange realignment	匯兌調整	(311)
As at 31 December 2020	於2020年12月31日	-

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

18. 租賃

本集團作為承租人

本集團有用於其營運的辦公室租賃合約。辦公室租賃的租期通常為二至五年。一般而言，本集團不得將租賃資產轉讓或轉租給本集團以外的公司。概無包括續期及終止選擇權以及可變租賃付款的租賃合約。

(a) 使用權資產

年內本集團使用權資產的賬面值及變動如下：

		Offices 辦公室 RMB'000 人民幣千元
As at 1 January 2019	於2019年1月1日	6,813
Depreciation charge (note 8)	折舊開支(附註8)	(1,641)
Exchange realignment	匯兌調整	74
As at 31 December 2019 and 1 January 2020	於2019年12月31日及2020年1月1日	5,246
Depreciation charge (note 8)	折舊開支(附註8)	(819)
Disposal of a subsidiary (note 34)	出售一間附屬公司(附註34)	(4,142)
Exchange realignment	匯兌調整	(285)
As at 31 December 2020	於2020年12月31日	-

(b) 租賃負債

年內租賃負債的賬面值及變動如下：

		RMB'000 人民幣千元
As at 1 January 2019	於2019年1月1日	6,813
Accretion of interest recognised during the year (note 7)	上調年內確認的利息(附註7)	457
Payments	付款	(1,782)
Exchange realignment	匯兌調整	78
As at 31 December 2019 and 1 January 2020	於2019年12月31日及2020年1月1日	5,566
Accretion of interest recognised during the year (note 7)	上調年內確認的利息(附註7)	190
Payments	付款	(919)
Disposal of a subsidiary (note 34)	出售一間附屬公司(附註34)	(4,526)
Exchange realignment	匯兌調整	(311)
As at 31 December 2020	於2020年12月31日	-

租賃負債的到期日分析披露於財務報表附註38。

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18. LEASES (CONTINUED)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Interest on lease liabilities	租賃負債利息	190	457
Depreciation charge of right-of-use assets	使用權資產折舊開支	819	1,641
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	與短期租賃及剩餘租期於2019年12月31日或之前終止的租賃有關的開支	5,866	5,081
Total amount recognised in profit or loss	於損益確認的總金額	6,875	7,179

(d) The total cash outflow for leases is disclosed in note 39(b) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 15) consisting of offices, commercial and residential units, senior housing communities and residential single homes located in Hong Kong, Singapore and the USA under operating lease arrangements. The terms of the leases generally require the tenants to pay the security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB26,039,000 (2019: RMB29,035,000), details of which are included in note 5 to the financial statements.

At 31 December 2020, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Within one year	一年內	22,703	23,253
After one year but within two years	一年以上但兩年以內	18,470	18,704
After two years but within three years	兩年以上但三年以內	16,200	16,987
After three years but within four years	三年以上但四年以內	16,512	17,225
After four years but within five years	四年以上但五年以內	16,883	17,613
After five years	超過五年	59,026	80,972
		149,794	174,754

18. 租賃(續)

本集團作為承租人(續)

(c) 就租賃於損益確認的金額如下：

	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Interest on lease liabilities	190	457
Depreciation charge of right-of-use assets	819	1,641
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	5,866	5,081
Total amount recognised in profit or loss	6,875	7,179

(d) 租賃的現金流出總額披露於財務報表附註39(b)。

本集團作為出租人

本集團根據經營租賃安排出租其位於香港、新加坡及美國的投資物業(附註15)，包括辦公、商用及住宅單位、長者住房院舍及單棟住宅單位。租賃條款通常要求租戶支付抵押按金，並根據當時現行市況定期調整租金。本集團年內確認的租金收入為人民幣26,039,000元(2019年：人民幣29,035,000元)，其詳情載於財務報表附註5。

於2020年12月31日，日後本集團根據與其租戶之不可撤銷經營租賃的應收未貼現租賃款項如下：

	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Within one year	22,703	23,253
After one year but within two years	18,470	18,704
After two years but within three years	16,200	16,987
After three years but within four years	16,512	17,225
After four years but within five years	16,883	17,613
After five years	59,026	80,972
	149,794	174,754

19. PLEDGED DEPOSITS, RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

19. 已抵押按金、受限制銀行結餘以及現金及現金等值項目

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Pledged deposits	已抵押按金		
– Current	– 即期	330,336	863,804
– Non-current	– 非即期	27,935	22,525
		358,271	886,329
Restricted bank balances	受限制銀行結餘	648,635	691,992
Cash and cash equivalents	現金及現金等值項目	3,218,611	3,200,230

Pledged deposits represent bank deposits of RMB 301,844,000 (2019: RMB 823,853,000) and deposits held with financial institutions of RMB56,427,000 (2019: RMB62,476,000) pledged to banks and financial institutions to secure the facilities granted to the Group and the mortgage loan facilities granted by certain banks to certain property buyers of the Group's properties. The pledged deposits will be released upon the settlement of the relevant borrowings and the expiry of the mortgage guarantees provided to the property buyers. Bank deposits and deposits held with financial institutions amounting to RMB27,935,000 (2019: RMB22,525,000) have been pledged to secure the Group's non-current borrowings and are therefore classified as non-current assets.

Restricted bank balances are required, pursuant to the relevant regulations in the PRC, that certain amount of presale proceeds of properties be placed as guarantee deposits in designated bank accounts for the construction of the relevant properties. The deposits can only be used for payments for construction costs of the relevant properties with approval.

Cash at banks earns interest at floating or fixed rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate to their fair values.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB4,157,035,000 (2019: RMB3,760,907,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

已抵押按金指已抵押予銀行及金融機構之銀行存款人民幣301,844,000元(2019年：人民幣823,853,000元)及金融機構所持存款人民幣56,427,000元(2019年：人民幣62,476,000元)，以取得授予本集團之融資及若干銀行授予本集團物業之若干物業買家之按揭貸款融資。已抵押按金將於相關借貸償還後及提供予物業買家之按揭擔保到期後解除。銀行存款及金融機構所持存款人民幣27,935,000元(2019年：人民幣22,525,000元)已抵押，以獲得本集團非即期貸款，因此分類為非流動資產。

受限制銀行結餘指根據中國相關規例，須將物業預售所得款項之若干金額存入指定銀行戶口作為相關物業建築工程之保證金之款項。經批准後，有關保證金方可用於支付相關物業之建築成本。

銀行現金根據日常銀行存款利率按浮動或固定利率賺取利息。銀行結餘已存入近期並無欠款記錄且信用良好之銀行。現金及現金等值項目之賬面值與其公平值相若。

於報告期間結算日，本集團以人民幣計值之現金及銀行結餘為人民幣4,157,035,000元(2019年：人民幣3,760,907,000元)。人民幣不能自由兌換為其他貨幣。然而，根據中國內地之《外匯管理條例》及《結匯、售匯以及付匯管理規定》，本集團獲准透過獲授權進行外匯業務的銀行將人民幣兌換作其他貨幣。

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20. COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale are all situated in the PRC. The Group carried out assessment on the net realisable value at the end of the reporting period and compared to the cost and there was no written-down to the net realisable value of completed properties held for sale for both years.

21. PROPERTIES UNDER DEVELOPMENT

Properties under development are all situated in the PRC and RMB11,153,683,000 (2019: RMB6,838,721,000) are expected to be realised within twelve months and the remaining RMB37,293,001,000 (2019: RMB31,528,759,000) are expected to be realised after twelve months from the end of the reporting period. The Group carried out assessment on the net realisable value at the end of the reporting period and recognised RMB150,000,000 (2019: Nil) of write-down for properties under development for the year ended 31 December 2020.

22. DEPOSITS AND PREPAYMENTS PAID FOR LAND ACQUISITIONS

The amount represented deposits and prepayments paid for land acquisitions arising from the acquisition of land use rights in the PRC. These deposits will be converted into properties under development upon completion of the land acquisition process and fully refundable if the acquisition is not successful.

23. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS

20. 持作出售之已完工物業

持作出售之已完工物業全部位於中國。本集團於報告期間結算日對可變現淨值進行評估並與成本比較，概無對兩個年度持作出售之已完工物業之可變現淨值進行撇減。

21. 發展中物業

發展中物業全部位於中國及人民幣11,153,683,000元(2019年：人民幣6,838,721,000元)預期將於報告期間結算日起十二個月內變現而餘下人民幣37,293,001,000元(2019年：人民幣31,528,759,000元)則預期將於報告期間結算日起十二個月後變現。本集團於報告期間結算日對可變現淨值進行評估，於截至2020年12月31日止年度確認撇減發展中物業人民幣150,000,000元(2019年：零)。

22. 已付土地收購按金及預付款

有關金額指於中國收購土地使用權而產生之已付土地收購按金及預付款項。該等按金將於土地收購程序完成後轉換為發展中物業，倘收購並未成功，則悉數退回。

23. 應收賬款、其他應收款項及其他資產

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Accounts receivable	應收賬款	14,204	24,629
Less: Impairment	減：減值	-	-
		14,204	24,629
Prepaid value-added taxes and other taxes	預付增值稅及其他稅項	1,566,028	1,146,929
Deposits and prepayments	按金及預付款項	220,941	486,547
Costs of obtaining contracts	取得合約之成本	203,346	117,380
Other receivables	其他應收款項	109,263	52,738
		2,099,578	1,803,594
Less: Impairment	減：減值	(650)	(650)
		2,098,928	1,802,944
		2,113,132	1,827,573

23. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Accounts receivable represent receivables from sales of properties, property management fee receivables, dividend receivables and rental receivables.

Receivables arising from sales of properties are due for settlement in accordance with the terms of the related sale and purchase agreements. The settlement terms of rental receivables and property management fee receivables are upon presentation of demand notes. All accounts receivable were aged less than 3 months as at the end of the reporting period (2019: less than 3 months), based on the revenue recognition date or invoice date.

The movements in the loss allowance for impairment of accounts and other receivables are as follows:

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
At beginning of year	於年初	650	650
Impairment losses	減值虧損	-	777
Amount written off	撇銷款項	-	(777)
At end of year	於年末	650	650

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

23. 應收賬款、其他應收款項及其他資產(續)

應收賬款指物業銷售、物業管理費、股息及租賃應收款項。

來自物業銷售之應收款項乃根據各買賣協議之條款到期結算。應收租金及應收物業管理費之結算條款為出示繳款通知書時結算。於報告期末，所有應收賬款按收益確認日期或發票日期計之賬齡低於3個月(2019年：低於3個月)。

應收賬款及其他應收款項減值之虧損撥備之變動如下：

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
At beginning of year	於年初	650	650
Impairment losses	減值虧損	-	777
Amount written off	撇銷款項	-	(777)
At end of year	於年末	650	650

減值分析乃於各報告日期使用撥備矩陣進行，以計量預期信貸虧損。撥備率乃基於多個具有類似虧損模式的客戶分部組別的逾期天數釐定。該計算反映或然率加權結果、貨幣時間價值以及於報告日期可得有關過往事件、當前狀況及未來經濟狀況預測的合理及可靠資料。

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23. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

No provision for impairment of accounts receivable was provided for as at 31 December 2020 and 2019 as the directors of the Company consider the expected credit loss is insignificant. Set out below is the information about the credit risk exposure on the Group's financial assets included in other receivables and other assets using a provision matrix:

		Current 即期	Past due within 1 year 逾期一年以內	Total 總計
As at 31 December 2020	於2020年12月31日			
Expected credit loss rate	預期信貸虧損率	0%	0.5% – 5%	0.60%
Gross carrying amount (RMB'000)	賬面總值(人民幣千元)	36,451	72,812	109,263
Expected credit losses (RMB'000)	預期信貸虧損(人民幣千元)	-	650	650

		Current 即期	Past due within 1 year 逾期一年以內	Total 總計
As at 31 December 2019	於2019年12月31日			
Expected credit loss rate	預期信貸虧損率	0%	0.5% – 5%	1.23%
Gross carrying amount (RMB'000)	賬面總值(人民幣千元)	14,804	37,934	52,738
Expected credit losses (RMB'000)	預期信貸虧損(人民幣千元)	-	650	650

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

23. 應收賬款、其他應收款項及其他資產(續)

由於本公司董事認為預期信貸虧損並不重大，故於2020年及2019年12月31日並無就應收賬款作出減值撥備。下文載列使用撥備矩陣得出本集團計入其他應收款項及其他資產之金融資產面臨的信貸風險的資料：

24. 按公平值計入損益之金融資產

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Equity securities listed in Hong Kong	於香港上市之股本證券	28	44
Equity securities listed outside Hong Kong	於香港境外上市之股本證券	4,570	7,285
		4,598	7,329
REIT securities listed in the USA	於美國上市之房地產投資信託證券	316,992	342,547
		321,590	349,876

25. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Accounts payable	應付賬款	494,346	121,847
Accrued construction costs (Note)	應計建築成本(附註)	6,221,656	2,485,887
Rental deposits received	已收租賃按金	5,749	8,285
Retention deposits and payable	保留金及應付款項	109,498	63,874
Real estate and other taxes payable	應付房產稅及其他稅項	47,428	109,330
Other payables and accruals	其他應付款項及應計費用	425,584	313,873
		7,304,261	3,103,096
Less: Rental deposits received – non-current	減：已收租賃按金－非流動	(4,866)	(7,010)
		7,299,395	3,096,086

The average credit period of accounts payable ranges from 30 to 90 days (2019: 30 to 90 days). All accounts payable were aged within one year, based on invoice dates.

Note: Included in accrued construction costs are amounts due to a related company controlled by Ms. Huang's daughter, Ms. Zhang Huiqi ("Ms. Zhang") of approximately RMB1,227,889,000 (2019: RMB606,041,000) for its construction work.

26. CONTRACT LIABILITIES

The amounts represented advance payments from customers based on schedules as established in the property sale contracts. The increase in contract liabilities as at 31 December 2020 was due to more property projects having started pre-sale during the current year.

27. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and repayable on demand. Ms. Huang and together with her spouse, Mr. Zhang, and her daughter, Ms. Zhang, have the controlling interests over these related companies.

28. LOANS FROM A RELATED COMPANY

The Group has entered into loan agreements with a related company, Henan Zensun Real Estate Co., Ltd.* (河南正商置業有限公司) ("Zensun Real Estate"), which is ultimately controlled by Ms. Huang, pursuant to which Zensun Real Estate will provide unsecured loans to the Group.

The amounts are unsecured, interest-free and repayable on demand. Those amounts were shown under current liabilities as Zensun Real Estate had the discretionary rights to demand immediate repayment.

In the opinion of the directors of the Company, the carrying amounts of the loans approximated their fair values at initial recognition.

25. 應付賬款、已收按金及應計費用

	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
應付賬款	494,346	121,847
應計建築成本(附註)	6,221,656	2,485,887
已收租賃按金	5,749	8,285
保留金及應付款項	109,498	63,874
應付房產稅及其他稅項	47,428	109,330
其他應付款項及應計費用	425,584	313,873
	7,304,261	3,103,096
減：已收租賃按金－非流動	(4,866)	(7,010)
	7,299,395	3,096,086

應付賬款之平均信貸期介乎30日至90日(2019年：30日至90日)。根據發票日期，全部應付賬款賬齡為一年內。

附註：應計建築成本內的約人民幣1,227,889,000元(2019年：人民幣606,041,000元)為就其建築工程而應付一間關連公司(由Huang女士之女兒張惠琪女士(「張女士」)控制)之款項。

26. 合約負債

該等金額指根據物業銷售合約制定的時間表自客戶收取的預付款項。於2020年12月31日合約負債增加乃由於更多物業項目於本年度開始預售所致。

27. 應付關連公司款項

應付關連公司款項為無抵押、免息並按要求償還。Huang女士連同其配偶張先生及其女兒張女士對該等關連公司擁有控股權益。

28. 來自一間關連公司之貸款

本集團與關連公司河南正商置業有限公司(「正商置業」，由Huang女士最終控制之公司)簽訂貸款協議，據此，正商置業將提供無抵押貸款予本集團。

該等金額為無抵押、免息及須按要求償還。由於正商置業有酌情權可要求即時還款，故該等款項已列作流動負債。

本公司董事認為，該等貸款之賬面值與彼等於初始確認時之公平值相若。

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29. BANK AND OTHER BORROWINGS

29. 銀行及其他借貸

		2020 2020年			2019 2019年		
		Effective interest rate per annum (%) 實際 年利率(%)	Maturity 到期日	RMB'000 人民幣千元	Effective interest rate per annum (%) 實際 年利率(%)	Maturity 到期日	RMB'000 人民幣千元
Current	即期						
Bank loans – secured	銀行貸款 – 有抵押	2.16–9.98	2021 2021年	2,505,742	3.29–9.98	2020 2020年	3,143,973
Other loans – secured	其他貸款 – 有抵押	5.64–11.00	2021 2021年	1,650,953	7.00–9.98	2020 2020年	3,118,014
Senior notes – unsecured (a)	優先票據 – 無抵押(a)	12.80	2021 2021年	2,194,932	–	–	–
Bonds – unsecured (c)	債券 – 無抵押(c)	–	–	–	8.00	2020 2020年	695,963
				6,351,627			6,957,950
Non-current	非即期						
Bank loans – secured	銀行貸款 – 有抵押	2.25–9.98	2022–2030 2022年至 2030年	5,223,614	3.29–9.98	2021–2030 2021年至 2030年	6,696,765
Senior notes – unsecured (a)(b)	優先票據 – 無抵押(a)(b)	12.50	2022 2022年	1,291,284	12.80	2021 2021年	2,311,130
Other loans – secured	其他貸款 – 有抵押	8.50–11.00	2022 2022年	2,269,400	7.00–9.98	2021–2022 2021年至 2022年	1,270,000
Other loans – unsecured	其他貸款 – 無抵押	–	–	–	2.00	2021 2021年	3,000,000
				8,784,298			13,277,895
				15,135,925			20,235,845

Analysed into:

Bank and other borrowings repayable:

Within one year
In the second year
In the third to fifth years, inclusive
Beyond five years

分析為：

須於下列日期償還之

銀行及其他借貸：

一年內
第二年
第三至第五年(包括首尾兩年)
超過五年

2020
2020年
RMB'000
人民幣千元

2019
2019年
RMB'000
人民幣千元

6,351,627
7,117,249
1,658,083
8,966

6,957,950
9,097,747
4,167,555
12,593

15,135,925 **20,235,845**

29. BANK AND OTHER BORROWINGS (CONTINUED)

The carrying amounts of bank and other borrowings at the end of the reporting period were denominated in the following currencies.

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
HK\$	港幣	-	482
SGD	新加坡元	70,363	78,420
USD	美元	3,616,228	3,157,092
RMB	人民幣	11,449,334	16,999,851
		15,135,925	20,235,845

Notes:

- (a) On 3 October 2019, the Company issued senior notes at a principal amount of US\$220 million carrying interest of 12.8% per annum due on 3 October 2021 in accordance with the terms and conditions of the subscription agreement (the "2019 Original Notes"). Subsequently on 20 December 2019, the Company issued additional senior notes at a principal amount of US\$120 million under the same terms and conditions of the subscription agreement of the 2019 Original Notes. The additional senior notes are consolidated with the 2019 Original Notes and form a single series at an aggregated principal amount of US\$340 million carrying interest of 12.8% per annum due on 3 October 2021. The US\$340 million senior notes are listed and traded on the Stock Exchange of Hong Kong. The net proceeds of the senior notes were intended to refinance existing indebtedness and for project developments and general corporate purposes. Details of the issuance of the senior notes are set out in the Company's announcements dated 26 September 2019, 3 October 2019, 12 December 2019 and 19 December 2019.
- (b) On 13 March 2020, the Company issued senior notes at a principal amount of US\$200 million carrying interest of 12.5% per annum due on 13 September 2022. The US\$200 million senior notes are listed and traded on the Stock Exchange of Hong Kong. The net proceeds of the senior notes were intended to refinance existing indebtedness and for project developments and general corporate purposes. Details of the issuance of the senior notes are set out in the Company's announcements dated 13 March 2020.

29. 銀行及其他借貸(續)

於報告期間結算日，銀行及其他借貸之賬面值乃以下列貨幣列值。

	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
	-	482
	70,363	78,420
	3,616,228	3,157,092
	11,449,334	16,999,851
	15,135,925	20,235,845

附註：

- (a) 於2019年10月3日，本公司根據認購協議之條款與條件發行於2021年10月3日到期之本金額220,000,000美元年息12.8厘優先票據（「2019年原始票據」）。其後於2019年12月20日，本公司根據2019年原始票據認購協議之相同條款與條件額外發行本金額120,000,000美元優先票據。額外優先票據與2019年原始票據合併為一個系列，即於2021年10月3日到期之本金總額340,000,000美元年息12.8厘優先票據。該340,000,000美元優先票據於香港聯交所上市及買賣。優先票據所得款項淨額擬用作現有債務再融資、項目發展以及一般企業用途。有關優先票據發行的詳情載於本公司日期為2019年9月26日、2019年10月3日、2019年12月12日及2019年12月19日的公告。
- (b) 於2020年3月13日，本公司發行於2022年9月13日到期之本金額200,000,000美元年息12.5厘優先票據。該200,000,000美元優先票據於香港聯交所上市及買賣。優先票據所得款項淨額擬用作現有債務再融資、項目發展以及一般企業用途。有關優先票據發行的詳情載於本公司日期為2020年3月13日的公告。

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29. BANK AND OTHER BORROWINGS (CONTINUED)

Notes: (continued)

- (c) On 25 January 2019, the Company completed the issuance of bonds at principal amount of USD100 million (at carrying amount of approximately RMB695,963,000 as at 31 December 2019) carrying interest of 8.0% per annum due on 22 January 2020 in accordance with the terms and conditions of the subscription agreement. The bonds were unsecured but guaranteed by related companies, which are ultimately controlled by Ms. Huang. The bonds proceeds had been fully utilised as intended for general corporate purposes of the Group. The bonds were redeemed in January 2020.

Certain of the Group's bank and other borrowings are secured by the Group's pledged deposits, investment properties, property, plant and equipment and properties under development with the total carrying amount of RMB17,443,890,000 (2019: RMB19,987,547,000). In addition, shares of certain subsidiaries were pledged as securities to obtain certain bank and other borrowings granted to the Group as at 31 December 2020 and 2019. Details of pledged deposits are disclosed in note 40 to the financial statements.

In additions, as at 31 December 2020, the Group's senior notes and bank and other borrowings were guaranteed by related companies. Details of the guarantees are disclosed in note 42 to the financial statements

29. 銀行及其他借貸(續)

附註：(續)

- (c) 於2019年1月25日，本公司根據認購協議之條款與條件完成發行於2020年1月22日到期之本金額100,000,000美元(於2019年12月31日賬面值約人民幣695,963,000元)債券，按年利率8.0厘計息。債券為無抵押，但由Huang女士最終控制之關連公司擔保。債券所得款項已按擬定用途悉數用作本集團之一般企業用途。該債券隨後已於2020年1月贖回。

本集團若干銀行及其他借貸乃由本集團賬面總值人民幣17,443,890,000元(2019年：人民幣19,987,547,000元)之已抵押按金、投資物業、物業、廠房及設備以及發展中物業作抵押。此外，於2020年及2019年12月31日，若干附屬公司之股份已作抵押，以取得本集團所獲授之若干銀行及其他借貸，有關已抵押按金之詳情於財務報表附註40披露。

此外，於2020年12月31日，本集團之優先票據以及銀行及其他借貸由關連公司擔保。有關擔保之詳情於財務報表附註42披露。

30. DEFERRED TAX

The movements in deferred tax assets and liabilities arising from temporary differences are as follows:

Deferred tax assets

		Tax loss	Provision for LAT	Accrued expenses for tax purpose	Write-down of properties under development	Total
		稅項虧損	土地增值稅撥備	累計稅項開支	發展中物業撇減	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2019	於2019年1月1日	57,299	5,869	-	-	63,168
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	5,899	32,478	92,609	-	130,986
Deferred tax assets at 31 December 2019 and 1 January 2020	於2019年12月31日及2020年1月1日之遞延稅項資產	63,198	38,347	92,609	-	194,154
Acquisition of a subsidiary (note 33)	收購一間附屬公司 (附註33)	25,246	-	9,577	-	34,823
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	37,214	3,734	17,227	37,500	95,675
Deferred tax assets at 31 December 2020	於2020年12月31日之遞延稅項資產	125,658	42,081	119,413	37,500	324,652

During the year ended 31 December 2020, deferred tax assets were recognised for unused tax losses to the extent that it is probable that relevant future taxable profits will be available against for utilisation. These unused tax losses were in respect of certain PRC subsidiaries carried forward at the end of 2020 and the directors of the Company are of the opinion that these certain PRC subsidiaries will generate sufficient future taxable profits.

At 31 December 2020, the Group had total unrecognised unused tax losses of RMB532,018,000 (2019: RMB613,587,000), which were subject to agreement with the respective tax authorities, available to offset against future profits. No deferred tax asset has been recognised in respect of these unused tax losses as they have arisen in subsidiaries and the Company that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Except for tax losses incurred in the PRC amounting to RMB107,356,000 (2019: RMB71,714,000) will expire within five years since the date of carryforward, these unrecognised unused tax losses can be carried forward indefinitely, subject to fulfilment of certain conditions or rules.

30. 遞延稅項

暫時差額產生之遞延稅項資產及負債之變動如下：

遞延稅項資產

		Tax loss	Provision for LAT	Accrued expenses for tax purpose	Write-down of properties under development	Total
		稅項虧損	土地增值稅撥備	累計稅項開支	發展中物業撇減	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2019	於2019年1月1日	57,299	5,869	-	-	63,168
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	5,899	32,478	92,609	-	130,986
Deferred tax assets at 31 December 2019 and 1 January 2020	於2019年12月31日及2020年1月1日之遞延稅項資產	63,198	38,347	92,609	-	194,154
Acquisition of a subsidiary (note 33)	收購一間附屬公司 (附註33)	25,246	-	9,577	-	34,823
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	37,214	3,734	17,227	37,500	95,675
Deferred tax assets at 31 December 2020	於2020年12月31日之遞延稅項資產	125,658	42,081	119,413	37,500	324,652

截至2020年12月31日止年度，倘可能具有有關未來應課稅溢利可供抵銷，則會就未動用稅項虧損確認遞延稅項資產。該等未動用稅項虧損乃為若干中國附屬公司於2020年底結轉款項，及本公司董事認為，該等若干中國附屬公司將產生足夠之未來應課稅溢利。

於2020年12月31日，本集團未確認未動用稅項虧損總額為人民幣532,018,000元（2019年：人民幣613,587,000元），與有關稅務機構訂立之協議，可用作抵消未來利潤。由於稅項虧損乃由已虧損一段時間之附屬公司及本公司產生及不大可能有應課稅溢利可用以抵銷稅項虧損，故並無就該等未動用稅項虧損確認遞延稅項資產。除於中國產生之稅項虧損人民幣107,356,000元（2019年：人民幣71,714,000元）將自結轉日期起五年內屆滿外，該等未確認未動用稅項虧損可無限期結轉，惟須符合若干條件或規則。

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30. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

		Accelerated tax depreciation	Revaluation of investment properties	Revaluation of properties acquired under business combination	Withholding tax on distributable profits of the Group's PRC subsidiaries 本集團 中國附屬公司	Total
		加速稅項 折舊 RMB'000 人民幣千元	投資物業 重估 RMB'000 人民幣千元	業務合併 項下收購之 物業重估 RMB'000 人民幣千元	可分派收益 之預扣稅 RMB'000 人民幣千元	總計 RMB'000 人民幣千元
At 1 January 2019	於2019年1月1日	(58)	(1,976)	(3,290)	-	(5,324)
Charged to profit or loss during the year (note 11)	年內於損益賬扣除 (附註11)	-	-	-	(95,000)	(95,000)
Transfer to LAT payables	轉至土地增值稅應付款項	-	-	1,200	-	1,200
Exchange realignment	匯兌調整	(1)	(25)	-	-	(26)
Deferred tax liabilities at 31 December 2019 and 1 January 2020	於2019年12月31日及 2020年1月1日之 遞延稅項負債	(59)	(2,001)	(2,090)	(95,000)	(99,150)
Acquisition of a subsidiary (note 33)	收購一間附屬公司 (附註33)	-	-	(433,037)	-	(433,037)
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	-	-	55,078	19,255	74,333
Exchange realignment	匯兌調整	4	124	-	-	128
Deferred tax liabilities at 31 December 2020	於2020年12月31日之 遞延稅項負債	(55)	(1,877)	(380,049)	(75,745)	(457,726)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes at applicable rate of 10% on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2020, the aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB538,949,000 (31 December 2019: Nil). In the opinion of the directors, it is not probable to distribute these earnings in the foreseeable future.

30. 遞延稅項(續)

遞延稅項負債

		Accelerated tax depreciation	Revaluation of investment properties	Revaluation of properties acquired under business combination	Withholding tax on distributable profits of the Group's PRC subsidiaries 本集團 中國附屬公司	Total
		加速稅項 折舊 RMB'000 人民幣千元	投資物業 重估 RMB'000 人民幣千元	業務合併 項下收購之 物業重估 RMB'000 人民幣千元	可分派收益 之預扣稅 RMB'000 人民幣千元	總計 RMB'000 人民幣千元
At 1 January 2019	於2019年1月1日	(58)	(1,976)	(3,290)	-	(5,324)
Charged to profit or loss during the year (note 11)	年內於損益賬扣除 (附註11)	-	-	-	(95,000)	(95,000)
Transfer to LAT payables	轉至土地增值稅應付款項	-	-	1,200	-	1,200
Exchange realignment	匯兌調整	(1)	(25)	-	-	(26)
Deferred tax liabilities at 31 December 2019 and 1 January 2020	於2019年12月31日及 2020年1月1日之 遞延稅項負債	(59)	(2,001)	(2,090)	(95,000)	(99,150)
Acquisition of a subsidiary (note 33)	收購一間附屬公司 (附註33)	-	-	(433,037)	-	(433,037)
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	-	-	55,078	19,255	74,333
Exchange realignment	匯兌調整	4	124	-	-	128
Deferred tax liabilities at 31 December 2020	於2020年12月31日之 遞延稅項負債	(55)	(1,877)	(380,049)	(75,745)	(457,726)

根據中國企業所得稅法，於中國內地成立之海外投資企業分派股息予海外投資者時，須徵收股息10%之預扣稅。該規定於2008年1月1日起生效及適用於2007年12月31日之後的盈利。如中國內地與外國投資者所在司法權區訂有稅收協定，則適用於較低預扣稅率。因此，本集團須就中國內地成立之附屬公司就於2008年1月1日之後產生的盈利派付的股息按適用稅率10%繳納預扣稅。

於2020年12月31日，與於並無確認遞延稅項負債的中國內地附屬公司的投資相關之暫時差異總額約人民幣538,949,000元(2019年12月31日：無)。董事認為，於可見未來可能不會分派該等盈利。

31. SHARE CAPITAL

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Issued and fully paid:	已發行及繳足：		
19,133,866,698 (2019: 10,294,699,948) ordinary shares	19,133,866,698股(2019年： 10,294,699,948股)普通股	5,326,923	2,014,112

A summary of movements in the Company's share capital is as follows:

本公司股本變動概要載列如下：

		Number of ordinary shares in issue 已發行 普通股數目	Share capital 股本 RMB'000 人民幣千元
At 1 January 2019	於2019年1月1日	6,176,819,969	587,529
Issue of new ordinary shares	發行新普通股	4,117,879,979	1,428,031
Share issue expenses	股份發行開支	-	(1,448)
At 31 December 2019 and 1 January 2020	於2019年12月31日及2020年1月1日	10,294,699,948	2,014,112
Issue of new ordinary shares (Note)	發行新普通股(附註)	8,839,166,750	3,322,546
Share issue expenses	股份發行開支	-	(9,735)
At 31 December 2020	於2020年12月31日	19,133,866,698	5,326,923

Note:

During the year, the Company completed the issue of 1,235,360,000 new ordinary shares under the general mandate pursuant to the terms of placing agreement dated 8 May 2020 at the placing price of HK\$0.33 per placing share with the gross proceeds received in cash in the amount of approximately HK\$407,669,000 (equivalent to approximately RMB375,341,000) in May 2020.

During the year, the Company completed the issue of 1,526,090,000 new ordinary shares under the general mandate pursuant to the terms of placing agreement dated 24 November 2020 at the placing price of HK\$0.46 per placing share with the gross proceeds received in cash in the amount of approximately HK\$702,001,000 (equivalent to approximately RMB591,506,000) in December 2020.

During the year, the Company and the controlling shareholder of the Company entered into a subscription agreement for the subscription of 6,077,716,750 new ordinary shares under a specific mandate at the subscription price of HK\$0.46 per subscription share and the aggregate subscription price in the amount of approximately HK\$2,795,750,000 (equivalent to approximately RMB2,355,699,000) were settled by way of capitalisation of the entire outstanding shareholder's loan from the controlling shareholder of the Company (Note 33). The new ordinary shares were allotted and issued on 30 December 2020.

All the shares issued during the year rank *pari passu* with other shares in issue in all respects.

附註：

於本年度內，本公司於2020年5月按日期為2020年5月8日之配售協議之條款根據一般授權完成發行1,235,360,000股新普通股，配售價為每股配售股份0.33港元，以現金收取之所得款項總額約為407,669,000港元(相當於約人民幣375,341,000元)。

於本年度內，本公司於2020年12月按日期為2020年11月24日之配售協議之條款根據一般授權完成發行1,526,090,000股新普通股，配售價為每股配售股份0.46港元，以現金收取之所得款項總額約為702,001,000港元(相當於約人民幣591,506,000元)。

於本年度內，本公司與本公司之控股股東訂立認購協議以根據特別授權按認購價每股認購股份0.46港元認購6,077,716,750股新普通股，總認購價約2,795,750,000港元(相當於約人民幣2,355,699,000元)已通過將全部應收本公司控股股東(附註33)未償還股東貸款資本化的方式支付。新普通股已於2020年12月30日獲配發及發行。

本年度發行的所有股份在所有方面與其他已發行股份享有同等地位。

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32. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2020 are presented in the consolidated statement of changes in equity.

(a) PRC statutory reserves

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, these entities are required to appropriate 10% of their net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the entities, the statutory surplus reserves may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(b) Property revaluation reserve

Property revaluation reserve represents the gain on revaluation of the property, plant and equipment upon transfer to investment properties.

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

33. BUSINESS COMBINATION UNDER COMMON CONTROL

During the year, the Group entered into an acquisition agreement with Champ Win Enterprise Limited, which was ultimately controlled by Ms. Huang, to acquire entire share capital of Xingcheng Holdings at a consideration of RMB2,368,000,000. Pursuant to the terms and condition of the acquisition agreement, the acquisition transaction was completed on 12 June 2020. Xingcheng Holdings is an investment holding company incorporated in Hong Kong, and Xingcheng Group is engaged in property development in the PRC.

32. 儲備

本集團之儲備金額及其於截至2020年12月31日止年度之變動呈列於綜合權益變動表內。

(a) 中國法定儲備

根據中國公司法及於中國成立的附屬公司的組織章程細則，該等實體須按稅後溢利淨額之10%提取法定盈餘儲備，此乃根據中國會計準則釐定，直至儲備餘額達到其註冊資本50%為止。受相關中國法規及實體組織章程細則所載若干限制之規限，法定盈餘儲備可用於抵銷虧損或轉換為增加股本，但轉換後儲備餘額不得少於本集團註冊資本之25%。儲備不得用作其設立目的以外的其他用途，亦不得作為現金股息分派。

(b) 物業重估儲備

物業重估儲備指物業、廠房及設備轉撥至投資物業之重估收益。

(c) 外匯儲備

外匯儲備包括換算集團實體財務報表所產生的所有外匯差額，有關儲備根據附註2.4所載會計政策處理。

33. 共同控制下業務合併

於本年度內，本集團與Huang女士最終控制之公司輝勝企業有限公司訂立收購協議，以收購興城控股之全部股本，代價為人民幣2,368,000,000元。根據收購協議之條款及條件，收購交易已於2020年6月12日完成。興城控股為一間於香港註冊成立之投資控股公司，而興城集團則於中國從事物業發展。

33. BUSINESS COMBINATION UNDER COMMON CONTROL (CONTINUED)

The acquisition is accounted for using the acquisition method of accounting in accordance with HKFRS 3 *Business Combinations*. The recognised amounts of assets and liabilities of Xingcheng Group at the date of acquisition are set out below:

		RMB'000 人民幣千元
Property, plant and equipment	物業、廠房及設備	269
Intangible assets	無形資產	199,000
Deferred tax assets	遞延稅項資產	34,823
Completed properties held for sale	持作出售之已完工物業	93,900
Properties under development	發展中物業	3,714,800
Deposits and prepayments paid for land acquisitions	已付土地收購按金及預付款項	91,347
Accounts receivable, other receivables and other assets	應收賬款、其他應收款項及其他資產	767,530
Amounts due from fellow subsidiaries*	應收同系附屬公司款項*	166,022
Prepaid income tax and tax recoverable	預繳所得稅及可收回稅項	106,086
Pledged deposits	已抵押按金	55,654
Restricted bank balances	受限制銀行結餘	99,982
Cash and cash equivalents	現金及現金等值項目	534,838
Accounts payable, deposits received and accruals	應付賬款、已收按金及應計費用	(321,612)
Contract liabilities	合約負債	(1,520,839)
Amounts due to related companies	應付關連公司款項	(843,315)
Bank and other borrowings	銀行及其他借貸	(800,000)
Tax liabilities	稅項負債	(2,170)
Deferred tax liabilities	遞延稅項負債	(433,037)
Total identifiable net assets at fair value	按公平值計量可識別資產淨值總額	1,943,278
Goodwill on acquisition	收購事項的商譽	424,722
Consideration satisfied by loan from the controlling shareholder of the Company **	以本公司控股股東之貸款支付代價**	2,368,000
Cash and cash equivalents acquired and net cash inflows on acquisition	所收購的現金及現金等值項目以及收購事項的現金流入淨額	534,838

* Amounts due from subsidiaries of the Company were eliminated in the consolidation upon the completion of acquisition.

** The consideration was settled by the loan from the controlling shareholder of the Company on the acquisition date. On 24 November 2020, the Company and the controlling shareholder of the Company entered into a subscription agreement for the subscription of 6,077,716,750 new ordinary shares under a specific mandate at the subscription price of HK\$0.46 per subscription share. The aggregate subscription price for all subscription shares was settled by way of capitalisation of the entire outstanding shareholder's loan from the controlling shareholder of the Company. The new ordinary shares were allotted and issued and the shareholder's loan was capitalised on 30 December 2020.

Upon the completion of the acquisition, Xingcheng Group attributed RMB1,171,526,000 to the Group's revenue and profit of RMB54,789,000 to the Group's consolidated profit for the year ended 31 December 2020. Had the acquisition taken place at the beginning of the year, the revenue of the Group would have no changes and the consolidated profit would have been decreased by RMB2,954,000.

33. 共同控制下業務合併(續)

根據香港財務報告準則第3號業務合併，該收購事項乃採用會計收購法入賬。興城集團於收購日期所確認之資產及負債金額載列如下：

		RMB'000 人民幣千元
物業、廠房及設備		269
無形資產		199,000
遞延稅項資產		34,823
持作出售之已完工物業		93,900
發展中物業		3,714,800
已付土地收購按金及預付款項		91,347
應收賬款、其他應收款項及其他資產		767,530
應收同系附屬公司款項*		166,022
預繳所得稅及可收回稅項		106,086
已抵押按金		55,654
受限制銀行結餘		99,982
現金及現金等值項目		534,838
應付賬款、已收按金及應計費用		(321,612)
合約負債		(1,520,839)
應付關連公司款項		(843,315)
銀行及其他借貸		(800,000)
稅項負債		(2,170)
遞延稅項負債		(433,037)
按公平值計量可識別資產淨值總額		1,943,278
收購事項的商譽		424,722
以本公司控股股東之貸款支付代價**		2,368,000
所收購的現金及現金等值項目以及收購事項的現金流入淨額		534,838

* 應收本公司附屬公司款項乃於收購事項完成後於綜合賬目時抵銷。

** 代價於收購日期以本公司控股股東之貸款結算。於2020年11月24日，本公司與本公司之控股股東訂立認購協議以根據特別授權按認購價每股認購股份0.46港元認購6,077,716,750股新普通股。所有認購股份的總認購價已通過將全部來自本公司控股股東的未償還股東貸款資本化的方式支付。於2020年12月30日，新普通股已獲配發及發行，而股東貸款已資本化。

於收購事項完成後，截至2020年12月31日止年度，興城集團向本集團貢獻收益人民幣1,171,526,000元以及向本集團之綜合溢利貢獻溢利人民幣54,789,000元。倘收購事項於年初發生，本集團之收益將不變，而綜合溢利將減少人民幣2,954,000元。

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34. DISPOSAL OF A SUBSIDIARY

In July 2020, the Company disposed of its entire 85% equity interests in Inter-American Group Holdings Inc. ("IAGH") to GMR . at a total consideration of approximately RMB102,748,000. Subsequent to the disposal, the Company lost control of IAGH together with its subsidiary.

The total net assets disposed of in respect of the disposal of the subsidiary during the year were as follows:

34. 出售一間附屬公司

於2020年7月，本公司向GMR出售其於Inter-American Group Holdings, Inc. (「IAGH」)之全部85%股權，總代價約為人民幣102,748,000元。出售後，本公司失去IAGH連同其附屬公司的控制權。

於本年度內就出售附屬公司而出售的淨資產總額如下：

		2020 2020年 RMB'000 人民幣千元
Net assets disposed of:	出售的淨資產：	
Property, plant and equipment (note 14)	物業、廠房及設備(附註14)	2,281
Right-of-use assets (note 18)	使用權資產(附註18)	4,142
Cash and cash equivalents	現金及現金等值項目	2,990
Accounts receivable, other receivables and other assets	應收賬款、其他應收款項及其他資產	667
Accounts payable, deposits received and accruals	應付賬款、已收按金及應計費用	(4,772)
Lease liabilities (note 18)	租賃負債(附註18)	(4,526)
Tax payable	應付稅項	(2,471)
Non-controlling interests	非控股權益	249
		(1,440)
Exchange reserve	外匯儲備	4,634
		3,194
Gain on disposal of a subsidiary (note 6)	出售一間附屬公司之收益(附註6)	99,554
		102,748
Satisfied by:	以下列方式支付：	
Cash and cash equivalents	現金及現金等值項目	102,748

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

就出售附屬公司之現金及現金等值項目之淨現金流入分析如下：

		2020 2020年 RMB'000 人民幣千元
Cash consideration	現金代價	102,748
Cash and bank balances disposed of	出售的現金及銀行結餘	(2,990)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	就出售附屬公司之現金及現金等值項目之淨現金流入	99,758

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In view of the Group's expansion strategy, the Group has sourced funding from banks, financial institutions, bonds, senior notes and its related companies in which Ms. Huang has beneficial interests and continued to look for other external financing sources. The Group's overall strategy remains unchanged from the prior year.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with the share capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues, raising of new borrowings or redemption of debts.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, amounts due to related companies and loans from a related company, net of cash and cash equivalents, restricted bank balances and pledged deposits. The gearing ratio as at the end of the reporting period was as follows:

35. 資本風險管理

本集團管理資本乃為確保本集團實體能夠持續經營，同時透過優化債務與權益平衡為股東帶來最大回報。鑒於本集團之擴建策略，本集團由銀行、金融機構、債券、優先票據及Huang女士擁有實益權益之關連公司籌集資金來源及繼續尋求其他外部融資渠道。本集團整體策略與過往年度保持不變。

本公司董事每年均會審閱資本架構。為配合該項審閱，本公司董事認為資本成本及風險與股本相關。根據本公司董事建議，本集團將透過支付股息、發行新股份、籌集新借貸或贖回債務，平衡其整體資本架構。

本集團資本架構包括負債淨額，即包括銀行及其他借貸、應付關連公司款項及來自一間關連公司貸款，減現金及現金等值項目、受限制銀行結餘及已抵押按金。於報告期末之資產負債比率如下：

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
Amounts due to related companies	應付關連公司款項	4,100,961	956,458
Loans from a related company	來自一間關連公司之貸款	8,374,973	7,490,728
Bank and other borrowings	銀行及其他借貸	15,135,925	20,235,845
Less: Cash and cash equivalents	減：現金及現金等值項目	(3,218,611)	(3,200,230)
Restricted bank balances	受限制銀行結餘	(648,635)	(691,992)
Pledged deposits	已抵押按金	(358,271)	(886,329)
Net debt	負債淨額	23,386,342	23,904,480
Total assets	總資產	67,152,356	51,942,189
Gearing ratio	資產負債比率	35%	46%

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36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2020

Financial assets

		2020 2020年		2019 2019年	
		Financial assets at fair value through profit or loss 按公平值計入 損益之金融資產 RMB'000 人民幣千元	Financial assets at amortised cost 按攤銷成本 計算之金融資產 RMB'000 人民幣千元	Financial assets at fair value through profit or loss 按公平值計入 損益之金融資產 RMB'000 人民幣千元	Financial assets at amortised cost 按攤銷成本 計算之金融資產 RMB'000 人民幣千元
Financial assets at fair value through profit or loss	按公平值計入損益之金融資產	321,590	-	349,876	-
Accounts receivable	應收賬款	-	14,204	-	24,629
Financial assets included in other receivables and other assets	計入其他應收款項及 其他資產之金融資產	-	108,613	-	52,088
Pledged deposits	已抵押按金	-	358,271	-	886,329
Restricted bank balances	受限制銀行結餘	-	648,635	-	691,992
Cash and cash equivalents	現金及現金等值項目	-	3,218,611	-	3,200,230
		321,590	4,348,334	349,876	4,855,268

Financial liabilities

金融負債

		2020 2020年		2019 2019年	
		Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元	Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元	Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元	Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元
Accounts payables	應付賬款		494,346		121,847
Financial liabilities included in other payables, deposits and accruals	計入其他應付款項、按金及 應計費用之金融負債		6,762,487		2,993,766
Amounts due to related companies	應付關連公司款項		4,100,961		956,458
Loans from a related company	來自一間關連公司之貸款		8,374,973		7,490,728
Lease liabilities	租賃負債		-		5,566
Bank and other borrowings	銀行及其他借貸		15,135,925		20,235,845
			34,868,692		31,804,210

36. 按類別劃分之金融工具

於報告期末，各類金融工具之賬面值如下：

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

37. 金融工具之公平值及公平值層級

於報告期末，各類金融工具之賬面值如下：

		Carrying amounts		Fair values	
		賬面值		公平值	
		2020	2019	2020	2019
		2020年	2019年	2020年	2019年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Financial assets	金融資產				
Financial assets at fair value through profit or loss	按公平值計入損益之金融資產	321,590	349,876	321,590	349,876
Financial liabilities	金融負債				
Bank and other borrowings	銀行及其他借貸	15,135,925	20,235,845	14,888,014	20,056,975

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, pledged deposits, accounts receivable, financial assets included in other receivables and other assets, accounts payable, financial liabilities included in other payables and accruals, amounts due to related companies and loans from a related company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of listed equity investments are based on quoted market prices.

The fair values of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for bank and other borrowings as at 31 December 2020 were assessed to be insignificant.

管理層已評估現金及現金等值項目、受限制銀行結餘、已抵押按金、應收賬款、計入其他應收款項及其他資產之金融資產、應付賬款、計入其他應付款項及應計費用之金融負債、應付關連公司款項及來自一間關連公司之貸款公平值與其賬面值大致相若，乃由於該等工具到期日較短所致。

本集團由財務經理主管的財務部，負責確定金融工具公平值計量之政策及程序。財務經理直接向首席財務官報告。於各報告日期，財務部分析金融工具的價值變動並確定估值中所應用之主要輸入值。估值由首席財務官審閱及批准。

金融資產及負債的公平值乃包含於可由自願各方現時交易兌換工具之金額，強迫或清盤出售之金融資產及負債除外。

已上市股本投資之公平值按市場報價計算。

銀行及其他借貸之公平值乃通過將預期未來現金流量按現時可用於具類似條款、信貸風險及餘下到期時間之工具之利率進行貼現計算。於2020年12月31日，本集團有關銀行及其他借貸的不履約風險導致的公平值變動屬微不足道。

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37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2020

37. 金融工具之公平值及公平值層級 (續)

公平值層級

下表列示本集團金融工具之公平值計量層級：

按公平值計量之資產：

於2020年12月31日

		Fair value measurement using 使用以下數據計量之公平值			
		Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Financial assets at fair value through profit or loss	按公平值計入損益之 金融資產	321,590	-	-	321,590

As at 31 December 2019

於2019年12月31日

		Fair value measurement using 使用以下數據計量之公平值			
		Quoted prices in active markets (Level 2) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Financial assets at fair value through profit or loss	按公平值計入損益之 金融資產	349,876	-	-	349,876

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

The Group had no financial liabilities measured at fair value as at 31 December 2020 (2019: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2019: Nil).

Liabilities for which fair values are disclosed:

As at 31 December 2020

37. 金融工具之公平值及公平值層級 (續)

公平值層級(續)

於2020年12月31日，本集團並無任何按公平值計量之金融負債(2019年：無)。

年內，金融資產及金融負債第一級與第二級之間並無公平值計量之轉撥，亦無轉撥至或轉撥自第三級(2019年：無)。

披露公平值之負債：

於2020年12月31日

		Fair value measurement using 使用以下數據計量之公平值			
		Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Bank and other borrowings	銀行及其他借貸	-	14,888,014	-	14,888,014

As at 31 December 2019

於2019年12月31日

		Fair value measurement using 使用以下數據計量之公平值			
		Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Bank and other borrowings	銀行及其他借貸	-	20,056,975	-	20,056,975

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted bank balances, accounts receivable, other receivables, accounts payable, other payables and accruals and amounts due to related companies, which arise directly from its operations. The Group has other financial assets and liabilities such as pledged deposits, financial assets at fair value through profit or loss, bank and other borrowings, lease liabilities and loans from a related company. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, equity price risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank and other borrowings with floating interest rate set out in note 29. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using a mix of fixed and variable rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax.

2020	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax
2020年	基點上升/ (下降)	除稅前溢利 增加/(減少) RMB'000 人民幣千元
Loans and borrowings denominated in	以下列貨幣計量之貸款及借貸	
USD	美元	100 (1,300)
USD	美元	(100) 1,300
SGD	新加坡元	100 (704)
SGD	新加坡元	(100) 704

38. 財務風險管理目標及政策

本集團的主要金融工具主要包括現金及現金等值項目、受限制銀行結餘、應收賬款、其他應收款項、應付賬款、其他應付款項及應計費用及應付關連公司款項，該等金融工具因其經營而直接產生。本集團擁有其他金融資產及負債，如已抵押按金、按公平值計入損益之金融資產、銀行及其他借貸、租賃負債及來自一間關連公司之貸款。該等金融工具的主要目的在於為本集團之運營融資。

本集團金融工具產生的主要風險為利率風險、股本價格風險、外匯風險、信貸風險及流動資金風險。一般而言，本集團對其風險管理採取保守策略。本集團未持有或發行可供交易的衍生金融工具。董事會檢討並同意該等風險管理政策，其概述如下。

利率風險

本集團面臨的市場利率變動風險主要與附註29所載本集團浮息銀行及其他借貸有關。本集團並無使用衍生金融工具對沖利率風險。本集團使用定息及浮息借貸管理其利息成本。

下表列示在所有其他可變因素保持不變的情況下，利率的合理可能變動敏感度分析對本集團除稅前溢利之影響。

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

2019
2019年

Loans and borrowings denominated in	以下列貨幣計量之貸款及借貸		
HK\$	港元	100	(5)
HK\$	港元	(100)	5
USD	美元	100	(1,500)
USD	美元	(100)	1,500
SGD	新加坡元	100	(784)
SGD	新加坡元	(100)	784

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed investments classified as financial assets at fair value through profit or loss. The management manages this exposure by regular review of price fluctuation.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks of financial assets at fair value through profit or loss at the end of the reporting period.

38. 財務風險管理目標及政策(續)

利率風險(續)

Increase/ (decrease) in basis points 基點上升/ (下降)	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
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股本價格風險

股本價格風險為股本指數水平及個別證券價值變動導致股本證券公平值下降之風險。本集團承受被分類為按公平值計入損益之金融資產之上市投資股本價格風險。管理層透過定期審閱價格波幅管理此風險。

價格敏感度

以下敏感度分析以報告期末按公平值計入損益之金融資產價格所承受風險釐定。

		Increase/ (decrease) in market price 市價上升/ (下降) %	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
31 December 2020	2020年12月31日	10 (10)	32,159 (32,159)
31 December 2019	2019年12月31日	10 (10)	34,988 (34,988)

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK\$, USD and SGD exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

38. 財務風險管理目標及政策(續)

外幣風險

本集團要面對交易貨幣風險。該等風險乃因為經營單位以單位的功能貨幣以外的貨幣進行交易而產生。

下表列示在所有其他可變因素保持不變的情況下，由於港元、美元及新加坡元匯率的合理可能變動對本集團於報告期末的除稅前溢利的敏感度分析(由於貨幣資產及負債之公平值變動所致)。

		Increase/ (decrease) in exchange rate of foreign currency 外匯匯率 上升/(下降) %	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
2020	2020年		
If the HK\$ strengthens against the RMB	倘港元兌人民幣升值	1	4
If the HK\$ weakens against the RMB	倘港元兌人民幣貶值	(1)	(4)
If the HK\$ strengthens against the SGD	倘港元兌新加坡元升值	1	43
If the HK\$ weakens against the SGD	倘港元兌新加坡元貶值	(1)	(43)
If the HK\$ strengthens against the USD	倘港元兌美元升值	1	(31,697)
If the HK\$ weakens against the USD	倘港元兌美元貶值	(1)	31,697
If the SGD strengthens against the USD	倘新加坡元兌美元升值	1	(522)
If the SGD weakens against the USD	倘新加坡元兌美元貶值	(1)	522
2019	2019年		
If the HK\$ strengthens against the RMB	倘港元兌人民幣升值	1	4
If the HK\$ weakens against the RMB	倘港元兌人民幣貶值	(1)	(4)
If the HK\$ strengthens against the SGD	倘港元兌新加坡元升值	1	75
If the HK\$ weakens against the SGD	倘港元兌新加坡元貶值	(1)	(75)
If the HK\$ strengthens against the USD	倘港元兌美元升值	1	(17,711)
If the HK\$ weakens against the USD	倘港元兌美元貶值	(1)	17,711
If the SGD strengthens against the USD	倘新加坡元兌美元升值	1	(557)
If the SGD weakens against the USD	倘新加坡元兌美元貶值	(1)	557

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

		12-month ECLs		Lifetime ECLs		Total
		12個月預期信貸虧損		全期預期信貸虧損		
		Stage 1	Stage 2	Stage 3	Simplified approach	
		第1階段	第2階段	第3階段	簡化方法	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Accounts receivable*	應收賬款*	-	-	-	6,335	6,335
Accounts receivable	應收賬款					
- Normal**	- 正常**	7,869	-	-	-	7,869
Financial assets included in other receivables and other assets	計入其他應收款項及其他資產之金融資產					
- Normal**	- 正常**	108,613	-	-	-	108,613
- Doubtful**	- 存疑**	-	-	650	-	650
Pledged deposits	已抵押按金					
- Not yet past due	- 未逾期	358,271	-	-	-	358,271
Restricted bank balances	受限制銀行結餘					
- Not yet past due	- 未逾期	648,635	-	-	-	648,635
Cash and cash equivalents	現金及現金等值項目					
- Not yet past due	- 未逾期	3,218,611	-	-	-	3,218,611
		4,341,999	-	650	6,335	4,348,984

38. 財務風險管理目標及政策(續)

信貸風險

本集團僅與獲認可及信譽良好之第三方進行交易。按照本集團的政策，所有擬按信貸條款進行交易的客戶均須接受信貸核實程序。此外，本集團會持續監察應收款項結餘情況，而本集團之壞賬風險並不重大。

最高風險及年終階段

下表列示基於本集團信貸政策的信貸質素及最大信貸風險敞口，主要基於過往逾期資料(惟其他資料毋須過多成本或努力即可得)及於12月31日之年終階段分類。

所呈列金額為金融資產總賬面值。

於2020年12月31日

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2019

38. 財務風險管理目標及政策(續)

信貸風險(續)

最高風險及年終階段(續)

於2019年12月31日

		12-month ECLs		Lifetime ECLs		
		12個月預期信貸虧損		全期預期信貸虧損		
		Stage 1	Stage 2	Stage 3	Simplified approach	Total
		第1階段	第2階段	第3階段	簡化方法	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Accounts receivable*	應收賬款*	-	-	-	8,030	8,030
Accounts receivable	應收賬款					
- Normal**	- 正常**	16,599	-	-	-	16,599
Financial assets included in other receivables and other assets	計入其他應收款項及其他資產之金融資產					
- Normal**	- 正常**	52,088	-	-	-	52,088
- Doubtful**	- 存疑**	-	-	650	-	650
Pledged deposits	已抵押按金					
- Not yet past due	- 未逾期	886,329	-	-	-	886,329
Restricted bank balances	受限制銀行結餘					
- Not yet past due	- 未逾期	691,992	-	-	-	691,992
Cash and cash equivalents	現金及現金等值項目					
- Not yet past due	- 未逾期	3,200,230	-	-	-	3,200,230
		4,847,888	-	-	8,030	4,855,918

* For accounts receivable to which the Group applies the simplified approach for impairment as detailed in note 23 to the financial statements, there is no significant concentration of credit risk.

** The credit quality of the financial assets included in accounts receivable, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

* 就本集團應用財務報表附註23所詳述減值簡化方法的應收賬款而言，本集團並無任何重大集中信貸風險。

** 當計入應收賬款、其他應收款項及其他資產之金融資產未逾期，且並無資料顯示金融資產的信貸風險自初始確認以來顯著增加時，金融資產的信貸質素被視為「正常」。

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings, lease liabilities and loans from a related company. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2020

		On demand or within 1 year 應要求 或一年內 RMB'000 人民幣千元	1 to 2 years 一至兩年 RMB'000 人民幣千元	3 to 5 years 三至五年 RMB'000 人民幣千元	Over 5 years 超過五年 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Accounts payable	應付賬款	494,346	-	-	-	494,346
Financial liabilities included in other deposits received and accruals	計入其他已收按金及應計費用之金融負債	6,762,487	-	-	-	6,762,487
Amounts due to related companies	應付關連公司款項	4,100,961	-	-	-	4,100,961
Loans from a related company – Non-interest-bearing	來自一間關連公司之貸款 – 免息	8,374,973	-	-	-	8,374,973
Bank and other borrowings	銀行及其他借貸	7,646,155	7,667,366	1,800,461	9,452	17,123,434
		27,378,922	7,667,366	1,800,461	9,452	36,856,201
Financial guarantee contracts (Note)	財務擔保合約(附註)	13,559,922	-	-	-	13,559,922

38. 財務風險管理目標及政策(續)

流動資金風險

本集團之目標為透過利用銀行及其他借貸、租賃負債以及來自一間關連公司之貸款，維持資金持續供應及靈活性之平衡。本集團持續密切監察現金流量。

於報告期末，本集團金融負債根據合約未貼現付款作出的到期分析如下：

於2020年12月31日

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued)

As at 31 December 2019

		On demand or within 1 year 應要求 或一年內 RMB'000 人民幣千元	1 to 2 year 一至兩年 RMB'000 人民幣千元	3 to 5 years 三至五年 RMB'000 人民幣千元	Over 5 years 超過五年 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Accounts payable	應付賬款	121,847	–	–	–	121,847
Financial liabilities included in other deposits received and accruals	計入其他已收按金及 應計費用之金融負債	2,993,766	–	–	–	2,993,766
Amounts due to related companies	應付關連公司款項	956,458	–	–	–	956,458
Loans from a related company – Non-interest-bearing	來自一間關連公司之貸款 – 免息	7,490,728	–	–	–	7,490,728
Lease liabilities	租賃負債	1,871	1,945	2,438	–	6,254
Bank and other borrowings	銀行及其他借貸	8,274,557	9,907,074	4,512,801	13,868	22,708,300
		19,839,227	9,909,019	4,515,239	13,868	34,277,353
Financial guarantee contracts (Note)	財務擔保合約(附註)	7,819,571	–	–	–	7,819,571

Note: The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the guaranteed financial receivables held by the counterparty suffer credit losses.

流動資金風險(續)

於2019年12月31日

	On demand or within 1 year 應要求 或一年內 RMB'000 人民幣千元	1 to 2 year 一至兩年 RMB'000 人民幣千元	3 to 5 years 三至五年 RMB'000 人民幣千元	Over 5 years 超過五年 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Accounts payable	121,847	–	–	–	121,847
Financial liabilities included in other deposits received and accruals	2,993,766	–	–	–	2,993,766
Amounts due to related companies	956,458	–	–	–	956,458
Loans from a related company – Non-interest-bearing	7,490,728	–	–	–	7,490,728
Lease liabilities	1,871	1,945	2,438	–	6,254
Bank and other borrowings	8,274,557	9,907,074	4,512,801	13,868	22,708,300
	19,839,227	9,909,019	4,515,239	13,868	34,277,353
Financial guarantee contracts (Note)	7,819,571	–	–	–	7,819,571

附註：上述財務擔保合約款項為擔保對手方索取相關款項時，本集團根據安排可能須結付全數擔保款額之最高金額。基於報告期間結算日之預期，本集團認為須根據相關安排支付相關款項之可能性不大。然而，該估計視乎對手方根據擔保索償之可能性而有變，惟此可能性須視乎對手方所持擔保財務應收款項會否蒙受信貸虧損而定。

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

		Amounts due to related companies 應付關連 公司款項 RMB'000 人民幣千元	Loans from a related company 來自一間關連 公司貸款 RMB'000 人民幣千元	Accrued interest* 累計利息* RMB'000 人民幣千元	Lease liabilities 租賃負債 RMB'000 人民幣千元	Bank and other borrowings 銀行及 其他借貸 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2020	於2020年1月1日	956,458	7,490,728	107,016	5,566	20,235,845	28,795,613
Changes from financing cash flows (note)	融資現金流量變動(附註)	2,467,210	(2,115,755)	(1,530,111)	(919)	(2,651,667)	(3,831,242)
Interest expenses	利息開支	-	-	1,563,416	190	-	1,563,606
Foreign exchange translation	外匯換算	-	-	-	(311)	(248,253)	(248,564)
Increase arising from acquisition of a subsidiary	收購一間附屬公司之增加	677,293	-	-	-	800,000	1,477,293
Decrease arising from disposal of a subsidiary	出售一間附屬公司之減少	-	-	-	(4,526)	-	(4,526)
Non-cash transitions**	非現金交易**	-	3,000,000	-	-	(3,000,000)	-
At 31 December 2020	於2020年12月31日	4,100,961	8,374,973	140,321	-	15,135,925	27,752,180
At 31 December 2018	於2018年12月31日	473,199	12,876,310	18,342	-	12,400,725	25,768,576
Effect of adoption of HKFRS 16	採納香港財務報告準則第16號之影響	-	-	-	6,813	-	6,813
At 1 January 2019 (restated)	於2019年1月1日(重列)	473,199	12,876,310	18,342	6,813	12,400,725	25,775,389
Changes from financing cash flows (note)	融資現金流量變動(附註)	242,607	(5,385,582)	(930,724)	(1,782)	7,864,677	1,789,196
Interest expenses	利息開支	-	-	1,019,398	457	-	1,019,855
Foreign exchange translation	外匯換算	-	-	-	78	(29,557)	(29,479)
Increase arising from acquisition of a subsidiary	收購一間附屬公司之增加	240,652	-	-	-	-	240,652
At 31 December 2019	於2019年12月31日	956,458	7,490,728	107,016	5,566	20,235,845	28,795,613

Note: The financing cash flows are made up of the net amounts of new bank and other borrowings raised, repayment of bank and other borrowings, interest paid, advance from/repayment to related companies, loans received from/repaid to a related company and lease payments (including principal and interest portions) in the consolidated statement of cash flows.

* Included in accounts payable, deposits received and accruals.

** During the year, other borrowing of approximately RMB3,000,000,000 was assigned from an independent third party financial institution to a related party and recorded under loans from a related company which had no effect on cash flows to the financial statements.

39. 綜合現金流量表附註

(a) 融資活動之負債變動

附註：融資現金流量為綜合現金流量表內之新造銀行及其他借貸、償還銀行及其他借貸、已付利息、關連公司墊款／還款、已收／償還一間關連公司貸款及租賃付款(包括本金及利息部分)之淨額。

* 計入應付賬款、已收按金及應計費用。

** 年內，其他借貸約人民幣3,000,000,000元乃自一獨立第三方金融機構轉至一名關連人士並記錄在一間關連公司貸款項下，對財務報表的現金流量並無影響。

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39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**(b) Total cash outflow for leases**

The total cash outflow for leases included in the statement of cash flows is as follows:

Within operating activities	經營活動內
Within financing activities	融資活動內

2020
2020年
RMB'000
人民幣千元

5,866

919

6,785**40. PLEDGE OF ASSETS**

The following assets are pledged to certain banks and financial institutions for banking facilities granted to the Group and mortgage loan facilities granted to certain property buyers of the Group's properties at the end of the reporting period:

Property under development	發展中物業
Investment properties	投資物業
Property, plant and equipment	物業、廠房及設備
Pledged deposits	已抵押按金

2020
2020年
RMB'000
人民幣千元

2019
2019年
RMB'000
人民幣千元

16,622,227

463,392

-

358,271

17,443,890

18,468,315

623,299

9,604

886,329

19,987,547

In addition, shares of certain subsidiaries were pledged as securities to obtain certain banking facilities granted to the Group as at 31 December 2020 and 2019.

39. 綜合現金流量表附註(續)**(b) 租賃現金流出總額**

現金流量表所載租賃現金流出總額如下：

40. 資產抵押

於報告期末，以下資產已抵押予若干銀行及金融機構作為本集團獲授銀行融資及本集團物業之若干物業買家獲授按揭融資之質押：

此外，於2020年及2019年12月31日，已抵押若干附屬公司之股份，以作為本集團獲授若干銀行融資之抵押。

41. COMMITMENTS

- (a) The Group had the following capital commitments at the end of the reporting period:

Contracted for, but not provided, in respect of	就下列各項已訂約但未撥備
Acquisitions of land use rights	收購土地使用權
Property development expenditures	物業發展開支

2020	2019
2020年	2019年
RMB'000	RMB'000
人民幣千元	人民幣千元

549,497	–
12,344,501	11,867,163

12,893,998	11,867,163
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- (b) The Group has no lease contracts that have not yet commenced as at 31 December 2020.

42. CONTINGENT LIABILITIES

As at 31 December 2020, the Group had contingent liabilities relating to guarantees amounting to approximately RMB13,559,922,000 (2019: RMB7,819,571,000) in respect of mortgage loan facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over the legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyer of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the directors of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2020 (2019: Nil) as the default risk is low and in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interest and penalties.

41. 承擔

- (a) 於報告期間結算日，本集團之資本承擔如下：

549,497	–
12,344,501	11,867,163

12,893,998	11,867,163
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- (b) 於2020年12月31日，本集團並無任何未開始的租賃合約。

42. 或然負債

於2020年12月31日，本集團就有關本集團物業之物業買家訂立之按揭貸款而由若干銀行提供之按揭貸款融資之擔保擁有或然負債約人民幣13,559,922,000元（2019年：人民幣7,819,571,000元）。根據擔保條款，倘該等物業買家拖欠按揭款項，本集團須負責償還失責買家欠付銀行的未償還按揭本金連同累計利息及任何罰款。本集團將有權接管相關物業的法定業權及擁有權。該等擔保將於以下較早者發生時解除：(i)物業買家償還按揭貸款；及(ii)就按揭物業發出物業所有權證並完成按揭的取消登記。本公司董事認為，由於違約風險不大，且倘發生付款違約，有關物業可變現淨值可彌補未償還本金以及累計利息及罰金，故並無就擔保合約於截至2020年12月31日止年度（2019年：無）之綜合財務報表確認撥備。

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2020 2020年12月31日

43. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting period:

Related companies (Note (i)) 關連公司(附註(i))	Transactions (Note (ii)) 交易(附註(ii))	2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元		
Relevant members of Ever Diamond Global Company Limited ("Ever Diamond") together with its subsidiaries (collectively, the "Ever Diamond Group")	永鑽環球有限公司(「永鑽」)之有關成員公司連同其附屬公司(統稱「永鑽集團」)	Project management and sales services fee income	項目管理及銷售服務費收入	123,516	-
Relevant members of Henan Zensun Corporate Development Company Limited ("Zensun Development") together with its subsidiaries (collectively, the "Zensun Development Group")	河南正商企業發展有限責任公司(「正商發展」)之有關成員公司連同其附屬公司(統稱「正商發展集團」)	Construction costs (capitalised in properties under development)	建築成本(於發展中物業資本化)	1,532,739	2,052,500
Relevant members of Xingye Wulian Service Company Limited ("Xingye Wulian") together with its subsidiaries (collectively, the "Xingye Wulian Group")	興業物聯服務集團有限公司(「興業物聯」)之有關成員公司連同其附屬公司(統稱「興業物聯集團」)	Property engineering costs (capitalised in properties under development) and property management and value-added services fee	項目工程成本(於發展中物業資本化)以及物業管理及增值服務費	27,035	-

Notes:

- (i) Ever Diamond Group are entities controlled by the Ms. Huang together with her spouse, Mr. Zhang. Zensun Development Group and Xingye Wulian Group are entities ultimately controlled by Ms. Huang's daughter, Ms. Zhang.
- (ii) These transactions were based on terms mutually agreed by both parties. These transactions constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules.

As at 31 December 2020, the Group's senior notes and bank and other borrowings amounting to approximately RMB9,588,464,000 (31 December 2019: approximately RMB 10,375,226,000) were guaranteed by related companies which are controlled by Ms. Huang together with her spouse, Mr. Zhang, and her daughter, Ms. Zhang. No asset of the Group was pledged to these related companies in respect of these guarantees.

43. 關連人士交易

- (a) 除該等財務報表其他部分詳述之交易外，本集團於報告期內與關連人士進行下列交易：

附註：

- (i) 永鑽集團為由Huang女士連同其配偶張先生控制之實體。正商發展集團及興業物聯集團為由Huang女士之女兒張女士最終控制之實體。
- (ii) 該等交易乃基於雙方共同協定之條款釐定，並構成上市規則第14A章項下定義之持續關連交易。

於2020年12月31日，本集團之優先票據以及約人民幣9,588,464,000元(2019年12月31日：約人民幣10,375,226,000元)之銀行及其他借貸已由Huang女士連同其配偶張先生及其女兒張女士控制之關連公司擔保。概無就該等擔保向該等關連公司抵押本集團資產。

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) (continued)

During the year, the Group entered into an acquisition agreement with Champ Win Enterprise Limited, which was ultimately controlled by Ms. Huang, to acquire the entire share capital of Xingcheng Holdings. Further details of the acquisition transaction are included in note 33 to the financial statements.

The Group is licensed by Zensun Real Estate to use the trademark of "Zensun" and "正商" on a royalty-free basis until July 2025.

During the year, the Company and the controlling shareholder of the Company entered into a subscription agreement for the subscription of 6,077,716,750 new ordinary shares under a specific mandate at the subscription price of HK\$0.46 per subscription share. The aggregate subscription price were settled by way of capitalisation of the entire outstanding shareholder's loan from the controlling shareholder of the Company. The new ordinary shares were allotted and issued and the shareholder's loan was capitalised on 30 December 2020. Further details of the transaction are included in notes 31 and 33 to the financial statements.

(b) Outstanding balances with related parties:

Details of the Group's balances with related parties as at the end of the reporting period are included in notes 25, 27, 28 and 33 to the financial statements.

(c) Compensation of key management personnel of the Group:

Short term employee benefits
Post-employment benefits

短期僱員福利
離職後福利

1,007
45

1,094
46

Total compensation paid to
key management personnel

向主要管理人員支付的
薪酬總額

1,052

1,140

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

Save as disclosed above, no transaction has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being key management personnel compensation) (2019: Nil).

43. 關連人士交易(續)

(a) (續)

於本年度，本集團與Huang女士最終控制之公司輝勝企業有限公司訂立收購協議，以收購興城控股之全部股本。有關收購交易之進一步詳情載於財務報表附註33。

本集團獲正商置業許可按免專利費基準使用「Zensun」及「正商」商標至2025年7月。

於本年度內，本公司與本公司之控股股東訂立認購協議以根據特別授權按認購價每股認購股份0.46港元認購6,077,716,750股新普通股，總認購價已通過將全部應收本公司控股股東未償還股東貸款資本化的方式支付。於2020年12月30日，新普通股已獲配發及發行，而股東貸款已資本化。有關該項交易的進一步詳情載於財務報表附註31及33。

(b) 與關連人士之未償還結餘：

於報告期末，本集團與關連人士之結餘詳情載於財務報表附註25、27、28及33。

(c) 本集團主要管理人員薪酬：

2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
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Short term employee benefits
Post-employment benefits

短期僱員福利
離職後福利

1,007
45

1,094
46

Total compensation paid to
key management personnel

向主要管理人員支付的
薪酬總額

1,052

1,140

董事及主要行政人員酬金之進一步詳情載於財務報表附註9。

除上文所披露者外，於年內並無與本公司董事(即主要管理人員)進行任何交易，惟向彼等支付作為主要管理人員報酬之酬金除外(2019年：無)。

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財務報表附註

31 December 2020 2020年12月31日

44. SHARE OPTION SCHEME

On 28 August 2013, a new share option scheme (the "Share Option Scheme") was adopted by the Company. The purpose of the Share Option Scheme is to motivate eligible persons who contribute to the success of the Group's operations. The Share Option Scheme remains in force for 10 years from that date, unless otherwise cancelled or amended. Eligible persons of the Share Option Scheme include (i) a director or proposed director (including an independent non-executive director) of any member of the Group; (ii) a direct or indirect shareholder of any member of the Group; (iii) a supplier of goods or services to any member of the Group; (iv) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (v) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional services to any member of the Group; and (vi) a landlord or tenant (including a sub-tenant) of any member of the Group. Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time during the life of the Share Option Scheme to offer the grant of any option to any eligible person as the Board may in its absolute discretion select and the basis of eligibility shall be determined by the Board from time to time.

Pursuant to the Share Option Scheme, the maximum number of shares in respect of which options may be granted is such number of shares which, when aggregated with shares subject to any other share option scheme(s), must not exceed 10% of the issued share capital of the Company as at the date of the annual general meeting approving the Share Option Scheme on 28 August 2013. The maximum number of shares issuable under share options to each eligible person in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders' approval in a general meeting.

44. 購股權計劃

於2013年8月28日，本公司採納新購股權計劃（「購股權計劃」）。購股權計劃旨在激勵對本集團業務成就有所貢獻之合資格人士。除非另經註銷或修訂，否則購股權計劃由該日起一直有效十年。購股權計劃之合資格人士包括(i)本集團任何成員公司之董事或候任董事(包括獨立非執行董事)；(ii)本集團任何成員公司之直接或間接股東；(iii)本集團任何成員公司之貨品或服務供應商；(iv)本集團任何成員公司之客戶、諮詢顧問、業務或合營企業夥伴、特許經營人、承包商、代理或代表；(v)向本集團任何成員公司提供研發或其他技術支持或任何顧問、諮詢顧問、專業服務之人士或實體；及(vi)本集團任何成員公司之業主或租戶(包括分租戶)。根據購股權計劃之條款，於購股權計劃有效期內任何時間，董事會有權向其全權酌情選擇之任何合資格人士提呈授出購股權，而合資格基準不時由董事會釐定。

根據購股權計劃，可能授出之購股權涉及之股份數目上限，與任何其他購股權計劃涉及之股份相加，最多不得超過本公司於2013年8月28日(批准購股權計劃的股東週年大會日期)已發行股本之10%。於任何十二個月期間根據購股權可向購股權計劃各合資格人士發行之股份數目上限，以本公司任何時間已發行股份1%為限。任何進一步授出超逾該限額之購股權須待股東於股東大會批准後，方可實行。

44. SHARE OPTION SCHEME (CONTINUED)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5,000,000, within any 12-month period, are subject to the shareholders' approval in a general meeting.

The amount payable upon the acceptance of an option is HK\$1.00. The period within which an option must be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that such period shall not be more than 10 years commencing on the date of grant of an option.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of offer of the grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the grant; and (iii) the nominal value of the Company's shares.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date the annual meeting approving the Share Option Scheme on 28 August 2013, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options vested immediately and may be exercised at any time not exceeding a period of 5 years from the date on which the share options are accepted.

During the years ended 31 December 2020 and 2019, no options have been granted under the above-mentioned scheme.

44. 購股權計劃(續)

向本公司董事、主要行政人員或主要股東或彼等各自之任何聯繫人士授出購股權，均須取得獨立非執行董事(為購股權承授人之任何獨立非執行董事除外)之事先批准。此外，在任何十二個月期間，倘向任何主要股東或獨立非執行董事或彼等各自之任何聯繫人士授出任何超過本公司於任何時間已發行股份0.1%及總值超過5,000,000港元(根據本公司股份於授出日期之價格計算)之購股權，則須待股東於股東大會批准後，方可實行。

購股權獲接納時應付金額1.00港元。購股權之必須行使期限由董事會於授出購股權時全權酌情釐定，惟有關期限自購股權授出日期起計不得超過十年。

購股權之行使價由董事會釐定，惟不得低於以下各項之最高者：(i)本公司股份於提呈授出日期(必須為交易日)於聯交所每日報價表所報收市價；(ii)本公司股份於緊接提呈授出日期前五個交易日於聯交所每日報價表所報平均收市價；及(iii)本公司股份面值。

與根據購股權計劃可能授予之購股權有關之股份總數在未經本公司股東事先批准前，不允許超過本公司於2013年8月28日(批准購股權計劃的股東週年大會日期)已發行股份10%。與於任何一年內授予或可能授予任何人士之購股權有關之已發行及將予發行股份數目在未經本公司股東事先批准前，不允許超過本公司於任何時間點已發行股份1%。購股權自購股權獲接納之日起不超過五年期間內任何時間即時歸屬並可能獲行使。

於截至2020年及2019年12月31日止年度，概無購股權根據上述計劃獲授出。

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2020 2020年12月31日

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

45. 本公司財務狀況報表

本公司於報告期末之財務狀況報表資料如下：

		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元
NON-CURRENT ASSETS	非流動資產		
Property, plant and equipment	物業、廠房及設備	65	75
Investments in subsidiaries	於附屬公司之投資	324,181	336,131
Total non-current assets	非流動資產總額	324,246	336,206
CURRENT ASSETS	流動資產		
Accounts receivable, other receivables and other assets	應收賬款、其他應收款項及其他資產	4,358	4,964
Financial assets at fair value through profit or loss	按公平值計入損益之金融資產	321,505	349,776
Amounts due from subsidiaries	應收附屬公司款項	8,923,211	3,900,275
Cash and cash equivalents	現金及現金等值項目	47,245	955,175
Total current assets	流動資產總額	9,296,319	5,210,190
CURRENT LIABILITIES	流動負債		
Other payables and accruals	其他應付款項及應計費用	122,421	96,475
Bank and other borrowings	銀行及其他借貸	2,194,932	695,963
Amounts due to subsidiaries	結欠附屬公司款項	203,970	216,643
Total current liabilities	流動負債總額	2,521,323	1,009,081
NET CURRENT ASSETS	流動資產淨值	6,774,996	4,201,109
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總值減流動負債	7,099,242	4,537,315
NON-CURRENT LIABILITIES	非流動負債		
Bank and other borrowings	銀行及其他借貸	1,291,285	2,311,130
Total non-current liabilities	非流動負債總額	1,291,285	2,311,130
Net assets	資產淨值	5,807,957	2,226,185
EQUITY	權益		
Share capital	股本	5,326,923	2,014,112
Reserves (Note)	儲備(附註)	481,034	212,073
Total equity	權益總額	5,807,957	2,226,185

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

45. 本公司財務狀況報表(續)

附註：

本公司之儲備概述如下：

		Capital reduction reserves	Exchange reserve	Other reserve	Retained earnings	Total
		資本削減 儲備賬	外匯儲備	其他儲備	保留盈餘	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2019	於2019年1月1日	119,330	27,720	82,674	(2,209)	227,515
Total comprehensive (loss)/income for the year	年內全面(虧損)/ 收益總額	-	(24,739)	-	9,297	(15,442)
At 31 December 2019 and 1 January 2020	於2019年12月31日及 2020年1月1日	119,330	2,981	82,674	7,088	212,073
Total comprehensive (loss)/income for the year	年內全面(虧損)/ 收益總額	-	(149,770)	-	611,205	461,435
2019 final dividend paid	已付2019年末期股息	-	-	-	(192,474)	(192,474)
At 31 December 2020	於2020年12月31日	119,330	(146,789)	82,674	425,819	481,034

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2020 2020年12月31日

46. PARTICULARS OF THE SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows:

46. 附屬公司概要

於2020年12月31日，本公司主要附屬公司之資料如下：

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊 地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
75 Wall Street, LLC	USA 美國	Note (i) 附註(i)	–	100	Property investment 物業投資
American Housing REIT, Inc.	USA 美國	Common stock USD6,256 普通股6,256美元	–	99.8	Property investment 物業投資
AHR First Borrower, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Loan financing and Property investment 貸款融資及物業投資
AHR Second Borrower, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Loan financing 貸款融資
American Senior Housing REIT, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Property investment and investment holding 物業投資及投資控股
ASHR McKinney, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Property investment 物業投資
ASHR First, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Property investment 物業投資
China Credit Singapore Pte. Ltd.	Singapore 新加坡	Ordinary shares SGD13,417,282 普通股13,417,282 新加坡元	100	–	Investment holding 投資控股

46. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

46. 附屬公司概要(續)

於2020年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊 地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
Expats Residences Pte. Ltd.	Singapore 新加坡	Ordinary shares SGD25,002 普通股25,002新加坡元	–	100	Property investment 物業投資
Heng Fung Capital Company Limited 恒鋒融資有限公司	Hong Kong 香港	Ordinary shares HK\$2 普通股2港元	100	–	Property investment and securities trading 物業投資及證券買賣
Keng Fong Foreign Investment Co., Ltd.	USA 美國	Common stock USD250,000 普通股250,000美元	–	100	Property investment 物業投資
Singapore Service Residence Pte. Ltd.	Singapore 新加坡	Ordinary shares SGD1,250,000 普通股1,250,000 新加坡元	–	100	Property investment 物業投資
Xpress Credit Limited 特速信貸有限公司	Hong Kong 香港	Ordinary shares HK\$1,260,000 普通股1,260,000港元	–	100	Securities trading 證券買賣
ZH USA, LLC	USA 美國	Note (i) 附註(i)	100	–	Securities trading and Investment holding 證券買賣及投資控股
Xingcheng Holdings Limited 興城控股有限公司	Hong Kong 香港	Ordinary shares HK\$1 普通股1港元	–	100	Investment holding 投資控股

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財務報表附註

31 December 2020 2020年12月31日

46. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

46. 附屬公司概要(續)

於2020年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊 地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南昌輝企業管理諮詢有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB1,000,000 註冊資本 人民幣1,000,000元	–	100	Investment holding 投資控股
新鄭正商興城置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB400,000,000 註冊資本 人民幣400,000,000元	–	100	Property development 物業發展
洛陽正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商尚濱置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商經開置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB300,000,000 註冊資本 人民幣300,000,000元	–	100	Property development, 物業發展
河南興漢正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南象湖置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展

46. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

46. 附屬公司概要(續)

於2020年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊 地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南新築置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development, project management and sales services 物業發展、項目管理及 銷售服務
河南正商華府置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商新銘置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商新航置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商鄭東置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
北京上築置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB300,000,000 註冊資本 人民幣300,000,000元	–	100	Property development, project management and sales services 物業發展、項目管理及 銷售服務
北京上陽置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB200,000,000 註冊資本 人民幣200,000,000元	–	100	Property development, project management and sales services 物業發展、項目管理及 銷售服務

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31 December 2020 2020年12月31日

46. PARTICULARS OF THE SUBSIDIARIES
(CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

46. 附屬公司概要(續)

於2020年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊 地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南正商銘築置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商鄭新房地產有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南啟盛置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商中岳置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
原陽縣正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商河洛置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development, project management and sales services 物業發展、項目管理及銷 售服務
河南正商雅苑置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展

46. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

46. 附屬公司概要(續)

於2020年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊 地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南正商金城置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商瓏水置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商新雅置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南省正商新居置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商新府置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南沐歌置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
河南正商新宏置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展

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財務報表附註

31 December 2020 2020年12月31日

46. PARTICULARS OF THE SUBSIDIARIES
(CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

46. 附屬公司概要(續)

於2020年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊 地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南正商致遠置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
新鄉市興漢正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development, project management and sales services 物業發展、項目管理及銷 售服務
河南正商岳村建設開發有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商佳居置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development, project management and sales services 物業發展、項目管理及銷 售服務
河南漢輝置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB200,000,000 註冊資本 人民幣200,000,000元	–	60	Property development 物業發展
河南正商王村置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南鑫築建設工程有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展

46. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

46. 附屬公司概要(續)

於2020年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊 地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南正商鴻雅置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南東象正商實業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB300,000,000 註冊資本 人民幣300,000,000元	–	60	Property development 物業發展
河南嘉瑞昌置業股份有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南林盟置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
武漢豫正置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
滎陽博雅置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商金銘置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2020 2020年12月31日

46. PARTICULARS OF THE SUBSIDIARIES
(CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

46. 附屬公司概要(續)

於2020年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊 地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南正商新古置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	90	Property development 物業發展
河南正商佳航置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商尚築置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南鑫融置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南悅府置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南悅璽置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南佳悅美置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	70	Property development 物業發展

46. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

46. 附屬公司概要(續)

於2020年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊 地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南惠東置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南金州置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
北京上瑞置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB200,000,000 註冊資本 人民幣200,000,000元	–	100	Property development 物業發展
武漢豫商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
鄭州君聯房地產開發有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
鄧州啟正置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB10,000,000 註冊資本 人民幣10,000,000元	–	51	Property development 物業發展
衛輝市正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	90	Property development 物業發展

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2020 2020年12月31日

46. PARTICULARS OF THE SUBSIDIARIES
(CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

46. 附屬公司概要(續)

於2020年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊 地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
淮濱縣正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	—	90	Property development 物業發展
杭州正商實業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	—	100	Property investment 物業投資
信陽正商博雅置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB30,000,000 註冊資本 人民幣30,000,000元	—	99.9	Property development 物業發展
河南正商金悅置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	—	100	Property development 物業發展
汝陽縣正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	—	100	Property development 物業發展
河南正商宛都置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB30,000,000 註冊資本 人民幣30,000,000元	—	100	Property development 物業發展
商丘木華置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	—	100	Property development 物業發展
鄧州市漢都置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	—	100	Property development 物業發展

46. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

46. 附屬公司概要(續)

於2020年12月31日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊 地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
滑縣正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
魯山縣正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
光山縣正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB30,000,000 註冊資本 人民幣30,000,000元	–	100	Property development 物業發展
輝縣市正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
伊川縣正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
周口市興漢正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB10,000,000 註冊資本 人民幣10,000,000元	–	56	Property development 物業發展
深圳正商實業投資有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property investment 物業投資
河南瀾雅置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2020 2020年12月31日

46. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2020 are as follows: (continued)

Name 名稱	Place incorporation/ registration and place of business 註冊成立／註冊 地點及營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通／ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南興商置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商瓏尚置業有限公司 Note (ii) 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展

Notes:

- (i) No capital contribution is required from the member unless otherwise required by law.
- (ii) Entities established in the PRC are limited liability companies with no English names registered or available upon establishment.

於2020年12月31日，本公司主要附屬公司之資料如下：(續)

附註：

- (i) 除非法律另行規定，否則並無規定資本貢獻必須來自成員公司。
- (ii) 於中國成立之實體為有限公司，且於成立後，概無登記或採用英文名稱。

47. EVENTS AFTER THE REPORTING PERIOD

On 18 March 2021, the Group acquired land use rights of a land parcel located in Yuanyang County, Henan Province, the PRC through listing for sale process in a public auction held by Yuanyang County Natural Resources Bureau* (原陽縣自然資源局) for transfer of state-owned land use rights with a site area of approximately 51,292.68 square meters at a consideration of RMB100,020,800. The land parcel was designated for residential usage with a term of use of 70 years and commercial usage with a term of 40 years. The handover of the land parcel is expected to be completed no later than the second quarter of 2021.

48. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2021.

47. 報告期後事項

於2021年3月18日，本集團於原陽縣自然資源局就轉讓國有土地使用權所舉辦之公開拍賣掛牌出售程序中取得位於中國河南省原陽縣佔地面積約51,292.68平方米之地塊之土地使用權，代價為人民幣100,020,800元。該地塊指定作住宅及商業用途，住宅使用年限為70年，商業用途使用年限為40年。該地塊預期將於2021年第二季度之前完成交付。

48. 批准財務報表

財務報表已於2021年3月25日獲董事會批准及授權刊發。

FINANCIAL SUMMARY

財務概要

		For the year ended 31 December 截至12月31日止年度				
		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (重列)	2016 2016年 RMB'000 人民幣千元 (Restated) (重列)
Results	業績					
Revenue	收益	8,069,061	8,887,186	601,470	1,100,419	67,960
Profit (loss) for the year	年度溢利(虧損)	778,373	1,151,458	28,492	131,602	(54,214)
Attributable to:	應佔：					
Owners of the Company	本公司擁有人	782,988	1,151,571	29,971	131,709	(54,200)
Non-controlling interests	非控股權益	(4,615)	(113)	(1,479)	(107)	(14)
Profit (loss) for the year	年度溢利(虧損)	778,373	1,151,458	28,492	131,602	(54,214)
		As at 31 December 於12月31日				
		2020 2020年 RMB'000 人民幣千元	2019 2019年 RMB'000 人民幣千元	2018 2018年 RMB'000 人民幣千元	2017 2017年 RMB'000 人民幣千元 (Restated) (重列)	2016 2016年 RMB'000 人民幣千元 (Restated) (重列)
Assets and liabilities	資產及負債					
Total assets	總資產	67,152,356	51,942,189	39,569,259	18,542,750	3,311,955
Total liabilities	總負債	(59,263,541)	(48,205,148)	(38,447,747)	(17,398,865)	(2,275,634)
Net assets	淨資產	7,888,815	3,737,041	1,121,512	1,143,885	1,036,321
Non-controlling interests	非控股權益	(14,885)	3,593	7,053	9,581	10,704
Equity attributable to owners of the Company	本公司擁有人應佔權益	7,873,930	3,740,634	1,128,565	1,153,466	1,047,025

PARTICULARS OF MAJOR INVESTMENT PROPERTIES**主要投資物業概要**

As at 31 December 2020 於2020年12月31日

INVESTMENT PROPERTIES**投資物業**

Location 地點	Gross area (approximately) 總面積 (約)	Effective % held 實際擁有權 (%)	Type 類別	Lease term 租約
No.883 North Bridge Road, Shop on 1/F. and 27 Home Office Units on various floors, Southbank, Singapore 198785	28,732 sq. ft. 28,732平方呎	100%	Home Office 家居辦公室	Long-term lease 長期租約
5 Residential Units, Dakota Residences, 34-42 Dakota Crescent, Singapore 399939	9,128 sq. ft. 9,128平方呎	100%	Apartment 寓所	Long-term lease 長期租約
30/F and Carpark No. C8 on 2nd Carparking Floor, Wyndham Place, No.44 Wyndham Street, Central, Hong Kong 香港中環雲咸街44號雲咸商業中心 30樓及2樓停車場C8號車位	3,480 sq. ft. 3,480平方呎	100%	Office premises and Car Parking space 辦公室物業及車位	Long-term lease 長期租約
Glen Carr House, 1433 North Hamilton Drive, Derby, Kansas, 67037, U.S. Glen Carr House 位於美國肯薩斯州德比市 North Hamilton Drive 1433號	29,000 sq. ft. 29,000平方呎	99.8%	Senior house communities 長者住房宿舍	Freehold 永久業權
Oxford Grand McKinney, 2851 Orchid Drive, McKinney, Texas, 75070, U.S. Oxford Grand McKinney 位於美國德薩斯州麥堅尼市 Orchid Drive 2851號	69,700 sq. ft. 69,700平方呎	99.8%	Senior house communities 長者住房宿舍	Freehold 永久業權
Land parcels located at 671-180-012, 013, 014, 015, 016, 017, 018 Desert Hot Springs, County of Riverside, State of California, 92503, U.S. 位於美國加州河濱縣Desert Hot Springs之 地塊671-180-012、013、014、015、 016、017、018	67.5 acres/ 273,200 sq. m./ 2,940,300 sq. ft. 67.5畝/ 273,200平方米/ 2,940,300平方呎	100%	Vacant land 空置土地	Freehold 永久業權

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告



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To the members of Zensun Enterprises Limited
(Formerly known as ZH International Holdings Limited)
(Incorporated in Hong Kong with limited liability)

致：正商實業有限公司全體股東
(前稱正恒國際控股有限公司)
(於香港註冊成立之有限公司)

OPINION

We have audited the consolidated financial statements of Zensun Enterprises Limited (the "Company") and its subsidiaries (the "Group") set out on pages 79 to 186, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

意見

我們已審核載於第79頁至186頁正商實業有限公司(「貴公司」)及其附屬公司(「貴集團」)之綜合財務報表，此等財務報表包括於二零一九年十二月三十一日之綜合財務狀況報表及截至該日止年度之綜合損益賬、綜合全面收益賬、綜合權益變動表及綜合現金流量表，以及綜合財務報表附註，包括主要會計政策概要。

我們認為，綜合財務報表已根據香港會計師公會(「香港會計師公會」)頒佈之香港財務報告準則(「香港財務報告準則」)真實公平地反映貴集團於二零一九年十二月三十一日之綜合財務狀況及貴集團截至該日止年度之綜合財務表現和綜合現金流量，並已按照香港公司條例之規定妥為編製。

意見之基礎

我們已根據香港會計師公會頒佈之香港審核準則(「香港審核準則」)進行審核。我們就該等準則承擔之責任在本報告核數師就審核綜合財務報表須承擔之責任一節中進一步闡述。根據香港會計師公會頒佈之專業會計師道德守則(「守則」)，我們獨立於貴集團，並已履行守則中之其他專業道德責任。我們相信，我們所獲得之審核憑證能充足及適當地為我們的意見提供基礎。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

關鍵審核事項

Valuation of investment properties

投資物業之估值

As at 31 December 2019, investment properties amounted to approximately RMB654,244,000, which was material to the consolidated financial statements. To support management's assessment of the fair value of the properties, it is the Group's policy that property valuations are performed by an external appraiser at least once a year. The valuation of the properties involves significant judgement, is highly dependent on estimates and is based on a number of assumptions, such as estimated market rent, market yield and reversion yield.

於二零一九年十二月三十一日，投資物業約為人民幣654,244,000元，該數字對綜合財務報表而言屬重大。為支持管理層對物業公平值的評估，貴集團的政策是每年至少委聘外部估值師進行物業估值一次。物業估值涉及重大判斷，該判斷在很大程度上取決於估計，並以多項假設為基礎，例如估計市場租金、市場收益率及復歸收益率。

The accounting policies and disclosures of the valuation of investment properties are included in notes 2.4, 3 and 15 to the consolidated financial statements.

有關投資物業估值的會計政策及披露載於綜合財務報表附註2.4、3及15。

關鍵審核事項

關鍵審核事項是根據我們的專業判斷，對本期間綜合財務報表之審核最為重要之事項。此等事項在我們審核整體綜合財務報表及出具意見時進行處理，而我們不會對該等事項提供單獨之意見。我們於審核中就下列各事項之處理方法描述載於下文。

我們已履行本報告核數師就審核綜合財務報表須承擔之責任一節所述包括與該等事項有關之責任。相應地，我們之審核工作包括執行旨在回應對綜合財務報表重大錯誤風險評估之程序。我們審核程序之結果，包括為處理以下事項所履行之程序已為我們就隨附之綜合財務報表作出之審核意見提供基礎。

How our audit addressed the key audit matter

我們的審核如何處理關鍵審核事項

We considered the objectivity, independence and expertise of the external appraiser. We assessed the valuation approach and the key assumptions used in developing the valuation through the income approach or market approach, such as market rent, market yield and reversion yield. Our internal valuation specialists were involved to assist us in evaluating the techniques and key assumptions used in the calculation against valuation guidelines and industry practice.

我們已考慮外部估值師的客觀性、獨立性及專業知識。我們已評估透過收入法或市場法釐定估值時使用的估值方法及主要假設，例如市場租金、市場收益率及復歸收益率。內部估值專家參與協助我們對照估值指引及行業常規，評價估值計算中使用的技術及主要假設。

We also assessed the disclosures on the fair value measurement of investment properties.

我們亦評估有關投資物業公平值計量的披露。

KEY AUDIT MATTERS (CONTINUED)**Key audit matter****關鍵審核事項**

Assessment of net realisable values of properties under development and completed properties held for sale

評估發展中物業及持作出售之已完工物業之可變現淨值

As at 31 December 2019, the carrying amounts of properties under development and completed properties held for sale situated in the People's Republic of China (the "PRC") were approximately RMB38,367,480,000 and RMB3,824,960,000, respectively. The Group carried out assessment on the net realisable values at the end of the reporting period and compared them to the costs. The management estimates the total costs by reference to the budgeted costs and costs incurred and further costs to complete whereas the future selling prices were estimated by the management of the Group with reference to the recent selling prices of similar properties in the nearby or relevant locations.

於二零一九年十二月三十一日，位於中華人民共和國（「中國」）之發展中物業及持作出售之已完工物業之賬面值分別為約人民幣38,367,480,000元及人民幣3,824,960,000元。貴集團於報告期間結算日對可變現淨值進行評估並與成本比較。管理層經參考預算成本、已產生成本及完成所需的進一步成本而估計總成本。然而，未來售價乃貴集團管理層經參考鄰近或相關地點類似物業之近期售價估計而得出。

The related accounting policies and disclosures are included in notes 2.4, 3, 18 and 19 to the consolidated financial statements.

相關會計政策及披露載於綜合財務報表附註2.4、3、18及19。

關鍵審核事項（續）**How our audit addressed the key audit matter****我們的審核如何處理關鍵審核事項**

We obtained from the management of the Group an understanding of the management's process for performing impairment assessment of the properties under development and completed properties held for sale.

我們已就對發展中物業及持作出售之已完工物業進行減值評估之管理層程序向貴集團管理層取得了解。

We assessed whether the estimated selling prices were based on the existing contracts or comparable properties in the market.

我們已評估售價是否按現有合約或市場可比較物業進行估計。

We also compared the future selling prices of completed properties held for sale to the actual selling prices of properties sold subsequent to the end of the reporting period to evaluate the management's estimation.

我們亦比較持作出售之已落成物業之未來售價與於報告期間結算日後售出之物業之實際售價，評估管理層之估計。

Furthermore, we evaluated management's estimation methodology about future cost of completion of properties under development.

此外，我們已評估管理層對完成發展中物業之未來成本之估計方法。

We also assessed the disclosures on the assessment of net realisable values of properties under development and completed properties held for sale.

我們亦已評估有關評估發展中物業及持作出售之已完工物業之可變現淨值之披露。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

KEY AUDIT MATTERS (CONTINUED)

Key audit matter

關鍵審核事項

Provision for land appreciation tax ("LAT")

土地增值稅(「土地增值稅」)撥備

The subsidiaries of the Company that are engaged in property development in the PRC are subject to LAT. LAT is levied on the sale of properties at progressive rates ranging from 30% to 60% based on the appreciation of land value. At the end of each reporting period, the management of the Group estimates the provision for LAT based on its understanding and interpretation of the relevant tax rules and regulations, and the estimated total sales of properties less total deductible expenditure, which include lease charges for land use rights, property development costs, borrowing costs and development expenditure. When the LAT is subsequently determined, the actual payments may be different from the estimates. For the year ended 31 December 2019, LAT provision of approximately RMB402,978,000 was recorded in the consolidated statement of profit or loss.

貴公司於中國從事物業發展之附屬公司須繳納土地增值稅。土地增值稅乃按土地價格增值額30%至60%之累進稅率對所銷售物業進行徵收。於各報告期間結算日，貴集團管理層根據相關稅務法律法規的規定及解釋、估計銷售物業總額減可扣減總費用(包括土地使用權租賃費用、物業開發成本、借貸成本及開發費用)對土地增值稅撥備進行估算。於土地增值稅匯算清繳時，實際應付稅金可能與估計金額存在差異。截至二零一九年十二月三十一日止年度，土地增值稅撥備約人民幣402,978,000元已於綜合損益賬入賬。

The accounting policies and disclosures for the provision for LAT are included in notes 3 and 11 to the consolidated financial statements.

有關土地增值稅撥備的會計政策及披露載於綜合財務報表附註3及11。

關鍵審核事項(續)

How our audit addressed the key audit matter

我們的審核如何處理關鍵審核事項

We obtained an understanding of the key management controls related to LAT provision. We involved our internal tax specialists to assist us in the assessment of LAT provision prepared by the management, including the estimates and assumptions used by management. We also recalculated LAT provision by testing the underlying data, including estimated total sales, property development costs, borrowing costs and tax rates used to evaluate LAT provision.

我們已了解有關土地增值稅撥備的主要管理層控制措施。我們已邀請內部稅務專家協助我們評估管理層編製的土地增值稅撥備，包括管理層所採用之估計及假設。我們亦通過測試有關數據，包括估計總銷售額、物業開發成本、借貸成本及用於評估土地增值稅撥備的稅率來重新計算土地增值稅撥備。

We also assessed the relevant disclosures in the notes to the Group's financial statements.

我們亦已評估 貴集團財務報表附註內的相關披露。

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

年報所載其他資料

貴公司董事須對其他資料負責。其他資料包括載於年報之資料，但不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表之意見並不涵蓋其他資料，我們亦不對其他資料發表任何形式之鑒證結論。

結合我們對綜合財務報表的審核，我們的責任是閱讀其他資料，在此過程中，考慮其他資料是否與綜合財務報表或我們在審核過程中所了解的情況存有重大抵觸，或者似乎存在重大錯誤陳述之情況。基於我們已執行之工作，如果我們認為其他資料有重大錯誤陳述，我們須報告該事實。在此方面，我們沒有任何報告。

董事就綜合財務報表須承擔之責任

貴公司董事須負責根據香港會計師公會頒佈之香港財務報告準則以及香港公司條例之規定編製並且真實公平地列報綜合財務報表，並落實董事認為編製綜合財務報表屬必要之內部控制，以使綜合財務報表不存在由於欺詐或錯誤而導致之重大錯誤陳述。

在編製綜合財務報表時，貴公司董事負責評估貴集團持續經營之能力，並在適用情況下披露與持續經營有關之事項，以及使用持續經營為會計基礎，除非貴公司董事有意將貴集團清盤或停止經營，或別無其他實際之替代方案。

審核委員會協助貴公司董事履行監督貴集團的財務報告過程的責任。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, 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.

核數師就審核綜合財務報表須承擔之責任

我們之目標，是對整體綜合財務報表是否不存在由於欺詐或錯誤而導致之任何重大錯誤陳述取得合理保證，並出具包括我們意見之核數師報告。我們依據香港公司條例第405條僅向全體股東報告我們之意見，除此之外不作其他目的。我們概不就本報告之內容對任何其他人士負責或承擔責任。

合理保證是高水平之保證，但不能保證按照香港審核準則進行之審核，在某一重大錯誤陳述存在時總能發現。錯誤陳述可以由欺詐或錯誤引起，如果合理預期它們單獨或滙總起來可能影響綜合財務報表使用者依賴綜合財務報表所作出的經濟決定，則有關錯誤陳述可被視作重大。

在根據香港審核準則進行審核之過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別和評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險，設計及執行審核程序以應對這些風險，以及取得充足和適當的審核憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述，或凌駕於內部控制之上，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。
- 了解與審核相關的內部控制，以設計適當的審核程序，但目的並非對貴集團內部控制的有效性發表意見。

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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.

核數師就審核綜合財務報表須承擔之責任(續)

- 評價董事所採用會計政策的恰當性及作出會計估計和相關披露資料的合理性。
- 對董事採用持續經營會計基礎的恰當性作出結論。根據所得的審核憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能對貴集團持續經營的能力構成重大疑慮。如果我們認為存在重大不確定性，則有必要在核數師報告中提請使用者對綜合財務報表中的相關披露資料的關注。假若有關的披露不足，則我們應當發表非無保留意見。我們的結論是基於核數師報告日止所取得的審核憑證。然而，未來事件或情況可能導致貴集團不能繼續持續經營。
- 評價綜合財務報表的整體列報方式、結構和內容，包括披露資料，以及綜合財務報表是否中肯反映交易和事項。
- 就貴集團中實體或業務活動的財務資料獲取充分、適當的審核憑證，以對綜合財務報表發表意見。我們負責貴集團審核的方向、監督和執行。我們對審核意見承擔全部責任。

我們與審核委員會溝通了(其中包括)計劃的審核範圍、時間安排、重大審核發現等事項，包括我們在審核期間識別出內部控制的任何重大缺陷。

我們亦向審核委員會提交聲明，說明我們已符合有關獨立性的相關專業道德要求，並與他們溝通所有合理地被認為會影響我們獨立性的關係和其他事項，以及在適用的情況下，相關的防範措施。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong

27 March 2020

核數師就審核綜合財務報表須承擔之責任(續)

從與審核委員會溝通的事項中，我們決定哪些事項對本期間綜合財務報表的審核最為重要，因而構成關鍵審核事項。我們會在核數師報告中描述這些事項，除非法律法規不允許公開披露這些事項，或在極端罕見的情況下，若有合理預期在我們報告中溝通某事項而造成的負面後果將會超過其產生的公眾利益，我們將不會在此等情況下在報告中溝通該事項。

出具本獨立核數師報告的審核項目合夥人是何兆烽。

安永會計師事務所
執業會計師
香港

二零二零年三月二十七日

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

綜合損益賬

Year ended 31 December 2019 截至二零一九年十二月三十一日止年度

			2019	2018
		Notes	二零一九年	二零一八年
		附註	RMB'000	RMB'000
			人民幣千元	人民幣千元
REVENUE	收益	5	8,887,186	601,470
Cost of sales	銷售成本		(6,600,707)	(326,329)
Gross profit	毛利		2,286,479	275,141
Other income	其他收入	5	9,678	25,078
Other gains and losses	其他收益及虧損	6	109,086	33,333
Administrative expenses	行政費用		(166,817)	(129,674)
Sales and marketing expenses	銷售及市場推廣費用		(162,428)	(114,909)
Finance costs	融資成本	7	(38,221)	(30,455)
Profit before tax	除稅前溢利	8	2,037,777	58,514
Income tax expense	所得稅開支	11	(886,319)	(30,022)
PROFIT FOR THE YEAR	年度溢利		1,151,458	28,492
Attributable to:	下列各方應佔：			
Owners of the Company	本公司擁有人		1,151,571	29,971
Non-controlling interests	非控股權益		(113)	(1,479)
			1,151,458	28,492
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	本公司擁有人應佔每股盈利			
Basic (RMB cents)	基本(人民幣分)	13	14.87	0.49
Diluted	攤薄		N/A不適用	N/A不適用

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

綜合全面收益賬

Year ended 31 December 2019 截至二零一九年十二月三十一日止年度

		2019	2018
		二零一九年	二零一八年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
PROFIT FOR THE YEAR	年度溢利	1,151,458	28,492
OTHER COMPREHENSIVE INCOME/(LOSS)	其他全面收益/(虧損)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:	可能於其後期間重新分類至損益之其他全面收益/(虧損):		
Exchange difference on translation of foreign operations	換算海外業務而產生之匯兌差額	33,359	(49,418)
Reclassification adjustments of exchange reserve for subsidiaries disposed of	已出售附屬公司匯兌儲備之重新分類調整	129	(7,237)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	年內其他全面收益/(虧損) (稅後)	33,488	(56,655)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	年內全面收益/(虧損)總額	1,184,946	(28,163)
Attributable to:	下列各方應佔:		
Owners of the Company	本公司擁有人	1,185,486	(24,901)
Non-controlling interests	非控股權益	(540)	(3,262)
		1,184,946	(28,163)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況報表

31 December 2019 二零一九年十二月三十一日

			31 December 2019 二零一九年 十二月三十一日 RMB'000 人民幣千元	31 December 2018 二零一八年 十二月三十一日 RMB'000 人民幣千元
		Notes 附註		
NON-CURRENT ASSETS				
非流動資產				
Property, plant and equipment	物業、廠房及設備	14	17,711	23,126
Investment properties	投資物業	15	654,244	646,620
Right-of-use assets	使用權資產	16	5,246	-
Deferred tax assets	遞延稅項資產	28	194,154	63,168
Pledged deposits	已抵押按金	17	22,525	33,915
Total non-current assets	非流動資產總額		893,880	766,829
CURRENT ASSETS				
流動資產				
Inventories	存貨		-	217
Completed properties held for sale	持作出售之已完工物業	18	3,824,960	934,671
Properties under development	發展中物業	19	38,367,480	29,777,845
Deposits and prepayments paid for land acquisitions	已付土地收購按金及預付款項	20	1,198,992	4,603,632
Accounts receivable, other receivables and other assets	應收賬款、其他應收款項及其他資產	21	1,827,573	1,175,439
Financial assets at fair value through profit or loss	按公平值計入損益之金融資產	22	349,876	232,532
Prepaid income tax and tax recoverable	預繳所得稅及可收回稅項		723,402	616,737
Pledged deposits	已抵押按金	17	863,804	680,450
Restricted bank balances	受限制銀行結餘	17	691,992	101,913
Cash and cash equivalents	現金及現金等值項目	17	3,200,230	673,412
Investment properties classified as held for sale	分類為持作出售之投資物業		51,048,309	38,796,848
			-	5,582
Total current assets	流動資產總額		51,048,309	38,802,430
CURRENT LIABILITIES				
流動負債				
Accounts payable, deposits received and accruals	應付賬款、已收按金及應計費用	23	3,096,086	1,271,149
Contract liabilities	合約負債	24	15,852,697	11,304,291
Amounts due to related companies	應付關連公司款項	25	956,458	473,199
Loans from a related company	來自一間關連公司之貸款	26	7,490,728	12,876,310
Lease liabilities	租賃負債	16	1,871	-
Bank and other borrowings	銀行及其他借貸	27	6,957,950	3,658,396
Tax liabilities	稅項負債		461,608	109,621
Total current liabilities	流動負債總額		34,817,398	29,692,966
NET CURRENT ASSETS	流動資產淨值		16,230,911	9,109,464
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總值減流動負債		17,124,791	9,876,293

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況報表

31 December 2019 二零一九年十二月三十一日

			31 December 2019	31 December 2018
			二零一九年 十二月三十一日	二零一八年 十二月三十一日
		Notes	RMB'000	RMB'000
		附註	人民幣千元	人民幣千元
NON-CURRENT LIABILITIES				
非流動負債				
Rental deposits received	已收租賃按金	23	7,010	7,128
Lease liabilities	租賃負債	16	3,695	-
Bank and other borrowings	銀行及其他借貸	27	13,277,895	8,742,329
Deferred tax liabilities	遞延稅項負債	28	99,150	5,324
Total non-current liabilities			13,387,750	8,754,781
Net assets	資產淨值		3,737,041	1,121,512
EQUITY				
權益				
Equity attributable to owners of the Company	本公司擁有人應佔權益			
Share capital	股本	29	2,014,112	587,529
Reserves	儲備	30	1,726,522	541,036
Non-controlling interests			3,740,634	1,128,565
			(3,593)	(7,053)
Total equity			3,737,041	1,121,512

Zhang Jingguo

張敬國

Director

董事

Zhang Guoqiang

張國強

Director

董事

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表

Year ended 31 December 2019 截至二零一九年十二月三十一日止年度

		Attributable to owners of the Company 本公司擁有人應佔								
		Share capital	Capital reduction reserve*	PRC statutory reserve*	Property revaluation reserve*	Exchange reserve*	Retained profits*	Total	Non-controlling interests	Total equity
		股本	資本削減儲備*	中國法定儲備*	物業重估儲備*	外匯儲備*	保留溢利*	總計	非控股權益	權益總額
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		(note 29)		(note 30)	(note 30)	(note 30)				
		(附註29)		(附註30)	(附註30)	(附註30)				
At 1 January 2018	於二零一八年一月一日	587,529	119,330	4,644	13,861	16,994	411,108	1,153,466	(9,581)	1,143,885
Profit/(loss) for the year	年度溢利/(虧損)	-	-	-	-	-	29,971	29,971	(1,479)	28,492
Other comprehensive loss for the year:	年內其他全面虧損:									
Exchange differences on translation of foreign operations	換算海外業務之匯兌差額	-	-	-	-	(47,635)	-	(47,635)	(1,783)	(49,418)
Reclassification adjustments of exchange reserve for subsidiaries disposed of	已出售附屬公司匯兌儲備之重新分類調整	-	-	-	-	(7,237)	-	(7,237)	-	(7,237)
Total comprehensive (loss)/income for the year	年內全面(虧損)/收益總額	-	-	-	-	(54,872)	29,971	(24,901)	(3,262)	(28,163)
Transfer to PRC statutory reserve	轉撥至中國法定儲備	-	-	32,592	-	-	(32,592)	-	-	-
Capital contribution from non-controlling shareholders	來自非控股股東之供款	-	-	-	-	-	-	-	6,000	6,000
Disposal of subsidiaries	出售附屬公司	-	-	-	-	-	-	-	(210)	(210)
At 31 December 2018	於二零一八年十二月三十一日	587,529	119,330	37,236	13,861	(37,878)	408,487	1,128,565	(7,053)	1,121,512
Year ended 31 December 2019	截至二零一九年十二月三十一日止年度									
At 1 January 2019	於二零一九年一月一日	587,529	119,330	37,236	13,861	(37,878)	408,487	1,128,565	(7,053)	1,121,512
Profit/(loss) for the year	年度溢利/(虧損)	-	-	-	-	-	1,151,571	1,151,571	(113)	1,151,458
Other comprehensive income/(loss) for the year:	年內其他全面收益/(虧損):									
Exchange differences on translation of foreign operations	換算海外業務之匯兌差額	-	-	-	-	33,786	-	33,786	(427)	33,359
Reclassification adjustments of exchange reserve for subsidiaries disposed of	已出售附屬公司匯兌儲備之重新分類調整	-	-	-	-	129	-	129	-	129
Total comprehensive income/(loss) for the year	年內全面收益/(虧損)總額	-	-	-	-	33,915	1,151,571	1,185,486	(540)	1,184,946
Transfer to PRC statutory reserve	轉撥至中國法定儲備	-	-	123,873	-	-	(123,873)	-	-	-
Issue of new ordinary shares	發行新普通股	1,428,031	-	-	-	-	-	1,428,031	-	1,428,031
Share issue expenses	股份發行開支	(1,448)	-	-	-	-	-	(1,448)	-	(1,448)
Capital contribution from non-controlling shareholders	來自非控股股東之供款	-	-	-	-	-	-	-	4,000	4,000
At 31 December 2019	於二零一九年十二月三十一日	2,014,112	119,330	161,109	13,861	(3,963)	1,436,185	3,740,634	(3,593)	3,737,041

* These reserve accounts comprise the consolidated reserves of RMB1,726,522,000 (2018: RMB541,036,000) in the consolidated statement of financial position.

* 該等儲備賬包括綜合財務狀況報表內之綜合儲備人民幣1,726,522,000元(二零一八年:人民幣541,036,000元)。

** PRC refers to the People's Republic of China. For the purposes of this financial statements only, except where the context specified otherwise, references to Mainland China or the PRC exclude Hong Kong, Macau and Taiwan.

** 中國指中華人民共和國。僅就本財務報表而言,除非文義另有規定外,指中國內地或除香港、澳門及台灣以外的中國地區。

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

Year ended 31 December 2019 截至二零一九年十二月三十一日止年度

		2019	2018
	Notes	二零一九年	二零一八年
	附註	RMB'000	RMB'000
		人民幣千元	人民幣千元
CASH FLOWS FROM OPERATING ACTIVITIES	經營業務所得現金流量		
Profit before tax	除稅前溢利	2,037,777	58,514
Adjustments for:	經下列各項調整：		
Increase in fair value of financial assets	按公平值計入損益之		
at fair value through profit or loss	金融資產之公平值增加	6 (112,726)	(9,329)
Increase in fair value of investment properties	投資物業公平值增加	6 (2,250)	(17,865)
Loss/(gain) on disposal of subsidiaries	出售附屬公司之虧損／(收益)	6 6,815	(7,447)
Loss on disposal of property, plant and equipment	出售物業、廠房及設備之虧損	6 1	210
Depreciation of property, plant and equipment	物業、廠房及設備折舊	8 3,489	2,730
Depreciation of right-of-use assets	使用權資產折舊	8 1,641	-
Interest income	利息收入	5 (7,980)	(23,874)
Impairment losses on accounts receivable and other receivables	應收賬款及其他應收款項之減值虧損	6 777	779
Finance costs	融資成本	7 38,221	30,455
		1,965,765	34,173
Decrease in financial assets at fair value through profit or loss	按公平值計入損益之 金融資產減少	-	120
Decrease in inventories	存貨減少	60	21
Increase in accounts receivable, other receivables and other assets	應收賬款、其他應收款項及 其他資產增加	(964,797)	(652,495)
(Increase)/decrease in restricted bank deposits from pre-sale proceeds of properties	因物業預售所得款項產生之 受限制銀行存款(增加)／減少	(590,079)	59,941
Increase in properties under development	發展中物業增加	(7,059,153)	(16,946,614)
(Increase)/decrease in completed properties held for sale	持作出售之已完工物業 (增加)／減少	(2,849,660)	311,964
Decrease/(increase) in deposits and prepayments paid for land acquisitions	已付土地收購按金及 預付款項減少／(增加)	3,405,920	(1,467,528)
Increase/(decrease) in accounts payable, deposits received and accruals	應付賬款、已收按金及 應計費用增加／(減少)	1,668,783	(583,940)
Increase in contract liabilities	合約負債增加	4,281,864	8,407,852
Cash used in operating activities	經營業務所用現金	(141,297)	(10,836,506)
Tax paid	已繳稅項	(673,594)	(579,488)
Net cash flows used in operating activities	經營業務所用現金流量淨額	(814,891)	(11,415,994)

		2019	2018
	Notes	二零一九年	二零一八年
	附註	RMB'000	RMB'000
		人民幣千元	人民幣千元
CASH FLOWS FROM INVESTING ACTIVITIES	投資活動所得現金流量		
Interest received	已收利息	7,980	22,742
Purchases of items of property, plant and equipment	購入物業、廠房及設備項目	(6,236)	(6,573)
Proceeds from disposal of investment properties	出售投資物業所得款項	13,333	61,047
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項	1	242
Release of pledged deposits	解除已抵押按金	-	47,383
Placement of pledged deposits	存放已抵押按金	-	(662,519)
Purchase of a debt investment at amortised cost	購入按攤銷成本計算之債務投資	-	(323,257)
Proceeds from recovery a debt investment at amortised cost upon maturity	到期收回按攤銷成本計算之債務投資之所得款項	315,069	-
Purchase of financial assets at fair value through profit or loss	購入按公平值計入損益之金融資產	-	(68,778)
Net cash outflows of acquisition of a subsidiary	收購一間附屬公司之現金流出淨額	(46,931)	-
Net cash inflows of disposal of subsidiaries	出售附屬公司之現金流入淨額	114	-
		283,330	(929,713)
Net cash from/(used in) investing activities	投資活動所得/(所用)現金淨額		
CASH FLOWS FROM FINANCING ACTIVITIES	融資活動所得現金流量		
Release of pledged deposits	解除已抵押按金	33,915	-
Placement of pledged deposits	存放已抵押按金	(205,879)	-
New bank and other borrowings raised	新增銀行及其他借貸	13,483,882	11,424,756
Repayment of bank and other borrowings	償還銀行及其他借貸	(5,619,205)	(6,850,201)
Principal portion of lease payments	租賃付款本金部分	(1,325)	-
Interest paid	已付利息	(931,181)	(541,269)
Repayment to related companies	償還關連公司款項	(713,851)	(2,864,982)
Advance from related companies	預收關連公司款項	956,458	929,745
Loans repaid to a related company	償還一間關連公司貸款	(6,132,852)	(1,143,322)
Loans received from a related company	收取一間關連公司貸款	747,270	11,368,124
Proceeds from issue of new ordinary shares	發行新普通股之所得款項	1,428,031	-
Share issue expenses	股份發行開支	(1,448)	-
Capital contributions from non-controlling shareholders	來自非控股股東之供款	4,000	6,000
		3,047,815	12,328,851
Net cash flows from financing activities	融資活動所得現金流量淨額		
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	現金及現金等值項目增加/(減少)淨額	2,516,254	(16,856)
Cash and cash equivalents at beginning of year	於年初之現金及現金等值項目	673,412	685,710
Effect of foreign exchange rate changes, net	外匯匯率變動影響淨額	10,564	4,558
CASH AND CASH EQUIVALENTS AT END OF YEAR	於年末之現金及現金等值項目	3,200,230	673,412
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	現金及現金等值項目結餘分析		
Cash and cash equivalents as stated in the consolidated statement of financial position	綜合財務狀況報表內列賬之現金及現金等值項目	3,200,230	673,412

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2019 二零一九年十二月三十一日

1. CORPORATE INFORMATION

Zensun Enterprises Limited (formerly known as ZH International Holdings Limited) (the “Company”) is a public limited liability company incorporated in Hong Kong with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The registered office of the Company is located at 24th Floor, Wyndham Place, 40-44 Wyndham Street, Central, Hong Kong. In the opinion of the directors of the Company, the immediate holding company of the Company is Joy Town Inc., a private limited liability company incorporated in the British Virgin Islands (“BVI”). The ultimate holding company of the Company is Vistra Trust (Singapore) Pte Limited, a private limited liability company incorporated in Singapore, as trustee of a discretionary trust which is set up by Ms. Huang Yanping (“Ms. Huang”), a non-executive director of the Company. Ms. Huang is the settlor and protector of the discretionary trust. Mr. Zhang Jingguo (“Mr. Zhang”), the Chairman and an executive director of the Company is the spouse of Ms. Huang.

By a special resolution passed at the extraordinary general meeting held on 12 June 2019, it was resolved that the Company’s name be changed from “ZH International Holdings Limited (正恒國際控股有限公司)” to “Zensun Enterprises Limited (正商實業有限公司)” effective on 8 July 2019, the date on which the certificate of change of name was issued by the Registrar of Companies in Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 43. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

1. 公司資料

正商實業有限公司(前稱正恒國際控股有限公司)(「本公司」)為在香港註冊成立之上市有限公司，其股份在香港聯合交易所有限公司(「聯交所」)主板上市。本公司之註冊辦事處位於香港中環雲咸街40-44號雲咸商業中心24樓。本公司董事認為，本公司之直接控股公司Joy Town Inc.為於英屬處女群島(「英屬處女群島」)註冊成立之有限私營公司。本公司之最終控股公司為Vistra Trust (Singapore) Pte Limited為於新加坡註冊成立之有限私營公司，作為Huang Yanping女士(「Huang女士」，本公司非執行董事)設立之全權信託之信託人。Huang女士為全權信託之授出人及保護人。本公司主席及執行董事張敬國先生(「張先生」)為Huang女士之配偶。

於二零一九年六月十二日舉行的股東特別大會通過一項特別決議案，議決本公司名稱由「ZH International Holdings Limited (正恒國際控股有限公司)」更改為「Zensun Enterprises Limited (正商實業有限公司)」，自香港公司註冊處發出公司更改名稱證明書之日二零一九年七月八日起生效。

本公司為一間投資控股公司。其附屬公司主要業務載於附註43。本公司及其附屬公司以下統稱本集團。

2.1 編製基準

該等財務報表乃按照香港會計師公會(「香港會計師公會」)頒佈之香港財務報告準則(「香港財務報告準則」，包括所有香港財務報告準則、香港會計準則(「香港會計準則」)及詮釋)及香港公司條例編製。彼等已根據歷史成本法編製，惟已按公平值計量之投資物業及按公平值計入損益之金融資產除外。除另有說明外，該等財務報表乃以人民幣(「人民幣」)呈列，所有金額均約整至最近接之千位數。

綜合基準

綜合財務報表包括本集團截至二零一九年十二月三十一日止年度之財務報表。附屬公司為本公司直接或間接控制的實體(包括結構實體)。本集團因參與投資對象而可以或有權獲得不定回報，且可透過對投資對象行使權力改變回報(即本集團運用既有權利現時可以左右投資對象有關業務)時，視為擁有控制權。

2.1 BASIS OF PREPARATION (CONTINUED)

Basis of consolidation (continued)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.1 編製基準(續)

綜合基準(續)

如本公司直接或間接擁有投資對象投票權或類似權利不過半數，本集團衡量是否對投資對象有權力時，會考慮所有相關事實及情況，包括：

- (a) 投資對象其他投票權持有人的合約安排；
- (b) 其他合約安排的權利；及
- (c) 本集團的投票權及潛在投票權。

附屬公司使用與本公司一致的會計政策編製同一報告期間的財務報表。附屬公司的業績自本集團取得控制權之日起綜合入賬，並持續綜合入賬至有關控制權終止當日為止。

損益及其他全面收益的各組成部分會歸屬於本集團母公司擁有人及非控股權益，即使此舉引致非控股權益結餘為負數。本集團成員公司之所有公司間有關交易之資產及負債、權益、收入、開支及現金流量於綜合賬目時全數抵銷。

倘事實及情況顯示上文所述三項控制因素之一項或多項出現變化，本集團會重新評估其是否控制投資對象。於一間附屬公司之擁有權權益變動，惟並無失去控制權，則以權益交易入賬。

倘本集團失去對一間附屬公司之控制權，則其撤銷確認(i)該附屬公司之資產(包括商譽)及負債；(ii)任何非控股權益之賬面值及(iii)於權益內記錄之累計換算差額；及確認(i)所收代價之公平值、(ii)所保留任何投資之公平值及(iii)損益賬中任何因此產生之盈餘或虧損。先前於其他全面收益表內確認之本集團應佔部份重新分類為損益或保留溢利(視何者屬適當)，基準與倘若本集團直接出售有關資產或負債所需者相同。

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9, HKAS 19 and HKAS 28 and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

2.2 會計政策及披露之變動

本集團已就本年度之財務報表首次採納下列新訂及經修訂香港財務報告準則。

香港財務報告準則第9號修訂本	具有負補償之提早還款特性
香港財務報告準則第16號	租賃
香港會計準則第19號修訂本	計劃修訂、削減或結算
香港會計準則第28號修訂本	於聯營公司及合營企業之長期權益
香港(國際財務報告詮釋委員會) – 詮釋第23號	所得稅處理之不確定性
香港財務報告準則二零一五年至二零一七年週期之年度改進	香港財務報告準則第3號、香港財務報告準則第11號、香港會計準則第12號及香港會計準則第23號修訂本

除香港財務報告準則第9號、香港會計準則第19號及香港會計準則第28號修訂本以及香港財務報告準則二零一五年至二零一七年週期之年度改進與編製本集團財務報表無關外，新訂及經修訂香港財務報告準則之性質及影響載述如下：

- (a) 香港財務報告準則第16號取代香港會計準則第17號租賃、香港(國際財務報告詮釋委員會) – 詮釋第4號釐定安排是否包括租賃、香港(準則詮釋委員會) – 詮釋第15號經營租賃 – 優惠及香港(準則詮釋委員會) – 詮釋第27號評估涉及租賃法律形式交易的實質。該準則載列確認、計量、呈列及披露租賃之原則，並要求承租人就所有租賃以單一資產負債表模式入賬以確認及計量使用權資產及租賃負債，惟若干確認豁免除外。香港財務報告準則第16號大致沿用香港會計準則第17號內出租人的會計處理方式。出租人繼續使用與香港會計準則第17號相似的原則將租賃分類為經營租賃或融資租賃。

本集團已使用經修訂追溯法採納香港財務報告準則第16號(於二零一九年一月一日首次應用)。根據此方法，該準則會追溯應用，而首次採納之累計影響作為對二零一九年一月一日保留保留溢利結餘之調整，以及二零一八年之比較資料不會重列且繼續根據香港會計準則第17號及有關詮釋呈報。

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for certain items of property. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less (“short-term leases”) (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

2.2 會計政策及披露之變動(續)

(a) (續)

租賃之新定義

根據香港財務報告準則第16號，倘合約賦予權利在一段時間內控制一項已識別資產的使用，以換取代價，則該合約為或包含租賃。當客戶有權取得使用已識別資產的絕大部分經濟利益及有權主導使用已識別資產時，控制權即已轉移。本集團選擇使用過渡實際權宜辦法，允許該準則僅適用先前於初始應用當日已根據香港會計準則第17號及香港(國際財務報告詮釋委員會)一詮釋第4號釐定為租賃之合約。未根據香港會計準則第17號及香港(國際財務報告詮釋委員會)一詮釋第4號釐定為租賃的合約不會被重新評估。因此，香港財務報告準則第16號項下的租賃定義僅適用於二零一九年一月一日或之後訂立或變更之合約。

作為承租人 – 先前分類為經營租賃之租賃採納香港財務報告準則第16號之影響之性質

本集團擁有若干物業項目的租賃合約。作為承租人，本集團先前將租賃(按該租賃是否評估為已將其資產所有權的絕大部分回報及風險轉予本集團)分類為融資租賃或經營租賃。根據香港財務報告準則第16號，本集團就所有租賃應用單一的方法確認及計量使用權資產及租賃負債，惟就低價值資產租賃(按個別租賃基準選擇)及租賃期為12個月或以下的租賃(「短期租賃」)(按相關資產類別選擇)兩種選擇豁免除外。本集團確認使用權資產折舊(及減值，如有)及尚未償還租賃負債之應計利息(為融資成本)，而非於自二零一九年一月一日開始之租期內按直線法於經營租賃項下確認租金開支。

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2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

As a lessee – Leases previously classified as operating leases (continued)

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the applicable incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedient when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Relying on the entity's assessment of whether leases were onerous by applying HKAS 37 immediately before 1 January 2019 as an alternative to performing an impairment review
- Excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application when applying HKFRS 16.

2.2 會計政策及披露之變動(續)

(a) (續)

作為承租人 – 先前分類為經營租賃之租賃 (續)

過渡影響

於二零一九年一月一日之租賃負債按剩餘租賃付款之現值確認，並使用於二零一九年一月一日之適用增量借貸利率貼現。使用權資產按租賃負債金額計量，並按緊接二零一九年一月一日前於財務狀況報表中確認與租賃相關的任何預付或應計租賃付款金額進行調整。

所有此等資產均於該日期按香港會計準則第36號作減值評估。本集團選擇在財務狀況報表內獨立呈列使用權資產。

就先前計入投資物業並按公平值計量之租賃土地及樓宇(持有以賺取租金收入及/或資本增值)而言，本集團繼續載入彼等作為於二零一九年一月一日之投資物業。彼等繼續應用香港會計準則第40號按公平值計量。

於二零一九年一月一日應用香港財務報告準則第16號時，本集團使用以下選擇性實際權宜辦法：

- 對於租期自初始應用日期起12個月內終止之租賃應用短期租賃豁免
- 根據其緊接二零一九年一月一日前應用香港會計準則第37號實體對租賃是否有虧損性之評估，作為進行減值審閱替代方案
- 不包括於應用香港財務報告準則第16號首次應用日期計量使用權資產之初始直接成本。

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (CONTINUED)

(a) (continued)

Financial impact at 1 January 2019

The impacts arising from the adoption of HKFRS 16 at 1 January 2019 were as follows:

		RMB'000 人民幣千元
Assets	資產	
Increase in right-of-use assets	使用權資產增加	6,813
Liabilities	負債	
Increase in lease liabilities	租賃負債增加	6,813

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 were as follows:

(a) (續)

於二零一九年一月一日之財務影響

於二零一九年一月一日因採納香港財務報告準則第16號所產生的影響如下：

		RMB'000 人民幣千元
Operating lease commitments as at 31 December 2018	於二零一八年十二月三十一日之經營租賃承擔	8,079
Less: Commitments relating to short-term leases and those leases with a remaining lease term ended on or before 31 December 2019	減：與短期租賃及餘下租期於二零一九年十二月三十一日或之前到期的租賃相關的承諾	(17)
Weighted average incremental borrowing rate as at 1 January 2019	於二零一九年一月一日之加權平均增量借貸利率	7.50%
Lease liabilities as at 1 January 2019	於二零一九年一月一日之租賃負債	6,813

於二零一九年一月一日之租賃負債與於二零一八年十二月三十一日之經營租賃承擔對賬如下：

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Accordingly, the interpretation did not have any impact on the financial position or performance of the Group.

(b) 香港(國際財務報告詮釋委員會)一詮釋第23號闡明稅項處理涉及影響香港會計準則第12號應用之不確定性(通稱「不確定稅項狀況」)時所得稅(即期及遞延)之會計處理方法。該詮釋不適用於香港會計準則第12號範圍以外之稅項或徵稅，尤其亦不包括涉及不確定稅項處理之利息及處罰之相關規定。該詮釋具體闡明以下事項：(i)實體是否單獨考慮不確定稅項處理；(ii)實體對稅務機關之稅項處理檢查所作之假設；(iii)實體如何釐定應課稅溢利或稅項虧損、稅基、未動用稅項虧損、未動用稅項抵免及稅率；及(iv)實體如何考慮事實及情況變化。因此，該詮釋對本集團財務狀況或表現並未造成任何影響。

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2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in the financial statements:

Amendments to HKFRS 3	<i>Definition of a Business¹</i>
Amendments to HKFRS 9 HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform¹</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
HKFRS 17	<i>Insurance Contracts²</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material¹</i>

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for annual periods beginning on or after 1 January 2021

³ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020. Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 已頒佈但尚未生效之香港財務報告準則

本集團並無於財務報表應用下列已頒佈但尚未生效之新訂及經修訂香港財務報告準則：

香港財務報告準則 第3號修訂本	<i>業務之定義¹</i>
香港財務報告準則 第9號、香港會計準則 第39號及香港財務報 告準則第7號修訂本	<i>利率基準改革¹</i>
香港財務報告準則第10 號及香港會計準則第 28號修訂本(二零一 一年)	<i>投資者與其聯營公司 或合營企業之間 之資產出售或注入³</i>
香港財務報告準則 第17號	<i>保險合約²</i>
香港會計準則第1號及 香港會計準則第8號 修訂本	<i>重大性定義¹</i>

¹ 於二零二零年一月一日或之後開始之年度期間生效

² 於二零二一年一月一日或之後開始之年度期間生效

³ 並未釐定強制生效日期，但可提早採納

預期將適用於本集團之該等香港財務報告準則之進一步資料於下文載述。

香港財務報告準則第3號修訂本對業務之定義作出澄清，並提供更多指引。該等修訂說明，就被視為業務之一系列綜合活動及資產而言，其須包括最少一項對共同創造產出能力有顯著貢獻之投入及實質程序。業務可以不包括創造產出所需之所有投入及過程而存在。該等修訂取消對市場參與者是否有能力收購業務並繼續創造產出之評估。相反，重點在於獲得之投入及實質性過程是否共同對創造產出能力有顯著貢獻。該等修訂還縮窄產出之定義，重點關注向客戶提供之貨品或服務、投資收入或源自普通活動之其他收入。此外，該等修訂提供指引，以評估所收購之流程是否具重要性，並引入可選之公平值集中測試，以便簡化評估所獲得之一系列活動及資產是否並非業務。本集團預期即將自二零二零年一月一日起採納該等修訂。由於該等修訂預期適用於首次應用日期或之後發生之交易或其他事件，故本集團於過渡日期將不受該等修訂影響。

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

The directors of the Company considered that the application of those new and revised HKFRSs will not have a material impact on the Group's consolidated financial results.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

2.3 已頒佈但尚未生效之香港財務報告準則(續)

香港會計準則第1號及香港會計準則第8號修訂本為重大性提供新定義。根據新定義，倘可合理預期漏報、錯報或掩蓋個別資料將可影響使用財務報表作一般目的之主要使用者基於該等財務報表作出之決定，則該資料為重大。該等修訂指明，重大性取決於資料之性質及牽涉範圍。倘可合理預期資料錯報會影響主要使用者之決定，則有關錯誤為重大。本集團預期自二零二零年一月一日起按未來適用基準採納修訂。該等修訂預期不會對本集團之財務報表造成任何重大影響。

本公司董事認為應用該等新訂及經修訂香港財務報告準則將不會對本集團綜合財務業績產生重大影響。

2.4 主要會計政策概要

業務合併

業務合併乃以收購法入賬。轉讓代價乃以收購日期的公平值計算，該公平值為本集團所轉讓資產於收購日期之公平值、本集團自收購對象之前擁有人承擔的負債以及本集團發行以換取收購對象控制權之股本權益之總和。於各業務合併中，本集團選擇是否以公平值或收購對象可識別資產淨值的應佔比例，計算於收購對象屬現時擁有人權益的非控股權益，並賦予擁有人權利，於清盤時按比例分佔淨資產。非控股權益之一切其他成分乃按公平值計量。收購相關成本於產生時列為開支。

倘本集團收購一項業務，則會根據合約條款、於收購日期的經濟環境及相關條件評估所承接的金融資產及負債，以作出適合的分類及標示，其中包括分開收購對象主合約中的嵌入式衍生工具。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement

The Group measures its investment properties and financial assets at fair value through profit or loss at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 主要會計政策概要(續)

公平值計量

本集團於各報告期間結算日計量按公平值計量投資物業及按公平值計入損益之金融資產。公平值為市場參與者於計量日期在有序交易中出售資產所收取或轉讓負債所支付的價格。公平值計量乃基於假設出售資產或轉讓負債的交易於資產或負債主要市場或(在無主要市場的情況下)最具優勢市場進行而作出。主要或最具優勢市場須為本集團可進入的市場。資產或負債的公平值乃假設市場參與者以最佳經濟利益行事，按照其於為資產或負債定價時所使用的假設計量。

非金融資產的公平值計量須計及市場參與者自最大限度使用該資產達致最佳用途，或將該資產出售予將最大限度使用該資產達致最佳用途的其他市場參與者，以產生的經濟效益的能力。

本集團採用適用於當時情況且具備充分數據以供計量公平值的估值方法，以盡量使用相關可觀察輸入數據及盡量減少使用不可觀察輸入數據。

所有公平值於本財務報表計量或披露的資產及負債乃基於對公平值計量整體而言屬重大的最低層級輸入數據按以下公平值層級分類：

- 第一級 – 基於相同資產或負債於活躍市場的報價(未經調整)
- 第二級 – 基於對公平值計量而言屬重大的最低層級輸入數據可觀察(直接或間接)的估值方法
- 第三級 – 基於對公平值計量而言屬重大的最低層級輸入數據不可觀察的估值方法

就按經常性基準於本財務報表確認的資產及負債而言，本集團透過於各報告期間結算日重新評估分類(基於對公平值計量整體而言屬重大的最低層輸入數據)確定是否發生不同層級轉移。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, (only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 主要會計政策概要(續)

非金融資產減值

倘有跡象顯示出現減值或需就資產(不包括存貨、遞延稅項資產、金融資產及投資物業)進行年度減值測試，則會估計該資產之可收回金額。資產之可收回金額為該資產或現金產生單位之使用價值及其公平值減銷售成本(以較高者為準)，並就個別資產而確定，除非有關資產並無產生在頗大程度上獨立於其他資產或資產類別之現金流入，在此情況下，可收回金額就資產所屬之現金產生單位而確定。

減值虧損僅於資產之賬面值超逾其可收回金額時確認。於評估使用價值時，估計未來現金流量按可反映現時市場評估之貨幣時間價值及資產特定風險之稅前貼現率貼現至現值。減值虧損於產生期間內在損益賬中與已減值資產功能一致之支出類別內扣除。

於各報告期末須評估有否跡象顯示過往確認減值虧損不再存在或已減少。如有該跡象存在，則會估計可收回金額。過往確認之資產(商譽除外)減值虧損，僅會於用以釐定該資產可收回金額之估計改變時撥回，惟撥回後之金額不得高於假設過往年度並無就資產確認減值虧損而釐定之賬面值(扣除任何折舊／攤銷)。該項減值虧損的回撥於發生時計入損益賬(只要財務報表內有重估資產)，惟倘若資產按重估列賬，則按照該重估資產之相關會計政策處理減值虧損的回撥。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 主要會計政策概要(續)

關連人士

任何人士倘符合以下情況即被認為屬本集團之關連人士：

- (a) 該方為一名人士或該名人士之近親，而該名人士：
- (i) 於本集團擁有控制權或共同控制權；
 - (ii) 對本集團有重大影響力；或
 - (iii) 為本集團或本集團母公司之高級管理人員之一；

或

- (b) 該方為一個實體並符合以下任何一項條件：
- (i) 該實體及本集團為同一集團之成員公司；
 - (ii) 一個實體為另一實體(或該另一實體之母公司、附屬公司或同系附屬公司)之聯營公司或合營企業；
 - (iii) 該實體及本集團為同一第三方之合營企業；
 - (iv) 一個實體為一名第三方實體之合營企業，而另一實體為該第三方實體之聯營公司；
 - (v) 該實體乃為本集團或與本集團有關連之實體之僱員福利而設之離職後福利計劃；
 - (vi) 該實體由(a)所界定之人士控制或共同控制；
 - (vii) 於(a)(i)所界定之人士對該實體有重大影響力或為該實體(或該實體之母公司)之高級管理人員之一；及
 - (viii) 該實體，或其所屬集團之任何成員公司，向本集團或本集團之母公司提供主要管理人員服務。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Land and buildings and hotel	Over the shorter of the lease terms or 2%
Leasehold improvement	Over the shorter of the lease terms or 6.67% to 20%
Furniture, office equipment and motor vehicles	20% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 主要會計政策概要(續)

物業、廠房及設備以及折舊

物業、廠房及設備乃按成本減累計折舊及任何減值虧損列賬。物業、廠房及設備項目成本包括其購買價及將資產達至營運狀況及地點以作擬定用途之任何直接應佔成本。

物業、廠房及設備項目開始運作後產生之支出，如維修及保養費用等，一般於產生期間在損益賬中扣除。倘符合確認標準，主要檢查之開支於資產賬面值中資本化為重置成本。倘物業、廠房及設備之重要部份須不時更換，則本集團將該等部份確認為具有特定使用年期之個別資產及作出相應折舊。

折舊乃以直線法按每項物業、廠房及設備項目之估計可使用年期撇銷其成本至其剩餘價值計算。就此採用之主要年率如下：

永久業權土地	並無折舊
土地及樓宇以及酒店	租賃年期或2%之較短者
租賃物業裝修	租賃年期或6.67%至20%之較短者
傢俬、辦公設備及汽車	20%至25%

倘物業、廠房及設備項目各部份之可使用年期不同，則該項目的成本按合理基準於各部份之間分配，而各部份乃分別折舊。剩餘價值、可使用年期及折舊方法至少於各財政年度末予以檢討，並適時作出調整。

初始確認的物業、廠房及設備項目(包括任何重大部分)於出售或預期使用或出售不會再產生未來經濟利益時終止確認。於資產終止確認年度在損益內確認的任何出售或報廢產生的收益或虧損，乃有關資產出售所得款項淨額與其賬面值的差額。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset (2018: leasehold property under an operating lease) which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Properties under development

Properties under development are intended to be held for sale after completion.

Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realisable value takes into account the price ultimately expected to be realised, less estimated costs to be incurred in selling the properties.

2.4 主要會計政策概要(續)

投資物業

投資物業指持作賺取租金收入及／或資本增值的土地及樓宇權益(包括符合投資物業定義的持作使用權資產的租賃物業(二零一八年：經營租賃的租賃物業))，但不包括用作生產或作供應貨品或提供服務或作行政管理用途或持作日常業務過程中出售的土地及樓宇權益。該等物業初步按成本(包括交易成本)計量。初始確認後，投資物業按公平值列賬，以反映報告期間結算日的市況。

投資物業公平值變動產生的收益或虧損計入其產生年度的損益賬。

報廢或出售投資物業產生的任何收益或虧損於報廢或出售年度的損益賬確認。

發展中物業

發展中物業擬持作竣工後出售。

發展中物業按成本及可變現淨值的較低者列賬，成本包括土地成本、建築成本、借貸成本、專業費用與於發展期內產生與該等物業直接相關的其他成本。

除非發展中物業不會於正常營運周期內變現，否則其分類為流動資產。物業於竣工時轉至持作出售之已完工物業。

持作出售之已完工物業

持作出售之已完工物業乃按成本與可變現淨值的較低者列賬。成本乃按未出售物業應佔土地及樓宇總成本的分攤比例釐定。可變現淨值計及最終預期將變現的價格減去銷售該物業時將產生的估計成本。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019)

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Offices	3 to 5 years
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When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses its applicable incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 主要會計政策概要(續)

租賃(自二零一九年一月一日起適用)

本集團於合約開始時評估合約是否為或包含租賃。倘合約為換取代價而給予在一段時間內控制已識別資產使用的權利，則合約為或包含租賃。

本集團作為承租人

本集團對所有租賃(惟短期租賃及低價值資產租賃除外)採取單一確認及計量方法。本集團確認租賃負債以作出租賃款項，而使用權資產指使用相關資產的權利。

(a) 使用權資產

於租賃開始日期(即相關資產可供使用當日)確認使用權資產。使用權資產按成本減任何累計折舊及任何減值虧損計量，並就任何重新計量租賃負債作出調整。使用權資產成本包括已確認租賃負債金額、初始已產生直接成本及於開始日期或之前作出之租賃付款減任何已收取租賃優惠。使用權資產於租期與其估計可使用年期(以較短者為準)按直線法折舊如下：

辦公室	三至五年
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倘使用權資產符合投資物業之定義，該資產須計入投資物業。相應之使用權資產於開始時按成本計量，而其後須根據本集團對「投資物業」之政策按公平值計量。

(b) 租賃負債

於租賃開始日期，租賃負債按租賃期內作出之租賃付款之現值計予以確認。租賃付款包括固定付款(包括實質固定付款)減任何應收租賃優惠、取決於指數或利率之可變租賃款項以及預期根據剩餘價值擔保支付之金額。

於計算租賃付款之現值時，因為租賃內含利率無法確定，故本集團應用租賃開始日期之適當增量借款利率計算。於開始日期後，租賃負債金額之增加反映了利息上調，其減少則關乎所作出之租賃付款。此外，倘存在租期的修改、變動、租賃付款變動(即由指數或利率變動引起之未來租賃付款變動)或選擇購買相關資產之評估變動，則重新計量租賃負債之賬面值。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (applicable from 1 January 2019) (continued)

Group as a lessee (continued)

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of offices (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Leases (applicable before 1 January 2019)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

2.4 主要會計政策概要(續)

租賃(自二零一九年一月一日起適用)(續)

本集團作為承租人(續)

(c) 短期租賃

本集團對辦公室短期租賃(即自開始日期起租期為12個月或以下且不含購買選擇權的租賃)應用短期租賃確認豁免。

短期租賃的租賃付款以直線法按租期確認為開支。

本集團作為出租人

當本集團作為出租人行事時，其自租賃開始時(或存在租賃修改時)將租賃分類為經營租賃或融資租賃。

所有本集團並未轉讓資產所有權所附帶的絕大部分風險及回報的租賃歸類為經營租賃。倘合約包含租賃及非租賃部分，本集團按相關單獨售價基準將合約代價分配至各部分。租金收入於租期內按直線法列賬，由於其經營性質而計入損益賬之收益。於磋商及安排經營租賃時產生的初始直接成本乃計入租賃資產的賬面值，並於租期內按相同方法確認為租金收入。

所有向承租人轉讓相關資產所有權所附帶的絕大部分風險及回報的租賃列賬為融資租賃。

租賃(二零一九年一月一日之前起適用)

資產所有權的絕大部分回報及風險仍歸出租人所有的租賃列賬為經營租賃。倘本集團為出租人，本集團根據經營租賃出租的資產計入非流動資產，而經營租賃項下應收租金在租期內以直線法計入損益賬。倘本集團為承租人，則經營租賃項下的應付租金扣除出租人給予的優惠後在租期內以直線法自損益賬內扣除。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.4 主要會計政策概要(續)

投資及其他金融資產

初始確認及計量

於初始確認時，金融資產以按公平值計入損益之方式進行分類，其後則按攤銷成本計量。

金融資產於初始確認時之分類取決於取決於金融資產之合約現金流量特徵及本集團管理金融資產之業務模式。若不計及應收賬款(並不包含重大融資部分或本集團就此應用不調整重大融資部分的影響的切實權益法)，本集團初步按公平值加交易成本(倘金融資產並非按公平值計入損益)計量金融資產。根據下文「收益確認」所載之政策，應收賬款(並不包含重大融資部分或本集團就此應用切實權益法)乃按根據香港財務報告準則第15號釐定之交易價格計量。

為使金融資產按攤銷成本或按公平值計入其他全面收益進行分類及計量，須就未償還本金產生純粹為支付本金及利息(「純粹為支付本金及利息」)的現金流量。現金流量並非純粹為支付本金及利息的金融資產，不論其業務模式如何，均按公平值計入損益進行分類及計量。

本集團管理金融資產之業務模式指本集團管理其金融資產以產生現金流量之方法。該業務模式釐定現金流量是否將因收取合約現金流量、出售金融資產或兩者產生。按攤銷成本進行分類及計量的金融資產乃於旨在持有金融資產以收取合約現金流量的業務模式中持有，而按公平值計入其他全面收益進行分類及計量的金融資產則於以收取合約現金流量及出售金融資產的業務模式中持有。並無於上述業務模式中持有的金融資產按公平值計入損益進行分類及計量。

所有常規買賣之金融資產概於交易日(即本集團承諾購買或出售該資產之日期)予以確認。常規買賣乃指按照一般市場規定或慣例在一定期間內交付資產之金融資產買賣。

後續計量

金融資產按其分類之後續計量如下：

按攤銷成本計量之金融資產(債務工具)

按攤銷成本列賬之金融資產其後使用實際利率法計量，並可能受減值影響。當終止確認、修訂或減值時，收益及虧損於損益中確認。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 主要會計政策概要(續)

投資及其他金融資產(續)

按公平值計入損益之金融資產

按公平值計入損益之金融資產按公平值於財務狀況報表列賬，而公平值變動則於損益賬中確認。

此類別包括本集團並無不可撤銷地選擇按公平值計入其他全面收益之方式進行分類之股權投資。分類為按公平值計入損益之金融資產之股權投資股息亦於支付權利確立時在損益賬中確認為其他收入。與股息相關之經濟利益可能將流入本集團及股息金額能夠可靠計量。

終止確認金融資產

金融資產或(如適用)一項金融資產的一部分或一組同類金融資產的一部分主要在下列情況將終止確認(即自本集團綜合財務狀況報表移除):

- 收取該項資產所得現金流量的權利已屆滿; 或
- 本集團已轉讓收取該項資產所得現金流量的權利，或已透過一項「轉付」安排，承擔在未有嚴重延誤的情況下，向一名第三方支付所有已收現金流量的責任；及(a)本集團已轉讓該項資產的絕大部分風險及回報，或(b)本集團並無轉讓或保留該項資產絕大部分風險及回報，但已轉讓該項資產的控制權。

倘本集團已轉讓其從一項資產收取現金流量之權利或已訂立一項轉付安排，其將評估是否保留資產擁有權之風險及回報及保留程度。倘其並無轉讓或保留該項資產的絕大部份風險及回報，且並無轉讓該項資產的控制權，本集團將繼續確認該已轉讓資產，惟以本集團持續參與者為限。於該情況下，本集團亦確認一項相關負債。已轉讓之資產及相關負債乃按反映本集團已保留權利及責任之基準計量。

本公司就已轉讓資產作出保證之持續參與，乃以該項資產之原賬面值及本集團或須償還之代價數額上限(以較低者為準)計算。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Other than accounts receivable with no significant financial component, financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 主要會計政策概要(續)

金融資產減值

本集團就所有並非以按公平值計入損益之方式持有之債務工具確認預期信貸虧損(「預期信貸虧損」)撥備。預期信貸虧損乃按根據合約到期之合約現金流量與本集團預期將收取之所有現金流量之間之差額計算，並按原有實際利率之約數進行折現。預期現金流量將包括出售所持抵押品或其他信貸提升措施(屬於合約條款之一部分)所產生之現金流量。

通用方法

預期信貸虧損分兩個階段確認。就初始確認以來信貸風險並無大幅增加的信貸敞口而言，會為未來十二個月(十二個月預期信貸虧損)可能發生的違約事件所產生之信貸虧損計提預期信貸虧損撥備。就初始確認以來信貸風險大幅增加之信貸敞口而言，須就預期於敞口之餘下年期產生之信貸虧損計提減值撥備，不論違約的時間(全期預期信貸虧損)。

於各報告日期，本集團會評估金融工具的信貸風險自初始確認以來是否大幅增加。於作出評估時，本集團會比較金融工具於報告日期之違約風險與金融工具於初始確認日期之違約風險，並會考慮毋須耗費不當成本或精力即可獲得之合理及有理據資料(包括過往及前瞻性資料)。

於合約付款逾期90天時，本集團視金融資產出現違約。然而，於若干情況下，在計及本集團持有之任何信貸措施前，倘內外部資料顯示本集團不大可能悉數收回尚未收回合約款項，則本集團亦可視金融資產出現違約。倘合理預期不會收回合約現金流量，則會撇銷金融資產。

除並無重大財務部分之應收賬款外，按攤銷成本計量之金融資產須根據通用方法計量減值，其亦於計量預期信貸虧損之下列階段內進行分類，惟應用簡化方法(如下文詳述)之應收賬款除外：

第1階段 – 自初始確認以來，信貸風險並無顯著增加，且其虧損撥備按相當於十二個月預期信貸虧損之金額計量之金融工具

第2階段 – 自初始確認以來，信貸風險顯著增加，但並非屬信貸減值金融資產且其虧損撥備按相當於全期預期信貸虧損之金額計量之金融工具

第3階段 – 於報告日期出現信貸減值(但未購買或產生信貸減值)且其虧損撥備按相當於全期預期信貸虧損之金額計量之金融資產

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Simplified approach

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For accounts receivable that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payables, amounts due to related companies, loans from a related company, bank and other borrowings, and financial liabilities in other payables, deposits and accruals.

Subsequent measurement

The subsequent measurement of financial liabilities is as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, banks and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

2.4 主要會計政策概要(續)

金融資產減值(續)

簡化方法

就並不包含重大融資部分或本集團就此應用不調整重大融資部分的影響的切實權宜法，本集團會應用簡化方法計算預期信貸虧損。根據簡化方法，本集團並不追蹤信貸風險之變動，而是在每個報告日確認基於全期預期信貸虧損之減值虧損。本集團已建立基於過往信貸虧損經驗之撥備矩陣，並就應收賬款及經濟環境特定之前瞻性因素作出調整。

對於含有重大融資部分及應收租賃之應收賬款，本集團會選擇採用簡化方法計算具有上述政策之預期信用損失作為其會計政策。

金融負債

初始確認及計量

金融負債於初始確認時分類為貸款及借款或應付款項(如適用)。

初始確認時，所有金融負債均按公平值確認，而貸款及借款以及應付款項則扣除直接應佔交易成本確認。

本集團金融負債包括應付賬款、應付關連公司款項、來自一間關連公司之貸款、銀行及其他借款以及其他應付款項、按金及應計費用中的金融負債。

後續計量

金融負債的後續計量如下：

按攤銷成本計算之金融負債(貸款和借款)

初始確認後，銀行及其他借款其後以實際利率法按攤銷成本計量，惟倘貼現之影響並不重大，於此情況下，則按成本列賬。倘負債被終止確認，則盈虧在損益中透過實際利率法攤銷程式確認。

攤銷成本計算時會考慮任何收購折讓或溢價以及構成實際利率整體部份的費用或成本。實際利率法攤銷包括在損益內的財務費用。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in “Impairment of financial assets”; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 主要會計政策概要(續)

金融負債(續)

財務擔保合約

本集團發出的財務擔保合約為要求付款以彌償擔保持有人因指定債務人未能按照債務工具條款於到期時付款而招致的損失的合約。財務擔保合約初始按公平值確認為負債，並就直接歸屬於發出該擔保的交易成本作出調整。初始確認後，本集團按以下兩者中的較高者計量財務擔保合約：(i)根據「金融資產減值」所載政策釐定之預期信貸虧損撥備；及(ii)初始確認的金額減(若適用)累計已確認收入金額。

終止確認金融負債

倘金融負債下的義務被解除、取消或到期，則本集團終止確認負債。

當現有金融負債被來自同一放債人的另一項條款迥異的金融負債取代，或現有負債的條款大部分被修訂時，該項交換或修訂會視作終止確認原有負債及確認新負債，各自的賬面金額差額於損益賬確認。

抵銷金融工具

倘現時存在一項可在法律上強制執行的權利，可抵銷已確認金額，且有意以淨額結算或同時變現資產及償付債務，則金融資產與金融負債可予抵銷，並將淨金額列入綜合財務狀況報表。

存貨

存貨以成本與可變現淨值兩者之較低者列賬。存貨成本按先進先出之基準釐定，而在製品及製成品的成本則包括直接材料、直接人工及適當的間接費用部分。可變現淨值乃基於估計售價扣除直至完成及出售時將產生的任何估計成本計算。

現金及現金等價物

就綜合現金流量表而言，現金及現金等價物包括手頭現金及活期存款，以及可隨時兌換為已知數額現金、價值變動風險不大、一般於收購後三個月內到期的短期高度流通投資(須按要求償還並構成本集團現金管理重要部分)。

就綜合財務狀況報表而言，現金及等同現金項目包括用途不受限制的手頭現金及銀行存款(包括定期存款以及現金類似性質資產)。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 主要會計政策概要(續)

撥備

當因過往發生的事件而產生目前的債務(法定或推定)，並可能導致日後須流出資源以清償債務時，本集團會確認撥備，惟債務的金額須能夠可靠地估計。

當貼現的影響重大時，本集團會就撥備確認的金額為預期清償債務所需的未來開支於報告期末的現值。因時間流逝而產生的已貼現現值金額增加計入損益賬的融資成本。

所得稅

所得稅包括即期及遞延稅項。有關損益外確認項目的所得稅會於損益外確認，即於其他全面收益或直接於權益確認。

即期稅項資產及負債乃根據於報告期末已頒佈或實質上已頒佈的稅率(及稅法)，並考慮本集團業務所在國家的現有詮釋及慣例，按預期自課稅機關退回或支付予課稅機關的金額計量。

遞延稅項就於報告期末資產與負債的稅基及作財務申報用途的賬面金額兩者間的所有暫時差額以負債法計提撥備。

遞延稅項負債乃就所有應課稅暫時差額確認，惟：

- 遞延稅項負債乃因一項交易(並非業務合併)中最初確認商譽或資產或負債而產生，且於交易時並無對會計溢利或應課稅溢利或虧損構成影響除外；及
- 就與於附屬公司、聯營公司及合營企業的投資有關的應課稅暫時差額而言，暫時差額的撥回時間可以控制及暫時差額有可能不會於可預見未來撥回除外。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.4 主要會計政策概要(續)

所得稅(續)

遞延稅項資產就所有可扣減暫時差額及未被動用稅項抵免與任何未被動用稅項虧損的結轉確認。遞延稅項資產僅在可能有未來應課稅溢利以動用可扣減暫時差額及結轉的未被動用稅項抵免及未被動用稅項虧損時，方可確認，惟：

- 遞延稅項資產與於一項交易(並非業務合併)中最初確認資產或負債時產生而於交易時並無對會計溢利或應課稅溢利或虧損構成影響的可扣減暫時差額有關除外；及
- 就與於附屬公司的投資有關的可扣減暫時差額而言，遞延稅項資產僅以暫時差額有可能於可預見未來撥回及可能有未來應課稅溢利以動用暫時差額為限確認。

本集團於各報告期末檢討遞延稅項資產的賬面金額，並於不再可能會有足夠應課稅溢利動用全部或部分資產時作調減。未確認的遞延稅項資產會於各報告期末重新評估，並於可能會有足夠應課稅溢利收回全部或部分遞延稅項資產時確認。

遞延稅項資產與負債以變現資產或清還負債的期間的預期適用稅率，按於報告期末已頒佈或實質上已頒佈的稅率(及税法)計量。

倘及僅倘本集團有在法律上可強制執行的權利抵銷即期稅項資產與即期稅項負債，且遞延稅項資產及遞延稅項負債涉及同一課稅機關就同一應課稅實體徵收的所得稅，或涉及就有意於各個預期清償大額遞延稅項負債或收回大額遞延稅項資產的未來期間以淨額基準結算即期稅項負債與資產或同時變現資產及清償負債的不同應課稅實體徵收的所得稅，則遞延稅項資產及遞延稅項負債會作抵銷。

政府補助

政府補助於能合理確定將能收取補助及將符合所有附帶條件時按公平值確認。當補助與支出項目有關時，會於補助擬補償的成本支銷的期間內按有系統基準確認為收入。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Revenue is measured at the fair value of the consideration received or receivable for the sale of properties and services provided in the ordinary course of the Group's activities. Revenue is shown net of taxes.

(a) *Sales of properties*

Revenue from sales of properties in the ordinary course of business is recognised at a point in time when the purchaser obtains the physical possession or the legal title of the completed property and the Group has the present right to payment and the collection of the consideration is probable.

(b) *Property management services*

Revenue from the provision of property management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) *Hotel operations*

Revenue from hotel operations is recognised when the relevant services are provided.

2.4 主要會計政策概要(續)

收益確認

客戶合約收益

來自客戶合約的收益乃於商品或服務的控制權轉讓予客戶時確認，該金額能反映本集團預期就交換該等商品或服務有權獲得的代價。

當合約中的代價包含可變金額時，代價金額於本集團向客戶轉讓商品或服務而有權獲得交換時估計。可變代價於合約開始時估計並受到約束，直至與可變代價相關的不確定因素其後得到解決時，確認的累積收益金額極有可能不會發生重大收益回撥。

當合約中包含融資成分，該融資成分為客戶提供超過一年的商品或服務轉讓融資的重大利益時，收益按應收款項的現值計量，使用貼現率折現，該貼現率將反映在本集團與客戶在合同開始時的單獨融資交易中。當合約中包含融資部分，該融資部分為本集團提供了一年以上的重大財務利益時，合約項下確認的收益包括按實際利息法在合約負債上累計的利息。就客戶付款至轉讓承諾商品或者服務的期限為一年或者更短的合約而言，交易價格採用香港務報告準則第15號中實際權宜之計，不會對重大融資部分的影響作出調整。

就於本集團日常業務過程中出售物業及提供服務而言，收益按已收或應收代價之公平值計量。收益於扣除稅項後列賬。

(a) *物業銷售*

就於日常業務過程中出售物業而言，收益於買方獲得竣工物業的實際所有權或法定業權、本集團現時擁有要求付款權及代價有可能收回時確認。

(b) *物業管理服務*

就提供物業管理服務而言，收益按直線基準於計劃期間確認，原因是客戶同時收取及消費本集團提供的利益。

(c) *酒店營運*

就酒店營運而言，收益於提供相關服務時確認。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

- (a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- (b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- (c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised. Other contract costs are expensed as incurred.

2.4 主要會計政策概要(續)

收益確認(續)

其他來源收益

租金收入於租期內按時間比例基準確認。

股息收入於股東收取派付的權利獲確定、與股息有關的經濟利益可能流向本集團及股息金額能可靠計量時確認。

其他收入

利息收入按累計基準使用實際利息法確認，當中採用將金融工具預期年期或更短期間(如適用)內的估計未來現金收入準確貼現至金融資產賬面淨額的利率。

合約負債

倘本集團轉讓有關貨品或服務前自客戶收取付款或付款到期時(以較早者為準)，則確認合約負債。合約負債於本集團履行合約時確認為收益(即將有關貨品或服務的控制權轉讓予客戶)。

合約成本

除資本化為存貨、物業、廠房及設備以及無形資產的成本外，倘符合下列全部標準，履行客戶合約產生的成本資本化為資產：

- (a) 有關成本與實體可明確識別之合約或預期合約有直接關係。
- (b) 有關成本令實體將用於履行(或持續履行)日後履約責任之資源得以產生或有所增加。
- (c) 有關成本預期可收回。

資本化合約成本與資產相關收益的確認模式一樣系統化地攤銷並於損益賬扣除。其他合約成本於產生時支銷。

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other employee benefits

Retirement benefit schemes

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong under the rules and regulations of the Mandatory Provident Fund Schemes Authority. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. Contributions are made based on a percentage of the participating employees' relevant income from the Group and are charged to the profit or loss as they become payable in accordance with the rules of the MPF Scheme. When an employee leaves the MPF Scheme, the mandatory contributions are fully vested with the employee.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a pension scheme (the "Pension Scheme") operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the Pension Scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the Pension Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

The Company's functional currency is Hong Kong dollars. These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

2.4 主要會計政策概要(續)

其他僱員福利

退休福利計劃

本集團根據強制性公積金計劃管理局之規則及規例為全體香港合資格僱員提供強制性公積金計劃(「強積金計劃」)。強積金計劃資產與本集團資產分開持有，由受託人管理之基金持有。按照參與僱員從本集團所得相關收入之百分比供款，由彼等根據強積金計劃規則應付並於損益扣除。當僱員退出強積金計劃時，強制性供款全數歸僱員所有。

本集團於中國內地經營的附屬公司的僱員被要求參與地方市政府營辦的退休金計劃(「退休金計劃」)。附屬公司須將其一定比例的薪金成本向該退休金計劃供款。根據退休金計劃規則須支付的供款於損益賬列賬。

借貸成本

與收購、建造或生產需要長時間方能達致擬定用途或銷售之合資格資產直接有關之借貸成本，均資本化為該等資產成本的一部分，直至該等資產可大致上作擬定用途或銷售為止。將特定借貸用以支付合資格資產前就該等借貸所作暫時投資賺取之投資收入，從資本化借貸成本中扣除。所有其他借貸成本於其產生期間支銷。借貸成本包括利息及實體產生之有關資金借貸的其他成本。

股息

末期股息於股東在股東大會上批准時確認為負債。建議末期股息於財務報表附註披露。

外幣

本公司的功能貨幣為港元。該等財務報表以人民幣呈列。本集團各實體釐定其各自之功能貨幣，各實體財務報表所載項目使用功能貨幣計量。本集團實體所列外幣交易初步使用交易日期其各自的功能貨幣匯率入賬。以外幣計值的貨幣資產及負債按於報告期末的外幣匯率進行換算。貨幣項目結算或換算產生的差額於損益賬確認。

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB, including United States dollars ("USD"), Singapore dollars ("SGD") and Japanese Yen ("JPY"). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

2.4 主要會計政策概要(續)

外幣(續)

貨幣項目結算或換算產生的差額於損益賬確認，惟就指定作為對沖本集團的海外業務投資淨額一部分的貨幣項目則除外。該等貨幣項目於其他全面收益確認，直至投資淨額已出售，此時累算金額乃重新分類至損益賬。就該等貨幣項目匯兌差額應佔的稅項支出及抵免亦計入其他全面收益內。

按外幣歷史成本計量的非貨幣項目按首次交易日期的匯率換算。按外幣公平值計量之非貨幣項目採用計量公平值當日之匯率換算。兌換非貨幣項目產生及按公平值計量之損益之處理方式與確認該項目公平值變動產生之損益相符。

於終止確認涉及預付代價的非貨幣資產或非貨幣負債時，為了確定相關資產、開支或收入於初始確認時的匯率，初始交易日期為本集團初始確認預付代價產生的非貨幣資產或非貨幣負債的日期。倘支付或收受多項預付代價，則本集團就支付或收受每項預付代價確定交易日期。

若干海外附屬公司之功能貨幣為人民幣以外之貨幣，包括美元(「美元」)、新加坡元(「新加坡元」)及日圓(「日圓」)。於報告期末，該等實體之資產與負債，按報告期末之匯率換算為人民幣，其損益賬則按本年度之加權平均匯率換算為人民幣。

因此而產生之匯兌差額於其他全面收益確認，並於外匯變動儲備中累計。出售外國業務時，就該項外國業務確認之其他全面收益部份，會在損益賬中確認。

任何因收購外國業務引起之商譽及任何由於收購所得之資產及負債面值金額之公平值調整均視為外國業務之資產及負債及以收市價換算。

就綜合現金流量表而言，海外附屬公司之現金流量乃以現金流動日之匯率換算為人民幣。於年內產生之海外附屬公司經常性現金流量乃以年內之加權平均匯率換算為人民幣。

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Deferred tax on investment properties

For the purposes of measuring deferred taxes arising from investment properties that are using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties – senior housing communities located in the United States of America (the "USA") – are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time rather than through sale whereas those situated in Hong Kong and Singapore and residential homes located in the USA are not held under such a business model. Therefore, the presumption that the carrying amounts of investment properties are recovered entirely through sale is rebutted for properties of senior housing communities but is not rebutted for properties located in Hong Kong and Singapore and residential homes located in the USA. The Group has not recognised any deferred taxes on changes in fair value of these investment properties located in Hong Kong and Singapore as the Group is not subject to any income taxes on disposal of these investment properties.

Deferred tax on withholding taxes

Deferred tax liabilities are recognised for withholding corporate income taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. Significant management judgement is required to determine the amount of deferred tax liabilities, based upon the likely distribution level of such earnings from these subsidiaries in the foreseeable future. The amount of deferred tax liabilities arising from the withholding tax associated with the investment in subsidiaries established in the PRC for the year ended 31 December 2019 was RMB95,000,000 (31 December 2018: nil). Further details are contained in note 28 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. 重大會計判斷及估計

編製本集團之財務報表時，管理層須作出會影響收益、開支、資產及負債之呈報金額，及其隨附披露以及或然負債披露之判斷、估計及假設。然而，有關該等假設及估計之不確定因素可導致於日後須對受影響之資產或負債賬面值作出重大調整。

判斷

於應用本集團會計政策之過程中，除涉及估計之判斷外，管理層亦作出以下對於財務報表中確認之金額構成最重大影響之判斷：

於投資物業之遞延稅項

就以公平值模型計量之投資物業產生之遞延稅項而言，本公司董事已審閱本集團之投資物業組合，總結為本集團位於美利堅合眾國（「美國」）之投資物業—長者住房院舍以商業模式（其目標是隨時間而非透過銷售消耗投資物業所包含之絕大部分經濟利益）持有，而該等位於香港及新加坡之投資物業及位於美國之住宅單位則並非以該商業模式持有。因此，就長者住房院舍之物業而言，透過出售全部回收投資物業賬面值之假定被推翻，惟就位於香港及新加坡之物業及位於美國之住宅單位而言，假定則不被推翻。由於本集團出售該等位於香港及新加坡之投資物業時毋須繳納任何所得稅，故本集團並無就該等投資物業之公平值變動確認任何遞延稅項。

於預扣稅之遞延稅項

就本集團於中國成立之附屬公司須繳納預扣稅的未匯出盈利應付的預扣企業所得稅確認遞延稅項負債。管理層須基於該等附屬公司於可見未來可能分派有關盈利之水平作出重大判斷，以釐定遞延稅項負債金額。於截至二零一九年十二月三十一日止年度，與於中國成立之附屬公司的投資相關之預扣稅產生之遞延稅項負債金額為人民幣95,000,000元（二零一八年十二月三十一日：無）。進一步詳情載於財務報表附註28。

估計不明朗因素

有關未來之主要假設及於報告期間結算日估計不明朗因素（會導致下個財政年度內之資產及負債賬面值出現大幅調整之重大風險）之其他主要來源載述如下。

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Provision for expected credit losses on accounts receivable and other receivables

The Group uses a provision matrix to calculate ECLs for accounts receivable and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The expected loss rate is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's accounts receivable and other receivables is disclosed in note 21 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

3. 重大會計判斷及估計(續)

估計不明朗因素(續)

應收賬款及其他應收款項之預期信貸虧損撥備

本集團使用撥備矩陣計算應收賬款及其他應收款項之預期信貸虧損。撥備率乃基於具有類似虧損模式之多個客戶分部組別(即地理位置、產品類別、客戶類別及評級)之逾期天數釐定。

預期虧損率初步基於本集團之過往觀察所得違約率。本集團將調整矩陣，藉以按前瞻性資料調整過往信貸虧損經驗。例如，倘預測經濟狀況(即國內生產總值)預期將在未來一年內惡化，可能導致製造業之違約次數增加，則會調整過往違約率。於各報告日期，過往觀察所得違約率會予以更新，並分析前瞻性估計之變動。

過往觀察所得違約率、經濟狀況預測及預期信貸虧損之間的相關性評估為一個重要估計。預期信貸虧損金額對環境及經濟狀況預測之變動極為敏感。本集團之過往信貸虧損經驗及經濟狀況預測亦或不能代表客戶未來的實際違約。有關本集團應收賬款及其他應收款項之預期信貸虧損之資料於財務報表附註21中披露。

租賃 – 估計增量借貸利率

本集團無法輕易釐定租賃內所隱含之利率，因此，使用增量借貸利率(「增量借貸利率」)計量租賃負債。增量借貸利率為本集團於類似經濟環境中為取得與使用權資產價值相近之資產，而以類似抵押品與類似期間借入所需資金應支付之利率。因此，增量借貸利率反映了本集團「應支付」之利率，當無可觀察之利率時(如就並無訂立融資交易之附屬公司而言)或當須對利率進行調整以反映租賃之條款及條件時(如當租賃並非以附屬公司之功能貨幣訂立時)，則須作出利率估計。當可觀察輸入數據可用時，本集團使用可觀察輸入數據(如市場利率)估算增量借貸利率並須作出若干實體特定之估計(如附屬公司之單獨信用評級)。

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2019 was RMB654,244,000 (2018: RMB646,620,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 15 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. 重大會計判斷及估計(續)

估計不明朗因素(續)

投資物業公平值之估計

當活躍市場上缺乏相似物業之現價時，本集團會參考不同資料來源，包括：

- (a) 在活躍市場上不同性質、條件或地點之物業現價，並作出調整以反映該等差異；
- (b) 在較為不活躍市場上相似物業之現價，並作出調整以反映該等價格自交易日以來經濟狀況任何變動對該等價格之影響；及
- (c) 基於未來現金流量之可靠估計之貼現現金流量預測，並根據任何現有租約及其他合約之條款，以及(如可能)外部證據，例如同地地點及狀況之類似物業的現行市場租金，並使用貼現率反映現時市場對現金流量之金額及時間之不確定性評估。

於二零一九年十二月三十一日，投資物業賬面值為人民幣654,244,000元(二零一八年：人民幣646,620,000元)。進一步詳情(包括計量公平值採用之主要假設及敏感度分析)載於財務報表附註15。

非金融資產減值(商譽除外)

本集團於各報告期間結算日評估所有非金融資產(包括使用權資產)有否任何減值跡象。非金融資產會於有跡象顯示可能無法收回賬面值時進行減值測試。當資產或現金產生單位之賬面值超出其可收回金額(即其公平值減銷售成本及其使用價值的較高者)時，則存在減值。公平值減出售成本乃基於同類資產按公平協商基準進行的具約束力的銷售交易的可用數據，或可觀察市價減出售資產之遞增成本而計算。計算使用價值時，管理層須估計資產或現金產生單位之預計未來現金流量，並選用合適的貼現率以計算該等現金流量之現值。

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2019 was RMB63,198,000 (2018: RMB57,299,000). The amount of unrecognised tax losses at 31 December 2019 was RMB613,587,000 (2018: RMB542,436,000). Further details are contained in note 28 to the financial statements.

PRC corporate income tax ("CIT")

The Group is subject to corporate income taxes in the PRC. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the period in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in the PRC. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for all its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the period in which the differences realise.

3. 重大會計判斷及估計(續)

估計不明朗因素(續)

遞延稅項資產

遞延稅項資產就未動用稅項虧損予以確認，惟以可能出現應課稅溢利將可用以抵銷有關可動用之虧損為限。在釐定可予以確認之遞延稅項資產金額時，須根據日後應課稅溢利可能出現之時間及水平以及未來稅項規劃策略作出重大管理判斷。於二零一九年十二月三十一日，有關已確認稅項虧損之遞延稅項資產賬面值為人民幣63,198,000元(二零一八年：人民幣57,299,000元)。於二零一九年十二月三十一日，未確認稅項虧損為人民幣613,587,000元(二零一八年：人民幣542,436,000元)。進一步詳情載於財務報表附註28。

中國企業所得稅(「企業所得稅」)

本集團須繳納中國企業所得稅。由於地方稅務局尚未落實與所得稅相關的若干事宜，故於釐定將作出之所得稅撥備時，須根據目前已頒佈之稅務法律、法規及其他相關政策作出客觀估計及判斷。倘此等事宜之最終稅務結果有別於原先記錄之金額，則有關差額將影響變現差額期間之所得稅及稅務撥備。

中國土地增值稅(「土地增值稅」)

對中國相關稅務法律及法規所載規定的理解所作之最佳估計而計提。實際土地增值稅負債須待物業發展項目竣工後由稅務機關釐定。本集團尚未就其全部物業發展項目與稅務機關落實其土地增值稅之計算及付款。最終結果可能與初步入賬之金額不同，而差額將會影響變現期間之土地增值稅開支及相關撥備。

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (continued)

Net realisable value assessment of properties under development and completed properties held for sale

The Group carried out assessment on net realisable value of properties under development and completed properties held for sale at each end of reporting period and compared the costs and its net realisable value. The net realisable value is the estimated future selling price less estimated cost of completion or the estimated costs necessary to make the sale (if any). The estimated future selling prices are estimated by management with reference to the Group's pre-sale selling prices and the recent selling prices of similar properties in the nearby or relevant locations. The management also estimated the future selling expenses and the expected costs to completion by reference to the actual selling expenses of the Groups' completed projects, adjusted by certain current market data, the legal and regulating framework and general market condition. The Group's properties under development and completed properties held for sale are all situated in the PRC, details of which are set out in the consolidated statement of financial position and notes 18 and 19 to the financial statements. At 31 December 2019, the carrying amounts of properties under development and completed properties held for sale were approximately RMB38,367,480,000 (2018: RMB29,777,845,000) and RMB3,824,960,000 (2018: RMB934,671,000), respectively, which are expected to be recovered through future sales and stated at the lower of cost and net realisable value. All of the properties under development and completed properties held for sale are expected to be recovered higher than the cost and hence no write-down to net realisable value was required for the year ended 31 December 2018. When there is any decrease in net realisable value of the properties and it is lower than the cost of the properties, loss will be recognised on the properties under development and completed properties held for sale in the consolidated statement of profit or loss.

Contingent liabilities

As at 31 December 2019, the Group had contingent liabilities relating to guarantees amounting to approximately RMB7,819,571,000 (2018: RMB3,699,022,000) in respect of mortgage facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interests thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyers of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the directors of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2019 as the default risk is low and in case of default in payments, the net realisable of the related properties can cover the outstanding principal together with the accrued interest and penalties. Should the actual outcome be different from expected, provision for losses will be recognised in the consolidated financial statements.

3. 重大會計判斷及估計(續)

估計不明朗因素(續)

發展中物業及持作出售之已完工物業之可變現淨值評估

本集團於各報告期間結算日對發展中物業及持作出售之已完工物業之可變現淨值進行評估並對比成本與其可變現淨值。可變現淨值乃按估計未來售價減估計完成成本或出售所需之估計成本(如有)計算。估計未來售價乃由管理層經參考本集團之預售價及於附近或相關地點之類似物業之近期售價後估計得出。管理層亦已參考本集團竣工項目所需的實際銷售開支對未來銷售開支及預期完工成本進行估計，有關實際銷售開支已根據若干現有市場數據、法律及監管體制以及整體市況作出調整。本集團之發展中物業及持作出售之已完工物業均位於中國，其詳情載於綜合財務狀況報表以及財務報表附註18及19。於二零一九年十二月三十一日，發展中物業及持作出售之已完工物業之賬面值分別約人民幣38,367,480,000元(二零一八年：人民幣29,777,845,000元)及人民幣3,824,960,000元(二零一八年：人民幣934,671,000元)預期可透過未來銷售予以收回，並按成本及可變現淨值兩者之較低者列賬。截至二零一八年十二月三十一日止年度，所有發展中物業及持作出售之已完工物業預期將以高於成本之價格收回，故毋須撇減至可變現淨值。倘物業之可變現淨值出現任何減少並低於物業之成本，則將就發展中物業及持作出售之已完工物業於綜合損益賬確認虧損。

或然負債

於二零一九年十二月三十一日，本集團就有關本集團物業之物業買家訂立之按揭貸款而由若干銀行提供之按揭融資之擔保擁有或然負債約人民幣7,819,571,000元(二零一八年：人民幣3,699,022,000元)。根據擔保條款，倘該等物業買家拖欠按揭款項，本集團須負責支付失責買家欠付銀行的未償還按揭本金連同累計利息及任何罰款。本集團將有權接管相關物業的法定業權及擁有權。該等擔保將於以下較早者發生時解除：(i)物業買家償還按揭貸款；及(ii)就按揭物業發出物業所有權證並完成按揭的取消登記。本公司董事認為，由於違約風險不大及倘付款出現違約，相關物業之可變現淨值可涵蓋未償還本金連同累計利息及罰款，故並無就擔保合約於截至二零一九年十二月三十一日止年度之綜合財務報表作出撥備。倘實際結果與預期不同，則將於綜合財務報表確認虧損撥備。

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (a) Property development in the PRC
- (b) Property investment and management on American Housing REIT, Inc. ("AHR") and property management provided to Global Medical REIT, Inc. ("GMR") in the USA
- (c) Property investment other than AHR
- (d) Securities trading and investment
- (e) Hotel operations

The Group has property investment and/or management businesses in Hong Kong, the USA, and Singapore. Other than AHR which is operated in the USA, the property investment businesses in other regions are evaluated together and assessed as one operating segment by the management.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that certain other gains and losses, corporate and unallocated income and expenses (including unallocated finance costs) are excluded from this measurement.

Segment assets exclude deferred tax assets, unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, tax liabilities and unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. 經營分部資料

為進行管理，本集團根據其產品及服務成立業務分部，其五個可報告經營分部如下：

- (a) 於中國之物業發展
- (b) 於美國對美洲房地產投資信託(「AHR」)進行之物業投資及管理以及向國際醫療房地產投資信託(「GMR」)提供之物業管理
- (c) AHR以外之物業投資
- (d) 證券買賣及投資
- (e) 酒店業務

本集團於香港、美國及新加坡擁有物業投資及／或管理業務。除於美國經營的AHR外，其他地區之物業投資業務乃由管理層一併估值，並作為一個經營分部予以評估。

管理層個別監控本集團之經營分部之業績，以便作出有關資源分配及表現評估之決定。評估分部表現乃根據可報告之分部溢利／(虧損)(除稅前經調整溢利／(虧損)之計量)。除稅前經調整溢利／(虧損)乃貫徹本集團之除稅前溢利／(虧損)計量，惟若干其他收益及虧損、公司及未分配收入及支出(包括未分配融資成本)除外。

分部資產不包括遞延稅項資產、總部及公司未分配資產，因該等資產是以集團基準管理。

分部負債不包括遞延稅項負債、稅項負債以及總部及公司未分配負債，因該等負債是以集團基準管理。

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31 December 2019 二零一九年十二月三十一日

4. OPERATING SEGMENT INFORMATION (CONTINUED)

4. 經營分部資料(續)

Segment revenue and segment results

分部收益及分部業績

		Segment revenue 分部收益		Segment results 分部業績	
		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Property development in the PRC	於中國之物業發展	8,795,966	521,832	1,907,343	8,377
Property investment and management on AHR and property management provided to GMR in the USA	於美國對AHR進行之物業投資及管理以及向GMR提供之物業管理	59,947	46,639	18,031	6,659
Property investment other than AHR	AHR以外之物業投資	12,340	13,535	1,788	17,237
Securities trading and investment	證券買賣及投資	15,856	15,756	128,578	24,959
Hotel operations	酒店業務	3,077	3,708	(7,920)	(1,500)
		8,887,186	601,470	2,047,820	55,732
Unallocated corporate income	未分配公司收入			8,370	23,999
Other gains and losses	其他收益及虧損			1,703	7,251
Unallocated corporate expenses	未分配公司開支			(20,116)	(11,398)
Unallocated finance costs	未分配融資成本			-	(17,070)
Profit before tax	除稅前溢利			2,037,777	58,514

4. OPERATING SEGMENT INFORMATION
(CONTINUED)

4. 經營分部資料(續)

Segment assets and segment liabilities

分部資產及分部負債

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
<i>Segment assets</i>	<i>分部資產</i>		
Property development in the PRC	於中國之物業發展	49,632,056	38,122,867
Property investment and management on AHR and property management provided to GMR in the USA	於美國對AHR進行之物業投資及管理以及向GMR提供之物業管理	275,257	253,750
Property investment other than AHR	AHR以外之物業投資	461,792	503,032
Securities trading and investment	證券買賣及投資	353,946	237,705
Hotel operations	酒店業務	-	7,541
		50,723,051	39,124,895
<i>Segment assets</i>	<i>分部資產</i>		
Unallocated assets	未分配資產	1,219,138	444,364
Total assets	總資產	51,942,189	39,569,259
<i>Segment liabilities</i>	<i>分部負債</i>		
Property development in the PRC	於中國之物業發展	47,138,155	37,753,219
Property investment and management on AHR and property management provided to GMR in the USA	於美國對AHR進行之物業投資及管理以及向GMR提供之物業管理	110,323	109,183
Property investment other than AHR	AHR以外之物業投資	136,962	145,730
Hotel operations	酒店業務	-	603
		47,385,440	38,008,735
<i>Segment liabilities</i>	<i>分部負債</i>		
Unallocated liabilities	未分配負債	819,708	439,012
Total liabilities	總負債	48,205,148	38,447,747

NOTES TO FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

Other segment information

For the year ended 31 December 2019

4. 經營分部資料(續)

其他分部資料

截至二零一九年十二月三十一日止年度

	Property investment and management on AHR and property management	Property investment provided to GMR in the USA 於美國對AHR進行之物業投資及管理以及	Property investment other than AHR AHR以外之物業投資	Securities trading and investment 證券買賣及投資	Hotel operations 酒店業務	Segment total 分部總額	Unallocated 未分配	Total 總計	
	Property development in the PRC 於中國之物業發展	Property provided to GMR in the USA 向GMR提供之物業管理	Property investment other than AHR AHR以外之物業投資	Securities trading and investment 證券買賣及投資	Hotel operations 酒店業務	Segment total 分部總額	Unallocated 未分配	Total 總計	
	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	
Additions to investment properties and property, plant and equipment	投資物業及物業、廠房及設備之添置	5,176	1,022	-	-	30	6,228	8	6,236
Depreciation of property, plant and equipment	物業、廠房及設備折舊	4,297	376	14	-	111	4,798	298	5,096
Depreciation of right-of-use assets	使用權資產折舊	-	1,641	-	-	-	1,641	-	1,641
Impairment losses on accounts receivable and other receivables	應收賬款及其他應收款項減值虧損	-	777	-	-	-	777	-	777
Loss on disposal of subsidiaries	出售附屬公司之虧損	-	-	-	-	6,815	6,815	-	6,815
Increase/(decrease) in fair value of investment properties	投資物業之公平值增加/(減少)	-	3,347	(1,097)	-	-	2,250	-	2,250
Increase in fair value of financial assets at fair value through profit or loss	按公平值計入損益之金融資產公平值增加	-	-	-	112,726	-	112,726	-	112,726

4. OPERATING SEGMENT INFORMATION (CONTINUED)

Other segment information (continued)

For the year ended 31 December 2018

4. 經營分部資料(續)

其他分部資料(續)

截至二零一八年十二月三十一日止年度

	Property investment and management on AHR and property management	Property investment provided to GMR in the USA 於美國對AHR進行之物業投資及管理以及	Property investment other than AHR AHR以外之物業投資	Securities trading and investment 證券買賣及投資	Hotel operations 酒店業務	Segment total 分部總額	Unallocated 未分配	Total 總計
	Property development in the PRC 於中國之物業發展	Property investment provided to GMR in the USA 於美國對AHR進行之物業投資及管理以及	Property investment other than AHR AHR以外之物業投資	Securities trading and investment 證券買賣及投資	Hotel operations 酒店業務	Segment total 分部總額	Unallocated 未分配	Total 總計
	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
Additions to investment properties and property, plant and equipment	投資物業及物業、廠房及設備之添置	5,057	1,516	-	-	6,573	-	6,573
Depreciation of property, plant and equipment	物業、廠房及設備折舊	3,251	110	71	-	3,582	368	3,950
Impairment losses on accounts receivable and other receivables	應收賬款及其他應收款項減值虧損	-	779	-	-	779	-	779
Gain on disposal of subsidiaries	出售附屬公司之收益	-	-	-	-	-	7,447	7,447
Increase in fair value of investment properties	投資物業之公平值增加	-	1,451	16,414	-	17,865	-	17,865
Increase in fair value of financial assets at fair value through profit or loss	按公平值計入損益之金融資產公平值增加	-	-	-	9,329	-	-	9,329

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4. OPERATING SEGMENT INFORMATION (CONTINUED)

4. 經營分部資料(續)

Geographical information

地區資料

		Revenue from external customers 來自外部客戶收益		Non-current assets 非流動資產	
		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
The PRC	中國	8,798,193	522,481	5,549	4,608
The USA	美國	76,187	62,692	237,596	233,017
Singapore	新加坡	7,629	7,340	314,912	310,365
Hong Kong	香港	2,100	2,115	119,144	114,848
Japan	日本	3,077	6,842	-	6,908
		8,887,186	601,470	677,201	669,746

The geographical locations of revenue from external customers are based on the geographical markets of the customers, locations of properties and investments. The geographical locations of the non-current assets, excluding deferred tax assets and financial instruments, are based on the geographical locations of the assets.

來自外部客戶收益之地理區域乃基於客戶地區市場、物業及投資之所在地而釐定。非流動資產(遞延稅項資產及金融工具除外)之地理區域乃基於有關資產之地理區域而釐定。

Information about major customers

During the years ended 31 December 2019 and 2018, no single customer has contributed 10% or more of the Group's total revenue.

有關主要客戶之資料

截至二零一九年及二零一八年十二月三十一日止年度，概無單一客戶貢獻本集團總收益10%或以上。

5. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Revenue from contracts with customers			
	客戶合約收益		
Sales of properties in the PRC	於中國出售物業	8,795,966	521,832
Property management services	物業管理服務	43,252	29,330
Hotel operations	酒店業務	3,077	3,708
		8,842,295	554,870
Revenue from other sources			
	其他收益來源		
Gross rental income from investment properties	投資物業之租金收入總額	29,035	30,844
Dividend income from financial assets at fair value through profit or loss	按公平值計入損益之金融資產之股息收入	15,856	15,756
		8,887,186	601,470

Revenue from contracts with customers (i) Disaggregated revenue information For the year ended 31 December 2019

客戶合約收益 (i) 收益分拆資料 截至二零一九年十二月三十一日止年度

Segments	分部	Sales of properties in the PRC 於中國出售物業 RMB'000 人民幣千元	Property management services 物業管理服務 RMB'000 人民幣千元	Hotel operations 酒店業務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Type of goods or services and geographical markets	商品或服務之類別及區域市場				
Sale of properties in the PRC	於中國出售物業	8,795,966	-	-	8,795,966
Property management services in the USA	於美國之物業管理服務	-	43,252	-	43,252
Hotel services and consumptions in Japan	於日本之酒店服務及消費	-	-	3,077	3,077
Total revenue from contracts with customers	客戶合約收益總額	8,795,966	43,252	3,077	8,842,295
Timing of revenue recognition	收益確認時間				
Goods transferred at a point in time	於某一時間點轉讓貨物	8,795,966	-	-	8,795,966
Services transferred over time	隨時間轉讓服務	-	43,252	3,077	46,329
Total revenue from contracts with customers	客戶合約收益總額	8,795,966	43,252	3,077	8,842,295

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5. REVENUE AND OTHER INCOME (CONTINUED)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2018

Segments	分部	Sales of properties in the PRC 於中國出售物業 RMB'000 人民幣千元	Property management services 物業管理服務 RMB'000 人民幣千元	Hotel operations 酒店業務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Type of goods or services and geographical markets	商品或服務之類別及區域市場				
Sale of properties in the PRC	於中國出售物業	521,832	-	-	521,832
Property management services in the USA	於美國之物業管理服務	-	29,330	-	29,330
Hotel services and consumptions in Japan	於日本之酒店服務及消費	-	-	3,708	3,708
Total revenue from contracts with customers	客戶合約收益總額	521,832	29,330	3,708	554,870
Timing of revenue recognition	收益確認時間				
Goods transferred at a point in time	於某一時間點轉讓貨物	521,832	-	-	521,832
Services transferred over time	隨時間轉讓服務	-	29,330	3,708	33,038
Total revenue from contracts with customers	客戶合約收益總額	521,832	29,330	3,708	554,870

Revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

於本報告期間確認並計入報告期初之合約負債之收益如下：

	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Sale of properties in the PRC	7,080,881	213,452

5. REVENUE AND OTHER INCOME (CONTINUED)

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied upon delivery of the properties and advanced payments are required pursuant to the terms of sale and purchase agreements.

Rendering of services (property management services and hotel operations)

The performance obligation is satisfied over time as services are rendered and bills are issued when services are rendered.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and 2018 are as follows:

		2019	2018
		二零一九年	二零一八年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Within one year	一年內	7,311,903	10,578,454
After one year	一年後	13,704,793	4,353,269
		21,016,696	14,931,723

An analysis of other income is as follows:

		2019	2018
		二零一九年	二零一八年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Interest income	利息收入	7,980	23,874
Government grants	政府資助	1,285	1,000
Others	其他	413	204
		9,678	25,078

5. 收益及其他收入(續)

客戶合約收益(續)

(ii) 履約責任

有關本集團履約責任之資料概述如下：

物業銷售

履約責任乃於交付物業後獲履行，且須根據買賣協議條款預付款項。

提供服務(物業管理服務及酒店業務)

履約責任乃於已提供服務並在提供服務後獲出具賬單時隨時間履行。

於二零一九年及二零一八年十二月三十一日，分配至餘下履約責任(未履行或部分未履行)之交易價格如下：

	2019	2018
	二零一九年	二零一八年
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Within one year	7,311,903	10,578,454
After one year	13,704,793	4,353,269
	21,016,696	14,931,723

其他收入之分析如下：

	2019	2018
	二零一九年	二零一八年
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Interest income	7,980	23,874
Government grants	1,285	1,000
Others	413	204
	9,678	25,078

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6. OTHER GAINS AND LOSSES

6. 其他收益及虧損

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Increase in fair value of investment properties (note 15)	投資物業之公平值增加(附註15)	2,250	17,865
Increase in financial assets at fair value through profit or loss	按公平值計入損益之金融資產增加	112,726	9,329
Exchange gains/(loss), net	匯兌收益/(虧損)淨額	1,703	(319)
Impairment losses on accounts receivable and other receivables	應收賬款及其他應收款項之減值虧損	(777)	(779)
Loss on disposal of property, plant and equipment	出售物業、廠房及設備之虧損	(1)	(210)
(Loss)/gain on disposal of subsidiaries	出售附屬公司之(虧損)/收益	(6,815)	7,447
		109,086	33,333

7. FINANCE COSTS

7. 融資成本

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Interests on:	下列各項之利息：		
Bank and other borrowings	銀行及其他借貸	1,019,398	546,308
Loans from a related company	來自一間關連公司之貸款	-	646
		1,019,398	546,954
Interest arising from lease liabilities	租賃負債產生之利息	457	-
Interest arising from revenue contracts	合約收益產生之利息	776,557	258,682
Less: Capitalised in properties under development	減：於發展中物業資本化	(1,758,191)	(775,181)
		38,221	30,455

Borrowing costs from bank and other borrowings have been capitalised at rates ranging from 4.568% to 12.80% (2018: 4.35% to 8.50%) per annum.

來自銀行及其他借貸之借貸成本已按介乎4.568厘至12.80厘(二零一八年：4.35厘至8.50厘)之年利率予以資本化。

8. PROFIT BEFORE TAX

8. 除稅前溢利

		2019	2018
		二零一九年	二零一八年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
The Group's profit before tax is arrived at after charging:	本集團之除稅前溢利已扣除下列各項：		
Cost of properties sold	已售物業成本	6,593,030	316,904
Cost of services	服務成本	7,677	9,425
Total employee benefit expenses:	僱員福利開支總額：		
Directors' emoluments (note 9)	董事薪酬(附註9)	1,140	1,383
Other staff:	其他員工：		
Salaries and other benefits	薪金及其他福利	71,761	62,859
Retirement benefit scheme contributions	退休福利計劃供款	8,141	3,516
		81,042	67,758
Less: Capitalised in properties under development	減：於發展中物業資本化	(11,979)	(11,902)
		69,063	55,856
Auditor's remuneration	核數師薪酬	1,700	1,450
Depreciation of property, plant and equipment	物業、廠房及設備折舊	3,489	2,730
Depreciation of right-of-use assets	使用權資產折舊	1,641	-
Minimum lease payments under operating leases	經營租賃項下最低租賃付款	-	5,617
Lease payments not included in the measurement of lease liabilities	並未計入租賃負債計量的租賃付款	5,081	-
The Group's profit before tax is arrived at after crediting:	本集團之除稅前溢利已計入下列各項：		
Interest income	利息收入	7,980	23,874
Gross rental income from investment properties	投資物業租金收入總額	29,035	30,844
Less: Direct operating expenses incurred for:	減：所產生之直接經營開支：		
- investment properties generated rental income	- 產生租金收入之投資物業	(4,497)	(5,535)
- investment properties that did not generate rental income	- 並無產生租金收入之投資物業	(117)	(76)
		(4,614)	(5,611)
		24,421	25,233

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9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

9. 董事及主要行政人員薪酬

根據上市規則、香港公司條例第383(1)(a)、(b)、(c)及(f)條以及公司(披露董事利益資料)規例第2部披露之年內董事及主要行政人員薪酬如下：

		2019	2018
		二零一九年	二零一八年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Fees	袍金	633	609
Other emoluments:	其他薪酬：		
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	461	748
Retirement benefit scheme contributions	退休福利計劃供款	46	26
		1,140	1,383

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

For the year ended 31 December 2019

9. 董事及主要行政人員薪酬(續)

截至二零一九年十二月三十一日止年度

		Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total
	Fees	薪金、津貼 及實物福利	退休福利 計劃供款	總計
	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
<i>Executive directors:</i> 執行董事：				
Mr. Zhang*		-	-	-
Mr. Zhang Guoqiang		461	46	507
<i>Non-executive director:</i> 非執行董事：				
Ms. Huang		-	-	-
<i>Independent non-executive directors:</i> 獨立非執行董事：				
Mr. Liu Da		211	-	211
Dr. Liu Qiao		211	-	211
Mr. Ma Yuntao		211	-	211
	633	461	46	1,140

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9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

For the year ended 31 December 2018

9. 董事及主要行政人員薪酬(續)

截至二零一八年十二月三十一日止年度

		Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Total
	Fees	薪金、津貼 及實物福利	退休福利 計劃供款	總計
	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
<i>Executive directors:</i>	<i>執行董事：</i>			
Mr. Zhang*	張先生*	-	-	-
Mr. Zhang Guoqiang	張國強先生	-	748	26
				774
<i>Non-executive director:</i>	<i>非執行董事：</i>			
Ms. Huang	Huang女士	-	-	-
<i>Independent non-executive directors:</i>	<i>獨立非執行董事：</i>			
Mr. Liu Da	劉達先生	203	-	-
Dr. Liu Qiao	劉俏博士	203	-	-
Mr. Ma Yuntao	馬運強先生	203	-	-
		609	748	26
				1,383

* Mr. Zhang is also the chief executive of the Company.

* 張先生亦為本公司行政總裁。

There was no arrangement under which the directors waived or agreed to waive any remuneration during the reporting period (2018: Nil).

報告期間內概無董事據此豁免或同意豁免任何薪酬的安排(二零一八年：無)。

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year were neither director nor chief executive of the Company (2018: Nil), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the five (2018: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019	2018
	二零一九年	二零一八年
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Salaries, allowances and benefits in kind	11,798	8,592

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2019	2018
	二零一九年	二零一八年
HK\$1,500,001 to HK\$2,000,000	–	3
HK\$2,000,001 to HK\$2,500,000	2	1
HK\$2,500,001 to HK\$3,000,000	2	1
HK\$3,000,001 to HK\$3,500,000	–	–
HK\$3,500,001 to HK\$4,000,000	1	–
	5	5

10. 五名最高薪人士

年內五名最高薪人士並非本公司董事亦非主要行政人員(二零一八年：無)，有關彼等薪酬之詳情載於上文附註9。有關年內五(二零一八年：五)名最高薪人士(並非本公司董事亦非主要行政人員)薪酬之詳情如下：

	2019	2018
	二零一九年	二零一八年
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Salaries, allowances and benefits in kind	11,798	8,592

酬金介乎下列組別之最高薪人士(非董事及非主要行政人員)之人數如下：

	2019	2018
	二零一九年	二零一八年
HK\$1,500,001 to HK\$2,000,000	–	3
HK\$2,000,001 to HK\$2,500,000	2	1
HK\$2,500,001 to HK\$3,000,000	2	1
HK\$3,000,001 to HK\$3,500,000	–	–
HK\$3,500,001 to HK\$4,000,000	1	–
	5	5

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11. INCOME TAX EXPENSE

11. 所得稅開支

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Current tax – charge for the year	本期稅項 – 年內開支		
– Hong Kong Profits Tax	– 香港利得稅	–	–
– PRC CIT	– 中國企業所得稅	516,123	45,376
– PRC LAT	– 中國土地增值稅	402,978	38,343
– Overseas Corporate Income Tax	– 海外企業所得稅	3,061	10,094
Under provision in prior years	過往年度撥備不足	143	105
		922,305	93,918
Deferred tax (note 28)	遞延稅(附註28)	(35,986)	(63,896)
		886,319	30,022

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits generated in Hong Kong for both years.

PRC CIT is calculated at the applicable income tax rate of 25% on the assessable profits for both years. In accordance with the PRC Corporate Income Tax Law, a 10% withholding income tax will be levied on dividends declared to foreign investors from the enterprises with foreign investments established in the PRC. The Group is therefore liable to withholding taxes on dividends distributable by those subsidiaries established in the PRC in respect of their earnings generated from 1 January 2008.

PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

The subsidiaries in the USA are generally subject to Federal Income Tax rate at 21% (2018: 21%) on the taxable income and the statutory regulation of State Income Tax in different jurisdiction for the year ended 31 December 2019. Certain of these subsidiaries retained with undistributed income are also entitled to an additional personal holding company tax at 20% on the taxable income. Certain subsidiaries are limited liability companies which are by default disregarded entities (i.e. viewed as divisions of the holding company) and would be taxed as part of their holding company for federal tax purposes.

由於本集團於兩個年度內均無於香港產生應課稅溢利，因此並無於綜合財務報表就香港利得稅作出撥備。

中國企業所得稅兩個年度按應課稅溢利之25%適用所得稅率計算。根據中國企業所得稅法，在中國成立的外資企業向外國投資者宣派的股息將被徵收10%預扣所得稅。因此，本集團須就於中國成立的附屬公司自二零零八年一月一日以來賺取的盈利所派付的股息繳付預扣稅。

中國土地增值稅乃按土地價格增值額30%至60%之累進稅率徵收，增值額為銷售物業所得款項減除土地使用權費用及所有物業發展開支等應扣除開支的餘額。

截至二零一九年十二月三十一日止年度，於美國之附屬公司一般均需就應課稅收入按21%（二零一八年：21%）之聯邦所得稅稅率支付稅項並需遵守不同司法權區州所得稅之法定規例。預留未分派收入之若干該等附屬公司亦需就應課稅收入之20%支付個人控股公司附加稅。若干附屬公司屬有限公司，本身不被視為實體（即視為控股公司之分部），將就聯邦稅而言當作控股公司一部分計算稅項。

11. INCOME TAX EXPENSE (CONTINUED)

Income tax expense for the year is reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

11. 所得稅開支(續)

年內所得稅開支與綜合損益賬所示除稅前溢利對賬如下：

		2019	2018
		二零一九年	二零一八年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Profit before tax	除稅前溢利	2,037,777	58,514
Tax at the statutory tax rate of 25% (2018: 25%)	按法定稅率25%(二零一八年：25%) 計算之稅項	509,444	14,629
Effect of different tax rates on operations in other jurisdictions	在其他司法權區營運稅率不同之 影響	(630)	2,175
Tax effect of expenses not deductible for tax purpose	不可扣稅支出之稅務影響	5,206	3,325
Tax effect of income not taxable for tax purpose	毋須課稅收入之稅務影響	(32,440)	(17,509)
PRC LAT	中國土地增值稅	402,978	38,343
Tax effect of PRC LAT	中國土地增值稅之稅務影響	(100,744)	(9,586)
Tax effect of temporary differences not recognised	未確認暫時差額之稅務影響	414	8,238
Tax effect of tax losses not recognised	未確認之稅項虧損之稅務影響	9,813	6,823
Utilisation of tax losses previously not recognised	動用過往未確認之稅項虧損	(2,865)	(16,521)
Under provision in prior years	過往年度撥備不足	143	105
Withholding tax on distributable profits of the Group's PRC subsidiaries	本集團中國附屬公司可供 分派溢利之預扣稅	95,000	-
Income tax expenses for the year	年內所得稅開支	886,319	30,022

12. DIVIDENDS**12. 股息**

		2019	2018
		二零一九年	二零一八年
		RMB'000	RMB'000
		人民幣千元	人民幣千元
Proposed final – RMB1.67 cent (2018: Nil) per share	建議末期股息每股 人民幣1.67分(二零一八年：無)	171,921	-

The Board recommends the payment of a dividend in respect of the year ended 31 December 2019 of RMB1.67 cents per share, amounting to a total dividend of RMB171,921,000 (2018: Nil). Such dividend is subject to the approval by the shareholders at the forthcoming annual general meeting. These consolidated financial statements did not reflect this dividend payable.

董事建議派付截至二零一九年十二月三十一日止年度之股息每股股份人民幣1.67分，總計股息人民幣171,921,000元(二零一八年：無)。有關股息須待股東於應屆股東週年大會上批准。本綜合財務報表並未反映此應付股息。

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13. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on:

13. 本公司擁有人應佔每股盈利

每股基本盈利乃按以下資料計算：

	2019	2018
	二零一九年	二零一八年
	RMB'000	RMB'000
	人民幣千元	人民幣千元
Earnings		
Profit attributable to owners of the Company used in the basic earnings per share calculation	1,151,571	29,971
	二零一九年	二零一八年
	'000	'000
	千股	千股
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	7,744,999	6,176,820

No diluted earnings per share amounts were presented for the years ended 31 December 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during these years.

由於本集團於截至二零一九年及二零一八年十二月三十一日止年度並無潛在攤薄已發行普通股，故該兩個年度概無呈列每股攤薄盈利。

14. PROPERTY, PLANT AND EQUIPMENT

14. 物業、廠房及設備

		Land and buildings	Hotel	Leasehold improvement 租賃 物業裝修	Furniture, office equipment and motor vehicles 傢俬、辦公室 設備及汽車	Total
		RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元	RMB'000 人民幣千元
31 December 2019	二零一九年十二月 三十一日					
Cost:	成本：					
At 1 January 2019	於二零一九年一月一日	13,679	7,941	2,161	12,452	36,233
Additions	添置	-	-	-	6,236	6,236
Acquisition of a subsidiary	收購一間附屬公司	-	-	-	146	146
Disposals	出售	-	-	-	(10)	(10)
Disposal of subsidiaries	出售附屬公司	-	(8,071)	(292)	(380)	(8,743)
Exchange realignment	匯兌調整	259	130	47	96	532
At 31 December 2019	於二零一九年 十二月三十一日	13,938	-	1,916	18,540	34,394
Accumulated depreciation:	累計折舊：					
At 1 January 2019	於二零一九年一月一日	3,981	1,283	1,803	6,040	13,107
Depreciation provided	折舊撥備	274	71	25	4,726	5,096
Acquisition of a subsidiary	收購一間附屬公司	-	-	-	84	84
Disposals	出售	-	-	-	(8)	(8)
Disposal of subsidiaries	出售附屬公司	-	(1,375)	(163)	(264)	(1,802)
Exchange realignment	匯兌調整	79	21	41	65	206
At 31 December 2019	於二零一九年十二月 三十一日	4,334	-	1,706	10,643	16,683
Net carrying amount:	賬面淨值：					
At 1 January 2019	於二零一九年一月一日	9,698	6,658	358	6,412	23,126
At 31 December 2019	於二零一九年十二月 三十一日	9,604	-	210	7,897	17,711

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14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

14. 物業、廠房及設備(續)

		Land and buildings	Hotel	Leasehold improvement 租賃 物業裝修	Furniture, office equipment and motor vehicles 傢俬、辦公室 設備及汽車	Total
		土地及樓宇 RMB'000 人民幣千元	酒店 RMB'000 人民幣千元	租賃 物業裝修 RMB'000 人民幣千元	傢俬、辦公室 設備及汽車 RMB'000 人民幣千元	總計 RMB'000 人民幣千元
31 December 2018	二零一八年十二月 三十一日					
Cost:	成本：					
At 1 January 2018	於二零一八年一月一日	12,969	7,336	2,058	6,618	28,981
Additions	添置	-	-	-	6,573	6,573
Disposals	出售	-	-	-	(947)	(947)
Exchange realignment	匯兌調整	710	605	103	208	1,626
At 31 December 2018	於二零一八年十二月 三十一日	13,679	7,941	2,161	12,452	36,233
Accumulated depreciation:	累計折舊：					
At 1 January 2018	於二零一八年一月一日	3,516	1,098	1,652	2,891	9,157
Depreciation provided	折舊撥備	263	90	72	3,525	3,950
Disposals	出售	-	-	-	(495)	(495)
Exchange realignment	匯兌調整	202	95	79	119	495
At 31 December 2018	於二零一八年十二月 三十一日	3,981	1,283	1,803	6,040	13,107
Net carrying amount:	賬面淨值：					
At 1 January 2018	於二零一八年一月一日	9,453	6,238	406	3,727	19,824
At 31 December 2018	於二零一八年十二月 三十一日	9,698	6,658	358	6,412	23,126

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The carrying values of land and building and hotel held by the Group are analysed as follows:

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Leasehold land and building in Hong Kong	於香港之租賃土地及樓宇	9,604	9,698
Freehold land and building in Japan	於日本之永久業權土地及樓宇	-	6,658
		9,604	16,356

At 31 December 2019, certain of the Group's leasehold land and buildings with an aggregate carrying value of approximately RMB9,604,000 (2018: RMB9,698,000) have been pledged to secure the Group's borrowings (note 37).

15. INVESTMENT PROPERTIES

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Carrying amount at 1 January	於一月一日之賬面值	646,620	662,332
Disposals	出售	(7,751)	(58,688)
Transfer to investment properties classified as held for sale	轉撥至分類為持作出售之投資物業	-	(5,582)
Net gain from a fair value adjustment	調整公平值之收益淨額	2,250	17,865
Exchange realignment	匯兌調整	13,125	30,693
Carrying amount at 31 December	於十二月三十一日之賬面值	654,244	646,620

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties. The investment properties with an aggregate fair value of RMB623,299,000 (2018: RMB609,005,000) have been pledged to secure the Group's borrowings (note 37).

14. 物業、廠房及設備(續)

本集團所持土地、樓宇及酒店之賬面值分析如下：

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
於香港之租賃土地及樓宇		9,604	9,698
於日本之永久業權土地及樓宇		-	6,658
		9,604	16,356

於二零一九年十二月三十一日，本集團賬面值合共約人民幣9,604,000元(二零一八年：人民幣9,698,000元)之若干租賃土地及樓宇已抵押以取得本集團之借貸(附註37)。

15. 投資物業

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
於一月一日之賬面值		646,620	662,332
出售		(7,751)	(58,688)
轉撥至分類為持作出售之投資物業		-	(5,582)
調整公平值之收益淨額		2,250	17,865
匯兌調整		13,125	30,693
於十二月三十一日之賬面值		654,244	646,620

本集團所有以經營租賃持有以賺取租金或作資本升值之物業權益皆按公平值模式計量，並分類為投資物業入賬。公平值合共人民幣623,299,000元(二零一八年：人民幣609,005,000元)之投資物業已抵押以取得本集團之借貸(附註37)。

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15. INVESTMENT PROPERTIES (CONTINUED)

The fair values of the investment properties situated in Hong Kong, Singapore and the USA as at 31 December 2019 are based on the valuations carried out by APAC Asset Valuation and Consulting Limited ("APAC"). APAC is the member of the Hong Kong Institute of Surveyors and Valuers and an independent qualified professional valuer not connected with the Group.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is the current use. The fair values of the investment properties are derived from the capitalisation of net income method with due allowance for the reversionary income.

At the end of the reporting period, management of the Group works with valuers to establish and determine the appropriate valuation techniques and inputs for Level 3 fair value measurements. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the directors of the Company.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Fair value measurement using significant unobservable inputs (Level 3)

Recurring fair value measurement for investment properties located in

- Hong Kong
- Singapore
- USA

採用重大不可觀察輸入數據之公平值計量(第三級)

就位於下列地區之投資物業之經常性公平值計量

- 香港
- 新加坡
- 美國

31 December 2019 二零一九年 十二月三十一日 RMB'000 人民幣千元	31 December 2018 二零一八年 十二月三十一日 RMB'000 人民幣千元
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109,255	104,857
314,895	310,332
230,094	231,431

654,244	646,620
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During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

15. 投資物業(續)

位於香港、新加坡及美國之投資物業於二零一九年十二月三十一日之公平值乃基於亞太資產評估及顧問有限公司(「亞太」)所進行估值釐定。亞太為Hong Kong Institute of Surveyors and Valuers會員且與本集團並無關連之獨立合資格專業估值師。

估計投資物業公平值時，投資物業最常用及最佳用途為現時用途。投資物業公平值自收入淨額資本化法得出，並為復歸收入作出適當撥備。

於報告期間結算日，本集團管理層與估值師合作，就第三級公平值計量建立和決定適當之估值技術及輸入數據。倘資產之公平值有重大改動，其波動原因將向本公司董事報告。

投資物業根據經營租賃出租予第三方，其進一步詳情概要載於財務報表附註16。

公平值層級

下表列示本集團投資物業之公平值計量層級：

年內，第一級與第二級之間並無發生任何公平值計量轉移之情況，且並無發生轉入或轉出第三級之情況(二零一八年：無)。

15. INVESTMENT PROPERTIES (CONTINUED)

15. 投資物業(續)

Below is a summary of the valuation technique used and the key inputs to the valuation of the Group's significant investment properties categorised into Level 3:

下列為本集團分類為第三級之主要投資物業估值所使用之估值技術及主要輸入數據之概要：

Properties 物業	Valuation technique 估值技術	Significant unobservable inputs 重大不可觀察輸入數據	Range or weighted average 範圍或加權平均數	
			2019 二零一九年	2018 二零一八年
Offices located in Hong Kong with a carrying value of RMB109,255,000 (2018: RMB104,857,000) 位於香港賬面值人民幣109,255,000元(二零一八年：人民幣104,857,000元)之辦公室	Income capitalisation approach	Monthly market rent (HK\$ per sq. ft.) 每月市場租金(每平方呎港元)	47	46
		Term yield (per annum) 年期收益率(每年)	1.7%-2.0%	1.6%-2.0%
	收入資本化法	Reversion yield (per annum) 復歸收益率(每年)	1.9%-2.2%	1.9%-2.2%
Commercial and residential units located in Singapore with a carrying value of RMB314,895,000 (2018: RMB310,332,000) 位於新加坡賬面值人民幣314,895,000元(二零一八年：人民幣310,332,000元)之商用及住宅單位	Income capitalisation approach	Monthly market rent (SGD per sq. ft.) 每月市場租金(每平方呎新加坡元)	3.7-7.8	3.7-9.0
		Term yield (per annum) 年期收益率(每年)	2.5%-2.9%	3.0%-3.4%
	收入資本化法	Reversion yield (per annum) 復歸收益率(每年)	2.7%-3.1%	3.2%-3.6%
Senior housing communities located in the USA with a carrying value of RMB199,148,000 (2018: RMB193,816,000) 位於美國賬面值人民幣199,148,000元(二零一八年：人民幣193,816,000元)之長者住房院舍	Income capitalisation approach	Annual market rent (USD per sq. ft.) 每年市場租金(每平方呎美元)	23-25	20.2-29.8
		Term yield (per annum) 年期收益率(每年)	7.3%-8.5%	8.0%
	收入資本化法	Reversion yield (per annum) 復歸收益率(每年)	7.8%-9.0%	8.5%
Residential single homes located in the USA with a carrying value of RMB2,725,000 (2018: RMB9,828,000) 位於美國賬面值人民幣2,725,000元(二零一八年：人民幣9,828,000元)之單棟住宅單位	Income capitalisation approach	Monthly Market rent (USD per sq. ft.) 每月市場租金(每平方呎美元)	0.65-0.79	0.56-0.86
		Term yield (per annum) 年期收益率(每年)	12%-14%	12%-14%
	收入資本化法	Reversion yield (per annum) 復歸收益率(每年)	12.5%-14.5%	12.5%-14.5%

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15. INVESTMENT PROPERTIES (CONTINUED)

A significant increase (decrease) in the market rent in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the term yield and reversion yield in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

There has been no change from the valuation technique used in the prior years.

16. LEASES

The Group as a lessee

The Group has lease contracts of offices used in its operations. Leases of offices are generally with lease terms from 2 to 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are no lease contracts that include extension and termination options and variable lease payments.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

		Offices 辦公室 RMB'000 人民幣千元
As at 1 January 2019	於二零一九年一月一日	6,813
Depreciation charge (note 8)	折舊開支(附註8)	(1,641)
Exchange realignment	匯兌調整	74
As at 31 December 2019	於二零一九年十二月三十一日	5,246

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

		RMB'000 人民幣千元
As at 1 January 2019	於二零一九年一月一日	6,813
Accretion of interest recognised during the year (note 7)	上調年內確認的利息(附註7)	457
Payments	付款	(1,782)
Exchange realignment	匯兌調整	78
As at 31 December 2019	於二零一九年十二月三十一日	5,566
Analysed into:	分析為:	
Current portion	即期部分	1,871
Non-current portion	非即期部分	3,695

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

15. 投資物業(續)

市場租金單獨大幅增加(減少)會導致投資物業公平值大幅增加(減少)。年期收益率及復歸收益率單獨大幅增加(減少)會導致投資物業公平值大幅減少(增加)。

所用估值技術與過往年度相同。

16. 租賃

本集團作為承租人

本集團有用於其營運的辦公室租賃合約。辦公室租賃的租期通常為二至五年。一般而言，本集團不得將租賃資產轉讓或轉租給本集團以外的公司。概無包括續期及終止選擇權以及可變租賃付款的租賃合約。

(a) 使用權資產

年內本集團使用權資產的賬面值及變動如下：

(b) 租賃負債

年內租賃負債的賬面值及變動如下：

		RMB'000 人民幣千元
As at 1 January 2019	於二零一九年一月一日	6,813
Accretion of interest recognised during the year (note 7)	上調年內確認的利息(附註7)	457
Payments	付款	(1,782)
Exchange realignment	匯兌調整	78
As at 31 December 2019	於二零一九年十二月三十一日	5,566
Analysed into:	分析為:	
Current portion	即期部分	1,871
Non-current portion	非即期部分	3,695

租賃負債的到期日分析披露於財務報表附註35。

16. LEASES (CONTINUED)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

		2019 二零一九年 RMB'000 人民幣千元
Interest on lease liabilities	租賃負債利息	457
Depreciation charge of right-of-use assets	使用權資產折舊開支	1,641
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	與短期租賃及剩餘租期於二零一九年十二月三十一日或之前終止的租賃有關的開支	5,081
Total amount recognised in profit or loss	於損益確認的總金額	7,179

(d) The total cash outflow for leases is disclosed in note 36(b) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 15) consisting of offices, commercial and residential units, senior housing communities and residential single homes located in Hong Kong, Singapore and the USA under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB29,035,000 (2018: RMB30,844,000), details of which are included in note 5 to the financial statements.

At 31 December 2019, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Within one year	一年內	23,253	24,103
After one year but within two years	一年以上但兩年以內	18,704	19,181
After two years but within three years	兩年以上但三年以內	16,987	16,378
After three years but within four years	三年以上但四年以內	17,225	16,748
After four years but within five years	四年以上但五年以內	17,613	17,125
After five years	超過五年	80,972	98,102
		174,754	191,637

16. 租賃(續)

本集團作為承租人(續)

(c) 就租賃於損益確認的金額如下：

		2019 二零一九年 RMB'000 人民幣千元
Interest on lease liabilities	租賃負債利息	457
Depreciation charge of right-of-use assets	使用權資產折舊開支	1,641
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019	與短期租賃及剩餘租期於二零一九年十二月三十一日或之前終止的租賃有關的開支	5,081
Total amount recognised in profit or loss	於損益確認的總金額	7,179

(d) 租賃的現金流出總額披露於財務報表附註36(b)。

本集團作為出租人

本集團根據經營租賃安排出租其位於香港、新加坡及美國的投資物業(附註15)，包括辦公、商用及住宅單位、長者住房院舍及單棟住宅單位。租賃條款通常要求租戶支付抵押按金，並根據當時現行市況定期調整租金。本集團年內確認的租金收入為人民幣29,035,000元(二零一八年：人民幣30,844,000元)，其詳情載於財務報表附註5。

於二零一九年十二月三十一日，日後本集團根據與其租戶之不可撤銷經營租賃的應收未貼現租賃款項如下：

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17. PLEDGED DEPOSITS, RESTRICTED BANK BALANCES AND CASH AND CASH EQUIVALENTS

17. 已抵押按金、受限制銀行結餘以及現金及現金等值項目

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Pledged deposits	已抵押按金		
– Current	– 即期	863,804	680,450
– Non-current	– 非即期	22,525	33,915
		886,329	714,365
Restricted bank balances	受限制銀行結餘	691,992	101,913
Cash and cash equivalents	現金及現金等值項目	3,200,230	673,412

Pledged deposits represent bank deposits of RMB823,853,000 (2018: RMB687,365,000) and deposits held with financial institutions of RMB62,476,000 (2018: RMB27,000,000) pledged to banks and financial institutions to secure the facilities granted to the Group and the mortgage loan facilities granted by certain banks to certain property buyers of the Group's properties. The pledged deposits will be released upon the settlement of relevant borrowings and the expiry of the mortgage guarantees provided to the property buyers. Bank deposits and deposits held with financial institutions amounting to RMB22,525,000 (2018: RMB33,915,000) have been pledged to secure the Group's non-current borrowings and are therefore classified as non-current assets.

Restricted bank balances are required, pursuant to the relevant regulations in the PRC, that certain amount of presale proceeds of properties be placed as guarantee deposits in designated bank accounts for the constructions of the relevant properties. The deposits can only be used for payments for construction costs of the relevant properties with approval.

Cash at banks earns interest at floating or fixed rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of cash and cash equivalents approximate to their fair values.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to RMB3,760,907,000 (2018: RMB1,367,476,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

已抵押按金指已抵押予銀行及金融機構之銀行存款人民幣823,853,000元(二零一八年：人民幣687,365,000元)及金融機構所持存款人民幣62,476,000元(二零一八年：人民幣27,000,000元)，以取得授予本集團之融資及若干銀行授予本集團物業之若干物業買家之按揭貸款融資。已抵押按金將於相關借貸償還後及提供予物業買家之按揭擔保到期後解除。銀行存款及金融機構所持存款人民幣22,525,000元(二零一八年：人民幣33,915,000元)已抵押，以獲得本集團非即期貸款，因此分類為非流動資產。

受限制銀行結餘指根據中國相關規例，須將物業預售所得款項之若干金額存入指定銀行戶口作為相關物業建築工程之保證金之款項。經批准後，有關保證金方可用於支付相關物業之建築成本。

銀行現金根據日常銀行存款利率按浮動或固定利率賺取利息。銀行結餘已存入近期並無欠款記錄且信用良好之銀行。現金及現金等值項目之賬面值與其公平值相若。

於報告期間結算日，本集團以人民幣計值之現金及銀行結餘為人民幣3,760,907,000元(二零一八年：人民幣1,367,476,000元)。人民幣不能自由兌換為其他貨幣。然而，根據中國內地之《外匯管理條例》及《結匯、售匯以及付匯管理規定》，本集團獲准透過獲授權進行外匯業務的銀行將人民幣兌換作其他貨幣。

18. COMPLETED PROPERTIES HELD FOR SALE

Completed properties held for sale are all situated in the PRC. The Group carried out assessment on net realisable value at the end of the reporting period and compared to the cost and there was no written-down to the net realisable value of completed properties held for sale for both years.

19. PROPERTIES UNDER DEVELOPMENT

Properties under development are all situated in the PRC and RMB6,838,721,000 (2018: RMB8,602,149,000) are expected to be realised within twelve months and the remaining RMB31,528,759,000 (2018: RMB21,175,696,000) are expected to be realised after twelve months from the end of the reporting period. The Group carried out assessment on net realisable value at the end of the reporting period and compared to the cost and there was no written-down to the net realisable value of properties under development for both years.

20. DEPOSITS AND PREPAYMENTS PAID FOR LAND ACQUISITIONS

The amount represented deposits and prepayments paid for land acquisitions arising from the acquisition of land use rights in the PRC. These deposits will be converted into properties under development upon completion of the land acquisition process and fully refundable if the acquisition is not successful.

21. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS**18. 持作出售之已完工物業**

持作出售之已完工物業全部位於中國。本集團於報告期間結算日對可變現淨值進行評估並與成本比較，概無對兩個年度持作出售之已完工物業之可變現淨值進行撇減。

19. 發展中物業

發展中物業全部位於中國及人民幣6,838,721,000元(二零一八年：人民幣8,602,149,000元)預期將於報告期間結算日起十二個月內變現而餘下人民幣31,528,759,000元(二零一八年：人民幣21,175,696,000元)則預期將於報告期間結算日起十二個月後變現。本集團於報告期間結算日對可變現淨值進行評估並與成本比較，概無對兩個年度發展中物業之可變現淨值進行撇減。

20. 已付土地收購按金及預付款項

有關金額指於中國收購土地使用權而產生之已付土地收購按金及預付款項。該等按金將於土地收購程序完成後轉換為發展中物業，倘收購並未成功，則悉數退回。

21. 應收賬款、其他應收款項及其他資產

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Accounts receivable	應收賬款	24,629	22,218
Less: Impairment	減：減值	-	-
		24,629	22,218
Debt investment at amortised cost	按攤銷成本計算之債務投資	-	323,257
Prepaid value-added taxes and other taxes	預付增值稅及其他稅項	1,146,929	606,006
Deposits and prepayments	按金及預付款項	486,547	150,413
Costs of obtaining contracts	取得合約之成本	117,380	61,094
Other receivables	其他應收款項	52,738	13,101
		1,803,594	1,153,871
Less: Impairment	減：減值	(650)	(650)
		1,802,944	1,153,221
		1,827,573	1,175,439

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21. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Accounts receivable represent receivables from sales of properties, property management fee receivables, dividend receivables and rental receivables.

Receivable arising from sales of properties are due for settlement in accordance with the terms of the related sale and purchase agreements. The settlement terms of rental receivables and property management fee receivables are upon presentation of demand notes. Hotel room revenue is normally settled by cash or credit card. All accounts receivable were aged less than 3 months as at the end of the reporting period (2018: less than 3 months), based on the revenue recognition date or invoice date.

The movements in the loss allowance for impairment of accounts and other receivables are as follows:

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
At beginning of year	於年初	650	5,284
Impairment losses	減值虧損	777	779
Amount written off	撇銷款項	(777)	(5,413)
At end of year	於年末	650	650

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

21. 應收賬款、其他應收款項及其他資產(續)

應收賬款指物業銷售、物業管理費、股息及租賃應收款項。

來自物業銷售之應收款項乃根據各買賣協議之條款到期結算。應收租金及應收物業管理費之結算條款為出示繳款通知書時結算。酒店房間收入一般以現金或信用卡結算。於報告期末，所有應收賬款按收益確認日期或發票日期計之賬齡低於3個月(二零一八年：低於3個月)。

應收賬款及其他應收款項減值之虧損撥備之變動如下：

減值分析乃於各報告日期使用撥備矩陣進行，以計量預期信貸虧損。撥備率乃基於多個具有類似虧損模式的客戶分部組別的逾期天數釐定。該計算反映或然率加權結果、貨幣時間價值以及於報告日期可得有關過往事件、當前狀況及未來經濟狀況預測的合理及可靠資料。

21. ACCOUNTS RECEIVABLE, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

No provision for impairment of accounts receivable was provided for as at 31 December 2019 and 2018 as the directors of the Company consider the expected credit loss is insignificant. Set out below is the information about the credit risk exposure on the Group's financial assets included in other receivables and other assets using a provision matrix:

		Current 即期	Past due within 1 year 逾期一年以內	Total 總計
As at 31 December 2019	於二零一九年 十二月三十一日			
Expected credit loss rate	預期信貸虧損率	0%	1% – 5%	1.23%
Gross carrying amount (RMB'000)	賬面總值(人民幣千元)	14,804	37,934	52,738
Expected credit losses (RMB'000)	預期信貸虧損(人民幣千元)	-	650	650
		Current 即期	Past due within 1 year 逾期一年以內	Total 總計
As at 31 December 2018	於二零一八年 十二月三十一日			
Expected credit loss rate	預期信貸虧損率	0%	1% – 5%	4.96%
Gross carrying amount (RMB'000)	賬面總值(人民幣千元)	-	13,101	13,101
Expected credit losses (RMB'000)	預期信貸虧損(人民幣千元)	-	650	650

21. 應收賬款、其他應收款項及其他資產(續)

由於本公司董事認為預期信貸虧損並不重大，故於二零一九年及二零一八年十二月三十一日並無就應收賬款作出減值撥備。下文載列使用撥備矩陣得出本集團計入其他應收款項及其他資產之金融資產面臨的信貸風險的資料：

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

22. 按公平值計入損益之金融資產

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Equity securities listed in Hong Kong	於香港上市之股本證券	44	46
Equity securities listed outside Hong Kong	於香港境外上市之股本證券	7,285	5,300
		7,329	5,346
REIT securities listed in the USA	於美國上市之房地產投資信託證券	342,547	227,186
		349,876	232,532

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23. ACCOUNTS PAYABLE, DEPOSITS RECEIVED AND ACCRUALS

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Accounts payable	應付賬款	121,847	173
Accrued construction costs (Note)	應計建築成本(附註)	2,485,887	1,030,214
Rental deposits received	已收租賃按金	8,285	7,827
Retention deposits and payable	保留金及應付款項	63,874	30,073
Real estate and other taxes payable	應付房產稅及其他稅項	109,330	15,185
Other payables and accruals	其他應付款項及應計費用	313,873	194,805
		3,103,096	1,278,277
Less: Rental deposits received – non-current	減：已收租賃按金－非流動	(7,010)	(7,128)

The average credit period of accounts payable ranges from 30 days to 90 days (2018: 30 days to 90 days). All accounts payable were aged within one year, based on invoice dates.

Note: Included in accrued construction costs are amounts due to a related company controlled by the ultimate controlling shareholder of the Company and together with her spouse of approximately RMB606,041,000 (2018: RMB396,699,000) for its construction work.

24. CONTRACT LIABILITIES

The amounts represented advanced payments from customers based on schedule as established in the property sale contracts. Increase in contract liabilities as at 31 December 2019 was due to more property projects having started pre-sale during the current year.

25. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and repayable on demand. Ms. Huang and together with her spouse Mr. Zhang have the controlling interests over these related companies.

26. LOANS FROM A RELATED COMPANY

The Group has entered into loan agreements with a related company, Henan Zensun Real Estate Co., Ltd. ("Zensun Real Estate"), which is ultimately controlled by Ms. Huang, pursuant to which Zensun Real Estate will provide unsecured loans.

The amounts are unsecured, interest-free and repayable on demand. Those amounts were shown under the current liabilities as Zensun Real Estate had the discretionary rights to demand immediate repayment.

In the opinion of the directors of the Company, the carrying amounts of the loans approximated their fair values at initial recognition.

23. 應付賬款、已收按金及應計費用

	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
應付賬款	121,847	173
應計建築成本(附註)	2,485,887	1,030,214
已收租賃按金	8,285	7,827
保留金及應付款項	63,874	30,073
應付房產稅及其他稅項	109,330	15,185
其他應付款項及應計費用	313,873	194,805
	3,103,096	1,278,277
減：已收租賃按金－非流動	(7,010)	(7,128)
	3,096,086	1,271,149

應付賬款之平均信貸期介乎30日至90日(二零一八年：30日至90日)。根據發票日期，全部應付賬款賬齡為一年內。

附註：應計建築成本內的約人民幣606,041,000元(二零一八年：人民幣396,699,000元)為就其建築工程而應付一間關連公司(由本公司最終控股股東連同其配偶控制)之款項。

24. 合約負債

該等金額指根據物業銷售合約制定的時間表自客戶收取的預付款項。於二零一九年十二月三十一日合約負債增加乃由於更多物業項目於本年度開始預售所致。

25. 應付關連公司款項

應付關連公司款項為無抵押、免息並按要求償還。Huang女士及其配偶張先生對該等關連公司擁有控股權益。

26. 來自一間關連公司之貸款

本集團與關連公司河南正商置業有限公司(「正商置業」，由Huang女士最終控制之公司)簽訂貸款協議，據此，正商置業將提供無抵押貸款。

該等金額為無抵押、免息及須按要求償還。由於正商置業有酌情權可要求即時還款，故該等款項已列作流動負債。

本公司董事認為，該等貸款之賬面值與彼等於初始確認時之公平值相若。

27. BANK AND OTHER BORROWINGS

27. 銀行及其他借貸

		2019 二零一九年			2018 二零一八年		
		Effective interest rate per annum (%) 實際 年利率(%)	Maturity 到期日	RMB'000 人民幣千元	Effective interest rate per annum (%) 實際 年利率(%)	Maturity 到期日	RMB'000 人民幣千元
Current	即期						
Bank loans – secured	銀行貸款 – 有抵押	3.29–9.98	2020 二零二零年	3,143,973	3.02–7.94	2019 or on demand* 二零一九年或 按要求*	1,565,050
Other loans – secured	其他貸款 – 有抵押	7.00–9.98	2020 二零二零年	3,118,014	7.08–7.43	2019 二零一九年	718,118
Bonds – unsecured (a)	債券 – 無抵押(a)	8.00	2020 二零二零年	695,963	7.50	2019 二零一九年	1,375,228
				6,957,950			3,658,396
Non-current	非即期						
Bank loans – secured	銀行貸款 – 有抵押	3.29–9.98	2021–2030 二零二一年 至二零三零年	6,696,765	3.02–8.50	2020–2030 二零二零年 至二零三零年	3,253,404
Other loans – secured	其他貸款 – 有抵押	7.00–9.98	2021–2022 二零二一年 至二零二二年	1,270,000	7.08–7.43	2020 二零二零年	1,492,611
Other loans – unsecured	其他貸款 – 無抵押	2.00	2021 二零二一年	3,000,000	2.00	2020 二零二零年	3,000,000
Senior notes – unsecured (b)	優先票據 – 無抵押(b)	12.80	2021 二零二一年	2,311,130	–	–	–
Asset backed securities – unsecured (c)	資產支持證券 – 無抵押(c)	–	–	–	7.25	2021 二零二一年	996,314
				13,277,895			8,742,329
				20,235,845			12,400,725

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27. BANK AND OTHER BORROWINGS (CONTINUED) 27. 銀行及其他借貸(續)

	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Analysed into:		
Bank and other borrowings repayable:		
Within one year or on demand*	6,957,950	3,658,396
In the second year	9,097,747	7,104,552
In the third to fifth years, inclusive	4,167,555	1,620,490
Beyond five years	12,593	17,287
	20,235,845	12,400,725

* The Group had no amount which is not repayable within one year based on scheduled repayment date but has been classified as current liability as the counterparty has discretionary rights to demand immediate repayment as at 31 December 2019 (2018: RMB476,000).

* 於二零一九年十二月三十一日，本集團沒有款項毋須根據還款時間表於一年內償還，但由於對方有酌情權要求即時還款(二零一八年：人民幣476,000元)，故已分類為流動負債。

27. BANK AND OTHER BORROWINGS (CONTINUED) 27. 銀行及其他借貸(續)

The carrying amounts of bank and other borrowings at the end of the reporting period were denominated in the following currencies.

於報告期間結算日，銀行及其他借貸之賬面值乃以下列貨幣列值。

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
HK\$	港幣	482	3,720
SGD	新加坡元	78,420	80,662
USD	美元	3,157,092	1,529,367
RMB	人民幣	16,999,851	10,786,976
		20,235,845	12,400,725

Notes:

- (a) On 25 January 2019, the Company completed the issuance of bonds at principal amount of USD100 million (at carrying amount of approximately RMB695,963,000 as at 31 December 2019) carrying interest of 8.0% per annum due on 22 January 2020 in accordance with the terms and conditions of the subscription agreement. The bonds were unsecured but guaranteed by related companies, which are ultimately controlled by Ms. Huang. The bonds proceeds had been fully utilised as intended for general corporate purposes of the Group. The bonds were subsequently redeemed in January 2020.
- (b) On 3 October 2019, the Company issued senior notes at a principal amount of US\$220 million carrying interest of 12.8% per annum due on 3 October 2021 in accordance with the terms and conditions of the subscription agreement ("2019 Original Notes"). Subsequently on 20 December 2019, the Company issued additional senior notes at a principal amount of US\$120 million under the same terms and conditions of the subscription agreement of 2019 Original Notes. The additional senior notes are consolidated with the 2019 Original Notes and form a single series at an aggregated principal amount of US\$340 million carrying interest of 12.8% per annum due on 3 October 2021. The US\$340 million senior notes are listed and traded in the Stock Exchange of Hong Kong. The senior notes were unsecured but guaranteed by related companies, which are ultimately controlled by Ms. Huang. The net proceeds of the senior notes were intended to refinance existing indebtedness and for project developments and general corporate purposes. Details of the senior notes issuance are set out in the Company's announcements dated 26 September 2019, 3 October 2019, 12 December 2019 and 19 December 2019.

附註：

- (a) 於二零一九年一月二十五日，本公司根據認購協議之條款與條件完成發行於二零二零年一月二十二日到期之本金額100,000,000美元（於二零一九年十二月三十一日賬面值約人民幣695,963,000元）債券，按年利率8.0厘計息。債券為無抵押，但由Huang女士最終控制之關連公司擔保。債券所得款項已按擬定用途悉數用作本集團之一般企業用途。該債券隨後已於二零二零年一月贖回。
- (b) 於二零一九年十月三日，本公司根據認購協議之條款與條件發行於二零二一年十月三日到期之本金額220,000,000美元年息12.8厘優先票據（「二零一九年原始票據」）。其後於二零一九年十二月二十日，本公司根據二零一九年原始票據認購協議之相同條款與條件額外發行本金額120,000,000美元優先票據。額外優先票據與二零一九年原始票據合併為一個系列，即於二零二一年十月三日到期之本金總額340,000,000美元年息12.8厘優先票據。該340,000,000美元優先票據於香港聯交所上市及買賣。優先票據為無抵押，但由Huang女士最終控制之關連公司擔保。優先票據所得款項淨額擬用作現有債務再融資、項目發展以及一般企業用途。有關優先票據發行的詳情載於本公司日期為二零一九年九月二十六日、二零一九年十月三日、二零一九年十二月十二日及二零一九年十二月十九日的公告。

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27. BANK AND OTHER BORROWINGS (CONTINUED) 27. 銀行及其他借貸(續)

Notes: (continued)

- (c) On 31 July 2018, a wholly-owned PRC subsidiary of the Company engaged in property development completed the issuance of asset-backed securities carrying coupon rate of 7.2% per annum. The asset-backed securities were unsecured but guaranteed by a related company ultimately controlled by Ms. Huang. The securities were redeemed in April 2019.

Certain of the Group's bank and other borrowings are secured by the Group's pledged deposits, investment properties, property, plant and equipment, properties under development and completed properties held for sale with the total carrying amount of RMB19,987,547,000 (2018: RMB15,539,435,000). In additions, shares of certain subsidiaries were pledged as securities to obtain certain bank and other borrowings granted to the Group as at 31 December 2019 and 2018. Details of which are disclosed in note 37 to the financial statements.

In additions, as at 31 December 2019 the Group's bonds, senior notes and bank and other borrowings at carrying amount of approximately RMB10,375,226,000 (2018: RMB600,000,000) were guaranteed by related companies which were controlled by the ultimate controlling shareholder of the Company.

附註：(續)

- (c) 於二零一八年七月三十一日，本公司從事物業發展之全資中國附屬公司完成發行資產支持證券，年票息率為7.2厘。該等資產支持證券為無抵押，但由Huang女士最終控股之關連公司擔保。該等證券已於二零一九年四月贖回。

本集團若干銀行及其他借貸乃由本集團賬面總值人民幣19,987,547,000元(二零一八年：人民幣15,539,435,000元)之已抵押按金、投資物業、物業、廠房及設備、發展中物業及持作出售之已完工物業作抵押。此外，於二零一九年及二零一八年十二月三十一日，若干附屬公司之股份已作抵押，以取得本集團所獲授之若干銀行及其他借貸，有關詳情於財務報表附註37披露。

此外，於二零一九年十二月三十一日，本集團之債券、優先票據以及賬面值約人民幣10,375,226,000元(二零一八年：人民幣600,000,000元)之銀行及其他借貸由本公司最終控股股東控制之關連公司擔保。

28. DEFERRED TAX

The movements in deferred tax assets and liabilities arising from temporary differences are as follows:

Deferred tax assets

		Tax loss	Provision for LAT	Accrued expenses for tax purpose	Total
		稅項虧損	土地增值稅撥備	累計稅項開支	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2018	於二零一八年一月一日	-	-	-	-
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	57,299	5,869	-	63,168
Deferred tax assets at 31 December 2018	於二零一八年十二月三十一日之遞延稅項資產	57,299	5,869	-	63,168
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	5,899	32,478	92,609	130,986
Deferred tax assets at 31 December 2019	於二零一九年十二月三十一日之遞延稅項資產	63,198	38,347	92,609	194,154

Deferred tax liabilities

		Accelerated tax depreciation	Revaluation of investment properties	Revaluation of properties acquired under business combination	Withholding tax on distributable profits of the Group's PRC Subsidiaries	Total
		加速稅項折舊	投資物業重估	項下收購之物業重估	本集團中國附屬公司可分派收益之預扣稅	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2018	於二零一八年一月一日	(55)	(2,583)	(4,496)	-	(7,134)
Charged to profit or loss during the year (note 11)	年內於損益賬扣除 (附註11)	-	728	-	-	728
Transfer to LAT payables	轉至土地增值稅應付款項	-	-	1,206	-	1,206
Exchange realignment	匯兌調整	(3)	(121)	-	-	(124)
Deferred tax liabilities at 31 December 2018 and 1 January 2019	於二零一八年十二月三十一日及二零一九年一月一日之遞延稅項負債	(58)	(1,976)	(3,290)	-	(5,324)
Charged to profit or loss during the year (note 11)	年內於損益賬扣除 (附註11)	-	-	-	(95,000)	(95,000)
Transfer to LAT payables	轉至土地增值稅應付款項	-	-	1,200	-	1,200
Exchange realignment	匯兌調整	(1)	(25)	-	-	(26)
Deferred tax liabilities at 31 December 2019	於二零一九年十二月三十一日之遞延稅項負債	(59)	(2,001)	(2,090)	(95,000)	(99,150)

28. 遞延稅項

暫時差額產生之遞延稅項資產及負債之變動如下：

遞延稅項資產

		Tax loss	Provision for LAT	Accrued expenses for tax purpose	Total
		稅項虧損	土地增值稅撥備	累計稅項開支	總計
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2018	於二零一八年一月一日	-	-	-	-
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	57,299	5,869	-	63,168
Deferred tax assets at 31 December 2018	於二零一八年十二月三十一日之遞延稅項資產	57,299	5,869	-	63,168
Credited to profit or loss during the year (note 11)	年內於損益賬計入 (附註11)	5,899	32,478	92,609	130,986
Deferred tax assets at 31 December 2019	於二零一九年十二月三十一日之遞延稅項資產	63,198	38,347	92,609	194,154

遞延稅項負債

		Accelerated tax depreciation	Revaluation of investment properties	Revaluation of properties acquired under business combination	Withholding tax on distributable profits of the Group's PRC Subsidiaries	Total
		加速稅項折舊	投資物業重估	項下收購之物業重估	本集團中國附屬公司可分派收益之預扣稅	總計
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
At 1 January 2018	於二零一八年一月一日	(55)	(2,583)	(4,496)	-	(7,134)
Charged to profit or loss during the year (note 11)	年內於損益賬扣除 (附註11)	-	728	-	-	728
Transfer to LAT payables	轉至土地增值稅應付款項	-	-	1,206	-	1,206
Exchange realignment	匯兌調整	(3)	(121)	-	-	(124)
Deferred tax liabilities at 31 December 2018 and 1 January 2019	於二零一八年十二月三十一日及二零一九年一月一日之遞延稅項負債	(58)	(1,976)	(3,290)	-	(5,324)
Charged to profit or loss during the year (note 11)	年內於損益賬扣除 (附註11)	-	-	-	(95,000)	(95,000)
Transfer to LAT payables	轉至土地增值稅應付款項	-	-	1,200	-	1,200
Exchange realignment	匯兌調整	(1)	(25)	-	-	(26)
Deferred tax liabilities at 31 December 2019	於二零一九年十二月三十一日之遞延稅項負債	(59)	(2,001)	(2,090)	(95,000)	(99,150)

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28. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (continued)

During the year ended 31 December 2019, deferred tax assets were recognised for unused tax losses to the extent that it is probable that relevant future taxable profits will be available against for utilisation. These unused tax losses were in respect of certain PRC subsidiaries carried forward at the end of 2019 and the directors of the Company are of the opinion that these certain PRC subsidiaries will generate sufficient future taxable profits.

At 31 December 2019, the Group had total unrecognised unused tax losses of RMB613,587,000 (2018: RMB542,436,000), which were subject to agreement with respective tax authorities, available to offset against future profits. No deferred tax asset has been recognised in respect of these unused tax losses as they have arisen in subsidiaries and the Company that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Except for tax losses incurred in the PRC amounting to RMB71,714,000 (2018: RMB45,961,000) will expire within five years since the date of carry forward, these unrecognised unused tax losses can be carried forward indefinitely, subject to fulfilment of certain conditions or rules.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes at applicable rate of 10% on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2019, deferred tax amounting of RMB95,000,000 (2018: Nil) was recognised for withholding taxes that would be payable on the unremitted distributable earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland PRC. In the opinion of the directors of the Company, it is probable that these subsidiaries will distribute such earnings in the foreseeable future.

At 31 December 2019, there was no significant unrecognised deferred tax liability on the temporary differences associated with investments in these PRC subsidiaries for which deferred tax liabilities have not been recognised (2018: temporary differences unrecognised for deferred tax liabilities of RMB232,684,000).

28. 遞延稅項(續)

遞延稅項負債(續)

截至二零一九年十二月三十一日止年度，倘可能具有有關未來應課稅溢利可供抵銷，則會就未動用稅項虧損確認遞延稅項資產。該等未動用稅項虧損乃為若干中國附屬公司於二零一九年底結轉款項，及本公司董事認為，該等若干中國附屬公司將產生足夠之未來應課稅溢利。

於二零一九年十二月三十一日，本集團未確認未動用稅項虧損總額為人民幣613,587,000元(二零一八年：人民幣542,436,000元)，與有關稅務機構訂立之協議，可用作抵消未來利潤。由於稅項虧損乃由已虧損一段時間之附屬公司及本公司產生及不大可能有應課稅溢利可用以抵銷稅項虧損，故並無就該等未動用稅項虧損確認遞延稅項資產。除於中國產生之稅項虧損人民幣71,714,000元(二零一八年：人民幣45,961,000元)將自結轉日期起五年內屆滿外，該等未確認未動用稅項虧損可無限期結轉，惟須符合若干條件或規則。

根據中國企業所得稅法，於中國內地成立之海外投資企業分派股息予海外投資者時，須徵收股息10%之預扣稅。該規定於二零零八年一月一日起生效及適用於二零零七年十二月三十一日之後的盈利。如中國內地與外國投資者所在司法權區訂有稅收協定，則適用於較低預扣稅率。因此，本集團須就中國內地成立之附屬公司就於二零零八年一月一日之後產生的盈利派付的股息按適用稅率10%繳納預扣稅。

於二零一九年十二月三十一日，本集團就於中國內地成立之附屬公司須繳納預扣稅的未匯出可分派盈利應付的預扣稅確認遞延稅項人民幣95,000,000元(二零一八年：無)。本公司董事認為，該等附屬公司可能於可見未來分派有關盈利。

於二零一九年十二月三十一日，就與於並無確認遞延稅項負債的該等中國附屬公司的投資相關之暫時差異而言，並無重大未確認遞延稅項負債(二零一八年：遞延稅項負債之未確認暫時差異人民幣232,684,000元)。

29. SHARE CAPITAL

29. 股本

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Issued and fully paid:	已發行及繳足：		
10,294,699,948 (2018: 6,176,819,969) ordinary shares	10,294,699,948股(二零一八年： 6,176,819,969股)普通股	2,014,112	587,529
A summary of movements in the Company's share capital is as follows:		本公司股本變動概要載列如下：	
		Number of ordinary shares in issue 已發行 普通股數目	Share capital 股本 RMB'000 人民幣千元
At 1 January 2018, 31 December 2018 and 1 January 2019	於二零一八年一月一日、 二零一八年十二月三十一日及 二零一九年一月一日		
Issue of new ordinary shares (Note)	發行新普通股(附註)	6,176,819,969 4,117,879,979	587,529 1,428,031
Share issue expenses	股份發行開支	-	(1,448)
At 31 December 2019	於二零一九年十二月三十一日	10,294,699,948	2,014,112

Note: On 2 May 2019, the Company and the controlling shareholder of the Company entered into a subscription agreement for the subscription of 4,117,879,979 new ordinary shares under specific mandate at the subscription price of HK\$0.38 per share for a total consideration, before expenses, of RMB1,428,031,000. The new ordinary shares were allotted and issued on 15 August 2019. All the shares issued during the year rank *pari passu* with other shares in issue in all respects.

附註：於二零一九年五月二日，本公司與本公司之控股股東訂立認購協議以根據特別授權按認購價每股0.38港元認購4,117,879,979股新普通股，總代價為人民幣1,428,031,000元(扣除開支前)。新普通股已於二零一九年八月十五日配發及發行。年內發行的所有股份在所有重大方面與其他已發行股份享有同等地位。

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30. RESERVES

The amounts of the Group's reserves and the movements therein for the year ended 31 December 2019 are presented in the consolidated statement of changes in equity.

(a) PRC statutory reserves

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, these entities are required to appropriate 10% of their net profits after tax, as determined under the Chinese Accounting Standards, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the entities, the statutory surplus reserves may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(b) Property revaluation reserve

Property revaluation reserve represents the gain on revaluation of the property, plant and equipment upon transfer to investment properties.

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of group entities. The reserve is dealt with in accordance with the accounting policy set out in note 2.4.

30. 儲備

本集團之儲備金額及其於截至二零一九年十二月三十一日止年度之變動呈列於綜合權益變動表內。

(a) 中國法定儲備

根據中國公司法及於中國成立的附屬公司的組織章程細則，該等實體須按稅後溢利淨額之10%提取法定盈餘儲備，此乃根據中國會計準則釐定，直至儲備餘額達到其註冊資本50%為止。受相關中國法規及實體組織章程細則所載若干限制之規限，法定盈餘儲備可用於抵銷虧損或轉換為增加股本，但轉換後儲備餘額不得少於本集團註冊資本之25%。儲備不得用作其設立目的以外的其他用途，亦不得作為現金股息分派。

(b) 物業重估儲備

物業重估儲備指物業、廠房及設備轉撥至投資物業之重估收益。

(c) 外匯儲備

外匯儲備包括換算集團實體財務報表所產生的所有外匯差額，有關儲備根據附註2.4所載會計政策處理。

31. BUSINESS COMBINATION

During the year, the Group entered into an acquisition agreement with Henan Huizheng City Construction Company Limited, which was ultimately controlled by Ms. Huang, to acquire 100% equity interests in Henan Xinrong Real Estate Company Limited (“Henan Xinrong”) at the consideration of RMB50,000,000. Pursuant to the terms and condition of the acquisition agreement, the acquisition transaction was completed on 21 February 2019. Henan Xinrong is engaged in property development in the PRC.

The acquisition is accounted for using the acquisition method of accounting in accordance with HKFRS 3 Business Combinations. The recognised amounts of assets and liabilities of Henan Xinrong at the date of acquisition are set out below:

		RMB'000 人民幣千元
Property, plant and equipment	物業、廠房及設備	62
Properties under development	發展中物業	361,194
Deposits and prepayments paid for land acquisitions	已付土地收購按金及預付款項	1,280
Accounts receivable, other receivables and other assets	應收賬款、其他應收款項及其他資產	10,602
Amounts due from subsidiaries of the Company*	應收本公司附屬公司款項*	976
Prepaid income tax and tax recoverable	預繳所得稅及可收回稅項	4,355
Cash and cash equivalents	現金及現金等值項目	3,069
Accounts payable, deposits received and accruals	應付賬款、已收按金及應計費用	(28,273)
Contract liabilities	合約負債	(62,343)
Amounts due to related companies	應付關連公司款項	(240,652)
Tax liabilities	稅項負債	(270)
Net assets acquired	所收購資產淨值	50,000
Consideration satisfied by cash	以現金支付代價	(50,000)
Cash and cash equivalents balances acquired	所收購的現金及現金等值項目結餘	3,069
Net cash outflow on acquisition	收購事項的現金流出淨額	(46,931)

* Amounts due from subsidiaries of the Company were eliminated in the consolidation upon the completion of acquisition.

Upon the completion of the acquisition, Henan Xinrong incurred a net loss of approximately RMB3,707,000 to the Group's consolidated profit for the year ended 31 December 2019, and no revenue has been generated from Henan Xinrong during the year. Had the acquisition taken place at the beginning of the year, the revenue of the Group would have no changes and the consolidated profit would have been decreased by RMB272,000.

31. 業務合併

年內，本集團與河南惠正城鄉建設有限公司(為Huang女士最終控制的公司)訂立收購協議，以收購河南鑫融置業有限公司(「河南鑫融」)之100%股權，代價為人民幣50,000,000元。根據收購協議之條款及條件，收購交易已於二零一九年二月二十一日完成。河南鑫融於中國從事物業發展。

根據香港財務報告準則第3號業務合併，該收購事項乃採用會計收購法入賬。河南鑫融於收購日期所確認之資產及負債金額載列如下：

		RMB'000 人民幣千元
物業、廠房及設備		62
發展中物業		361,194
已付土地收購按金及預付款項		1,280
應收賬款、其他應收款項及其他資產		10,602
應收本公司附屬公司款項*		976
預繳所得稅及可收回稅項		4,355
現金及現金等值項目		3,069
應付賬款、已收按金及應計費用		(28,273)
合約負債		(62,343)
應付關連公司款項		(240,652)
稅項負債		(270)
所收購資產淨值		50,000
以現金支付代價		(50,000)
所收購的現金及現金等值項目結餘		3,069
收購事項的現金流出淨額		(46,931)

* 應收本公司附屬公司款項乃於收購事項完成後於綜合賬目時抵銷。

收購事項完成後，河南鑫融為本集團截至二零一九年十二月三十一日止年度的綜合溢利貢獻虧損淨額約人民幣3,707,000元，年內河南鑫融並無產生任何收益。倘收購事項於年初落實，則本集團之收益將不會產生變動且綜合溢利將減少人民幣272,000元。

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32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. In view of the Group's expansion strategy, the Group has sourced funding from banks, financial institutions, bonds, senior notes, asset backed securities and its related companies in which Ms. Huang has beneficial interests and continued to look for other external financing sources. The Group's overall strategy remains unchanged from the prior period.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with the share capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues, raising of new borrowings or redemption of debts.

The capital structure of the Group consists of net debt, which includes bank and other borrowings, amounts due to related companies and loans from a related company, net of cash and cash equivalents, restricted bank balances and pledged deposits. The gearing ratio as at the end of the reporting period was as follows:

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Amounts due to related companies	應付關連公司款項	956,458	473,199
Loans from a related company	來自一間關連公司之貸款	7,490,728	12,876,310
Bank and other borrowings	銀行及其他借貸	20,235,845	12,400,725
Less: Cash and cash equivalents	減：現金及現金等值項目	(3,200,230)	(673,412)
Restricted bank balances	受限制銀行結餘	(691,992)	(101,913)
Pledged deposits	已抵押按金	(886,329)	(714,365)
Net debt	負債淨額	23,904,480	24,260,544
Total assets	總資產	51,942,189	39,569,259
Gearing ratio	資產負債比率	46%	61%

32. 資本風險管理

本集團管理資本乃為確保本集團實體能夠持續經營，同時透過優化債務與權益平衡為股東帶來最大回報。鑒於本集團之擴建策略，本集團由銀行、金融機構、債券、優先票據、資產支持證券及Huang女士擁有實益權益之關連公司籌集資金來源及繼續尋求其他外部融資渠道。本集團整體策略與過往期間保持不變。

本公司董事每年均會審閱資本架構。為配合該項審閱，本公司董事認為資本成本及風險與股本相關。根據本公司董事建議，本集團將透過支付股息、發行新股份、籌集新借貸或贖回債務，平衡其整體資本架構。

本集團資本架構包括負債淨額，即包括銀行及其他借貸、應付關連公司款項及來自一間關連公司貸款，減現金及現金等值項目、受限制銀行結餘及已抵押按金。於報告期末之資產負債比率如下：

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019**Financial assets**

		2019 二零一九年		2018 二零一八年	
		Financial assets at fair value through profit or loss 按公平值計入 損益之金融資產 RMB'000 人民幣千元	Financial assets at amortised cost 按攤銷成本 計算之金融資產 RMB'000 人民幣千元	Financial assets at fair value through profit or loss 按公平值計入 損益之金融資產 RMB'000 人民幣千元	Financial assets at amortised cost 按攤銷成本 計算之金融資產 RMB'000 人民幣千元
Financial assets at fair value through profit or loss	按公平值計入損益之金融資產	349,876	-	232,532	-
Accounts receivable	應收賬款	-	24,629	-	22,218
Financial assets included in other receivables and other assets	計入其他應收款項及 其他資產之金融資產	-	52,088	-	12,451
Debt investment at amortised cost	按攤銷成本計算之債務投資	-	-	-	323,257
Pledged deposits	已抵押按金	-	886,329	-	714,365
Restricted bank balances	受限制銀行結餘	-	691,992	-	101,913
Cash and cash equivalents	現金及現金等值項目	-	3,200,230	-	673,412
		349,876	4,855,268	232,532	1,847,616

Financial liabilities

		2019 二零一九年		2018 二零一八年	
		Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元	Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元	Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元	Financial liabilities at amortised cost 按攤銷成本 計算之金融負債 RMB'000 人民幣千元
Accounts payables	應付賬款		121,847		173
Financial liabilities included in other payables, deposits and accruals	計入其他應付款項、按金及 應計費用之金融負債		2,993,766		1,262,919
Amounts due to a related company	應付一間關連公司款項		956,458		473,199
Loans from a related company	來自一間關連公司之貸款		7,490,728		12,876,310
Lease liabilities	租賃負債		5,566		-
Bank and other borrowings	銀行及其他借貸		20,235,845		12,400,725
			31,804,210		27,013,326

33. 按類別劃分之金融工具

於報告期末，各類金融工具之賬面值如下：

二零一九年
金融資產

金融負債

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34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

34. 金融工具之公平值及公平值層級

於報告期末，各類金融工具之賬面值如下：

		Carrying amounts		Fair values	
		賬面值		公平值	
		2019	2018	2019	2018
		二零一九年	二零一八年	二零一九年	二零一八年
		RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
Financial assets	金融資產				
Financial assets at fair value through profit or loss	按公平值計入損益之金融資產	349,876	232,532	349,876	232,532
Financial liabilities	金融負債				
Bank and other borrowings	銀行及其他借貸	20,235,845	12,400,725	20,056,975	12,274,960

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, pledged deposits, accounts receivable, financial assets included in other receivables and other assets, accounts payable, financial liabilities included in other payables and accruals, amounts due to related companies and loans from a related company approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of listed equity investments are based on quoted market prices.

The fair values of bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for bank and other borrowings as at 31 December 2019 were assessed to be insignificant.

管理層已評估現金及現金等值項目、受限制銀行結餘、已抵押按金、應收賬款、計入其他應收款項及其他資產之金融資產、應付賬款、計入其他應付款項及應計費用之金融負債、應付關連公司款項及來自一間關連公司之貸款公平值與其賬面值大致相若，乃由於該等工具到期日較短所致。

本集團由財務經理主管的財務部，負責確定金融工具公平值計量之政策及程序。財務經理直接向首席財務官報告。於各報告日期，財務部分析金融工具的價值變動並確定估值中所應用之主要輸入值。估值由首席財務官審閱及批准。

金融資產及負債的公平值乃包含於可由自願各方現時交易兌換工具之金額，強迫或清盤出售之金融資產及負債除外。

已上市股本投資之公平值按市場報價計算。

銀行及其他借貸之公平值乃通過將預期未來現金流量按現時可用於具類似條款、信貸風險及餘下到期時間之工具之利率進行貼現計算。於二零一九年十二月三十一日，本集團有關銀行及其他借貸的不履約風險導致的公平值變動屬微不足道。

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2019

	按公平值計入損益之 金融資產	Fair value measurement using 使用以下數據計量之公平值			Total 總計 RMB'000 人民幣千元
		Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	
Financial assets at fair value through profit or loss		349,876	-	-	349,876

As at 31 December 2018

	按公平值計入損益之 金融資產	Fair value measurement using 使用以下數據計量之公平值			Total 總計 RMB'000 人民幣千元
		Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元	
Financial assets at fair value through profit or loss		232,532	-	-	232,532

34. 金融工具之公平值及公平值層級 (續)

公平值層級

下表列示本集團金融工具之公平值計量層級：

按公平值計量之資產：

於二零一九年十二月三十一日

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34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

The Group had no financial liabilities measured at fair value as at 31 December 2019 (2018: Nil).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

Liabilities for which fair values are disclosed:

As at 31 December 2019

		Fair value measurement using 使用以下數據計量之公平值			
	Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元		Total 總計 RMB'000 人民幣千元
Bank and other borrowings	銀行及其他借貸	-	20,056,975	-	20,056,975

As at 31 December 2018

於二零一八年十二月三十一日

		Fair value measurement using 使用以下數據計量之公平值			
	Quoted prices in active markets (Level 1) 活躍市場 之報價 (第一級) RMB'000 人民幣千元	Significant observable inputs (Level 2) 重大可觀察 輸入數據 (第二級) RMB'000 人民幣千元	Significant unobservable inputs (Level 3) 重大不可觀察 輸入數據 (第三級) RMB'000 人民幣千元		Total 總計 RMB'000 人民幣千元
Bank and other borrowings	銀行及其他借貸	-	12,274,960	-	12,274,960

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, restricted bank balances, accounts receivable, other receivables, accounts payable, other payables and accruals and amounts due to related companies, which arise directly from its operations. The Group has other financial assets and liabilities such as pledged deposits, financial assets at fair value through profit or loss, bank and other borrowings, lease liabilities, and loans from a related company. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, other price risk, foreign currency risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's bank and other borrowings with floating interest rate set out in note 27. The Group does not use derivative financial instruments to hedge interest rate risk. The Group manages its interest cost using a mix of fixed and variable rate borrowings.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax.

2019

二零一九年

Loans and borrowings denominated in
HK\$
HK\$
USD
USD
SGD
SGD

以下列貨幣計量之貸款及借貸
港元
港元
美元
美元
新加坡元
新加坡元

Increase/ (decrease) in basis points 基點 上升/(下降)	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
--	--

100	(5)
(100)	5
100	(1,500)
(100)	1,500
100	(784)
(100)	784

35. 財務風險管理目標及政策

本集團的主要金融工具主要包括現金及現金等值項目、受限制銀行結餘、應收賬款、其他應收款項、應付賬款、其他應付款項及應計費用及應付關連公司款項，該等金融工具因其經營而直接產生。本集團擁有其他金融資產及負債，如已抵押按金、按公平值計入損益之金融資產、銀行及其他借貸、租賃負債及來自一間關連公司之貸款。該等金融工具的主要目的在於為本集團之運營融資。

本集團金融工具產生的主要風險為利率風險、其他價格風險、外匯風險、信貸風險及流動資金風險。一般而言，本集團對其風險管理採取保守策略。本集團未持有或發行可供交易的衍生金融工具。董事會檢討並同意該等風險管理政策，其概述如下。

利率風險

本集團面臨的市場利率變動風險主要與附註27所載本集團浮息銀行及其他借貸有關。本集團並無使用衍生金融工具對沖利率風險。本集團使用定息及浮息借貸管理其利息成本。

下表列示在所有其他可變因素保持不變的情況下，利率的合理可能變動敏感度分析對本集團除稅前溢利之影響。

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Interest rate risk (continued)

2018

二零一八年

Loans and borrowings denominated in	以下列貨幣計量之貸款及借貸		
HK\$	港元	100	(34)
HK\$	港元	(100)	34
USD	美元	100	(1,538)
USD	美元	(100)	1,538
SGD	新加坡元	100	(800)
SGD	新加坡元	(100)	800

Other price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from listed investments classified as financial assets at fair value through profit or loss. The management manages this exposure by regular review of price fluctuation.

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks of financial assets at fair value through profit or loss at the end of the reporting period.

35. 財務風險管理目標及政策(續)

利率風險(續)

Increase/ (decrease) in basis points 基點 上升/(下降)	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
--	--

其他價格風險

股本價格風險為股本指數水平及個別證券價值變動導致股本證券公平值下降之風險。本集團承受被分類為按公平值計入損益之金融資產之上市投資股本價格風險。管理層透過定期審閱價格波幅管理此風險。

價格敏感度

以下敏感度分析以報告期末按公平值計入損益之金融資產價格所承受風險釐定。

Increase/ (decrease) in market price 市價 上升/(下降) %	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
---	--

31 December 2019	二零一九年十二月三十一日	10 (10)	34,988 (34,988)
31 December 2018	二零一八年十二月三十一日	10 (10)	23,253 (23,253)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from transactions by operating units in currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HK\$, USD, SGD and JPY exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities).

35. 財務風險管理目標及政策(續)

外幣風險

本集團要面對交易貨幣風險。該等風險乃因為經營單位以單位的功能貨幣以外的貨幣進行交易而產生。

下表列示在所有其他可變因素保持不變的情況下，由於港元、美元、新加坡元及日圓匯率的合理可能變動對本集團於報告期末的除稅前溢利之敏感度分析(由於貨幣資產及負債之公平值變動所致)。

		Increase/ (decrease) in exchange rate of foreign currency 外匯匯率 上升/(下降) %	Increase/ (decrease) in profit before tax 除稅前溢利 增加/(減少) RMB'000 人民幣千元
<hr/>			
2019	二零一九年		
If the HK\$ strengthens against the RMB	倘港元兌人民幣升值	5	18
If the HK\$ weakens against the RMB	倘港元兌人民幣貶值	(5)	(18)
If the USD strengthens against the RMB	倘美元兌人民幣升值	5	62,158
If the USD weakens against the RMB	倘美元兌人民幣貶值	(5)	(62,158)
If the SGD strengthens against the RMB	倘新加坡元兌人民幣升值	5	378
If the SGD weakens against the RMB	倘新加坡元兌人民幣貶值	(5)	(378)
If the JPY strengthens against the RMB	倘日圓兌人民幣升值	5	18
If the JPY weakens against the RMB	倘日圓兌人民幣貶值	(5)	(18)
<hr/>			
2018	二零一八年		
If the HK\$ strengthens against the RMB	倘港元兌人民幣升值	5	(68)
If the HK\$ weakens against the RMB	倘港元兌人民幣貶值	(5)	68
If the USD strengthens against the RMB	倘美元兌人民幣升值	5	(2,463)
If the USD weakens against the RMB	倘美元兌人民幣貶值	(5)	2,463
If the SGD strengthens against the RMB	倘新加坡元兌人民幣升值	5	722
If the SGD weakens against the RMB	倘新加坡元兌人民幣貶值	(5)	(722)
If the JPY strengthens against the RMB	倘日圓兌人民幣升值	5	159
If the JPY weakens against the RMB	倘日圓兌人民幣貶值	(5)	(159)

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35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2019

		12-month ECLs		Lifetime ECLs		Total
		12個月預期 信貸虧損		全期預期信貸虧損		
		Stage 1	Stage 2	Stage 3	Simplified	
		第1階段	第2階段	第3階段	簡化方法	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Accounts receivable*	應收賬款*	-	-	-	8,030	8,030
Accounts receivable	應收賬款					
- Normal**	- 正常**	16,599	-	-	-	16,599
Financial assets included in other	計入其他應收款項及					
receivables and other assets	其他資產之金融資產					
- Normal**	- 正常**	52,738	-	-	-	52,738
Pledged deposits	已抵押按金					
- Not yet past due	- 未逾期	886,329	-	-	-	886,329
Restricted bank balances	受限制銀行結餘					
- Not yet past due	- 未逾期	691,992	-	-	-	691,992
Cash and cash equivalents	現金及現金等值項目					
- Not yet past due	- 未逾期	3,200,230	-	-	-	3,200,230
		4,847,888	-	-	8,030	4,855,918

35. 財務風險管理目標及政策(續)

信貸風險

本集團僅與獲認可及信譽良好之第三方進行交易。按照本集團的政策，所有擬按信貸條款進行交易的客戶均須接受信貸核實程序。此外，本集團會持續監察應收款項結餘情況，而本集團之壞賬風險並不重大。

最高風險及年終階段

下表列示基於本集團信貸政策的信貸質素及最大信貸風險敞口，主要基於過往逾期資料(惟其他資料毋須過多成本或努力即可得)及於十二月三十一日之年終階段分類。

所呈列金額為金融資產總賬面值。

於二零一九年十二月三十一日

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2018

35. 財務風險管理目標及政策(續)

信貸風險(續)

最高風險及年終階段(續)

於二零一八年十二月三十一日

		12-month	Lifetime ECLs			Total	
		ECLs	Simplified				
		12個月預期	Stage 1	Stage 2	Stage 3	approach	Total
		信貸虧損	第1階段	第2階段	第3階段	簡化方法	總計
			RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
Accounts receivable*	應收賬款*	-	-	-	-	8,694	8,694
Accounts receivable	應收賬款						
- Normal**	- 正常**	13,524	-	-	-	-	13,524
Financial assets included in other	計入其他應收款項及						
receivables and other assets	其他資產之金融資產						
- Normal**	- 正常**	13,101	-	-	-	-	13,101
Debt investment at amortised cost	按攤銷成本計算之						
	債務投資	323,257	-	-	-	-	323,257
Pledged deposits	已抵押按金						
- Not yet past due	- 未逾期	714,365	-	-	-	-	714,365
Restricted bank balances	受限制銀行結餘						
- Not yet past due	- 未逾期	101,913	-	-	-	-	101,913
Cash and cash equivalents	現金及現金等值項目						
- Not yet past due	- 未逾期	673,412	-	-	-	-	673,412
			1,839,572	-	-	8,694	1,848,266

* For accounts receivable to which the Group applies the simplified approach for impairment as detailed in note 21 to the financial statements, there is no significant concentration of credit risk.

** The credit quality of the financial assets included in accounts receivable, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

* 就本集團應用財務報表附註21所詳述減值簡化方法的應收賬款而言，本集團並無任何重大集中信貸風險。

** 當計入應收賬款、其他應收款項及其他資產之金融資產未逾期，且並無資料顯示金融資產的信貸風險自初始確認以來顯著增加時，金融資產的信貸質素被視為「正常」。

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31 December 2019 二零一九年十二月三十一日

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings, lease liabilities and loans from a related company. Cash flows are being closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

As at 31 December 2019

		On demand or within 1 year 應要求 或一年內 RMB'000 人民幣千元	1 to 2 years 一至兩年 RMB'000 人民幣千元	3 to 5 years 三至五年 RMB'000 人民幣千元	Over 5 years 超過五年 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Accounts payable	應付賬款	121,847	-	-	-	121,847
Financial liabilities included in other deposits received and accruals	計入其他已收按金及應計費用之金融負債	2,993,766	-	-	-	2,993,766
Amounts due to related companies	應付關連公司款項	956,458	-	-	-	956,458
Loans from a related company – Non-interest bearing	來自一間關連公司之貸款 – 免息	7,490,728	-	-	-	7,490,728
Lease liabilities	租賃負債	1,871	1,945	2,438	-	6,254
Bank and other borrowings	銀行及其他借貸	8,274,557	9,907,074	4,512,801	13,868	22,708,300
		19,839,227	9,909,019	4,515,239	13,868	34,277,353
Financial guarantee contracts (Note)	財務擔保合約(附註)	7,819,571	-	-	-	7,819,571

35. 財務風險管理目標及政策(續)

流動資金風險

本集團之目標為透過利用銀行及其他借貸、租賃負債以及來自一間關連公司之貸款，維持資金持續供應及靈活性之平衡。本集團持續密切監察現金流量。

於報告期末，本集團金融負債根據合約未貼現付款作出的到期分析如下：

於二零一九年十二月三十一日

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (continued) As at 31 December 2018

		On demand or within 1 year 應要求 或一年內 RMB'000 人民幣千元	1 to 2 years 一至兩年 RMB'000 人民幣千元	3 to 5 years 三至五年 RMB'000 人民幣千元	Over 5 years 超過五年 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Accounts payable	應付賬款	173	–	–	–	173
Financial liabilities included in other deposits received and accruals	計入其他已收按金及 應計費用之金融負債	1,262,919	–	–	–	1,262,919
Amounts due to related companies	應付關連公司款項	473,199	–	–	–	473,199
Loans from a related company – Non-interest bearing	來自一間關連公司之貸款 – 免息	12,876,310	–	–	–	12,876,310
Bank and other borrowings	銀行及其他借貸	4,262,003	7,446,424	1,735,804	19,000	13,463,231
		18,874,604	7,446,424	1,735,804	19,000	28,075,832
Financial guarantee contracts (Note)	財務擔保合約(附註)	3,699,022	–	–	–	3,699,022

Note: The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on the expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the guaranteed financial receivables held by the counterparty suffer credit losses.

As at 31 December 2018, the Group's bank and other borrowings with a repayment on demand clause but not repayable within one year are classified under "on demand or within 1 year" time band in the maturity analysis. Taking into account the Group's financial position and the fair value of the pledged assets, the directors of the Company believe that it is not probable that the bank will exercise its discretionary right to demand immediate repayment and such term borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. On this basis, the interest and principal cash flows for the bank and other borrowings would be as follows:

As at 31 December 2018

		On demand or within 1 year 應要求 或一年內 RMB'000 人民幣千元	1 to 2 years 一至兩年 RMB'000 人民幣千元	2 to 5 years 二至五年 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Bank and other borrowings with a repayment on demand clause	附帶按要求償還條款之 銀行及其他借貸	92	476	–	568

35. 財務風險管理目標及政策(續)

流動資金風險(續)

於二零一八年十二月三十一日

附註：上述財務擔保合約款項為擔保對手方索取相關款項時，本集團根據安排可能須結付全數擔保款額之最高金額。基於報告期間結算日之預期，本集團認為須根據相關安排支付相關款項之可能性不大。然而，該估計視乎對手方根據擔保索償之可能性而有變，惟此可能性須視乎對手方所持擔保財務應收款項會否蒙受信貸虧損而定。

於二零一八年十二月三十一日，本集團附帶按
要求償還條款但不於一年內償還之銀行及其他
借貸於到期日分析歸入「應要求或一年內」時間
組表。計及本集團財務狀況及已抵押資產之公
平值，本公司董事相信，銀行不大可能行使其
要求即時還款之酌情權，而有關定期貸款將按
貸款協議所載預定還款日期償還。按此基準，
銀行及其他借貸之利息及本金現金流量會如下：

於二零一八年十二月三十一日

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31 December 2019 二零一九年十二月三十一日

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

36. 綜合現金流量表附註

(a) Changes in liabilities arising from financing activities

		Amounts due to related companies 應付關連 公司款項 RMB'000 人民幣千元	Loans from a related company 來自一間 關連公司貸款 RMB'000 人民幣千元	Accrued interest* 累計利息* RMB'000 人民幣千元	Lease liabilities 租賃負債 RMB'000 人民幣千元	Bank and other borrowings 銀行及 其他借貸 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 31 December 2018	於二零一八年十二月三十一日	473,199	12,876,310	18,342	-	12,400,725	25,768,576
Effect of adoption of HKFRS 16	採納香港財務報告準則 第16號之影響	-	-	-	6,813	-	6,813
At 1 January 2019 (restate)	於二零一九年一月一日(重列)	473,199	12,876,310	18,342	6,813	12,400,725	25,775,389
Increase arising from acquisition of a subsidiary	收購一間附屬公司之增加	240,652	-	-	-	-	240,652
Interest expenses	利息開支	-	-	1,019,398	457	-	1,019,855
Changes from financing cash flows (note)	融資現金流量變動(附註)	242,607	(5,385,582)	(930,724)	(1,782)	7,864,677	1,789,196
Foreign exchange translation	外匯換算	-	-	-	78	(29,557)	(29,479)
At 31 December 2019	於二零一九年十二月三十一日	956,458	7,490,728	107,016	5,566	20,235,845	28,795,613

(a) 融資活動之負債變動

		Amounts due to related companies 應付關連 公司款項 RMB'000 人民幣千元	Loans from a related company 來自一間 關連公司貸款 RMB'000 人民幣千元	Accrued interest* 累計利息* RMB'000 人民幣千元	Bank and other borrowings 銀行及 其他借貸 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2018	於二零一八年一月一日	2,408,436	2,650,862	13,303	7,730,618	12,803,219
Interest expenses	利息開支	-	646	546,308	-	546,954
Changes from financing cash flows (note)	融資現金流量變動(附註)	(1,935,237)	10,224,802	(541,269)	4,574,555	12,322,851
Foreign exchange translation	外匯換算	-	-	-	95,552	95,552
At 31 December 2018	於二零一八年十二月三十一日	473,199	12,876,310	18,342	12,400,725	25,768,576

Note: The financing cash flows are made up of the net amounts of new bank and other borrowings raised, repayment of bank and other borrowings, interest paid, advance from/repayment to related companies, loans received from/repaid to a related company and lease payments (including principal and interest portions) in the consolidated statement of cash flows.

* Included in accounts payable, deposits received and accruals.

附註：融資現金流量為綜合現金流量表內之新造銀行及其他借貸、償還銀行及其他借貸、已付利息、關連公司墊款／還款、已收／償還一間關連公司貸款及租賃付款(包括本金及利息部分)之淨額。

* 計入應付賬款、已收按金及應計費用。

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

		2019 二零一九年 RMB'000 人民幣千元
Within operating activities	經營活動內	5,081
Within financing activities	融資活動內	1,782
		6,863

37. PLEDGE OF ASSETS

The following assets are pledged to certain banks and financial institutions for banking facilities granted to the Group and mortgage loan facilities granted to certain property buyers of the Group's properties at the end of the reporting period:

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Property under development	發展中物業	18,468,315	14,206,367
Investment properties	投資物業	623,299	609,005
Property, plant and equipment	物業、廠房及設備	9,604	9,698
Pledged deposits	已抵押按金	886,329	714,365
		19,987,547	15,539,435

In addition, shares of certain subsidiaries were pledged as securities to obtain certain banking facilities granted to the Group as at 31 December 2019 and 2018.

36. 綜合現金流量表附註(續)

(b) 租賃現金流出總額

現金流量表所載租賃現金流出總額如下：

37. 資產抵押

於報告期末，以下資產已抵押予若干銀行及金融機構作為本集團獲授銀行融資及本集團物業之若干物業買家獲授按揭融資之質押：

此外，於二零一九年及二零一八年十二月三十一日，已抵押若干附屬公司之股份，以作為本集團獲授若干銀行融資之抵押。

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38. COMMITMENTS

- (a) The Group had the following capital commitments at the end of the reporting period:

Contracted for but not provided in respect of property development expenditures	物業發展開支之已訂約 但未撥備承擔
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(b) **Operating lease arrangements as at 31 December 2018**

The Group leased certain offices located in overseas under operating lease arrangements and those leases were negotiated for an average term of two to four years.

At 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

Within one year	一年內	
In the second to fifth years, inclusive	第二至第五年(包括首尾兩年)	

- (c) The Group has no lease contracts that have not yet commenced as at 31 December 2019.

39. CONTINGENT LIABILITIES

As at 31 December 2019, the Group had contingent liabilities relating to guarantees amounting to approximately RMB7,819,571,000 (2018: RMB3,699,022,000) in respect of mortgage loan facilities provided by certain banks in connection with the mortgage loans entered into by property buyers of the Group's properties. Pursuant to the terms of the guarantees, upon default in mortgage payments by these property buyers, the Group would be responsible for repaying the outstanding mortgage principals together with accrued interest thereon and any penalties owed by the defaulted buyers to the banks. The Group would be entitled to take over the legal title to and possession of the related properties. These guarantees will be released upon the earlier of (i) the satisfaction of the mortgage loan by the buyer of the property; and (ii) the issuance of the property ownership certificate for the mortgage property and the completion of the deregistration of the mortgage. In the opinion of the directors of the Company, no provision for the guarantee contracts was recognised in the consolidated financial statements for the year ended 31 December 2019 (2018: Nil) as the default risk is low and in case of default in payments, the net realisable value of the related properties can cover the outstanding principal together with the accrued interest and penalties.

38. 承擔

- (a) 於報告期間結算日，本集團之資本承擔如下：

2019	2018
二零一九年	二零一八年
RMB'000	RMB'000
人民幣千元	人民幣千元

11,867,163	20,012,792
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- (b) 於二零一八年十二月三十一日之經營租賃安排

本集團根據經營租賃安排租賃若干海外辦公室，該等租賃之協定平均年期為兩至四年。

於二零一八年十二月三十一日，本集團根據不可撤銷經營租賃擁有的未來最低租賃付款總額到期日如下：

2018
二零一八年
RMB'000
人民幣千元

1,853
6,226

8,079

- (c) 於二零一九年十二月三十一日，本集團並無任何未開始的租賃合約。

39. 或然負債

於二零一九年十二月三十一日，本集團就有關本集團物業之物業買家訂立之按揭貸款而由若干銀行提供之按揭貸款融資之擔保擁有或然負債約人民幣7,819,571,000元(二零一八年：人民幣3,699,022,000元)。根據擔保條款，倘該等物業買家拖欠按揭款項，本集團須負責償還失責買家欠付銀行的未償還按揭本金連同累計利息及任何罰款。本集團將有權接管相關物業的法定業權及擁有權。該等擔保將於以下較早者發生時解除：(i)物業買家償還按揭貸款；及(ii)就按揭物業發出物業所有權證並完成按揭的取消登記。本公司董事認為，由於違約風險不大，且倘發生付款違約，有關物業可變現淨值可彌補未償還本金以及累計利息及罰金，故並無就擔保合約於截至二零一九年十二月三十一日止年度(二零一八年：無)之綜合財務報表確認撥備。

40. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the reporting period:

Related companies (Note (i))	關連公司 (附註(i))	Transactions	交易	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Zensun Real Estate	正商置業	Interest expenses (capitalised in properties under development) (Note (ii))	利息開支 (於發展中物業 資本化) (附註(ii))	-	646
Relevant members of Henan Zensun Corporate Development Company Limited (the "Zensun Development Group")	河南正商 企業發展有限 責任公司之 有關成員公司 (「正商發展 集團」)	Construction costs (capitalised in properties under development) (Note (iii))	建築成本 (於發展中 物業資本化) (附註(iii))	2,052,500	1,050,611

Notes:

- (i) Zensun Real Estate and Zensun Development Group are the entities ultimately controlled by the controlling shareholder of the Company and together with her spouse.
- (ii) The interest expenses were charged according to agreements mutually agreed by both parties.
- (iii) The construction costs were based on terms mutually agreed by both parties. These transactions constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules.

The Group's bonds, senior notes and certain bank and financial institutions facilities to the Group were guaranteed by related companies, which are ultimately controlled by the controlling shareholder of the Company and together with her spouse. No asset of the Group was pledged to these related companies in respect of these guarantees.

During the year, the Group acquired the entire interest in a subsidiary, Henan Xinrong, from a related company, which was controlled by the ultimate controlling shareholder of the Company and together with her spouse. Further details of the acquisition transaction are included in note 31 to the financial statements.

40. 關連人士交易

- (a) 除該等財務報表其他部分詳述之交易外，本集團於報告期內與關連人士進行下列交易：

附註：

- (i) 正商置業及正商發展集團為由本公司控股股東連同其配偶最終控制之實體。
- (ii) 利息開支乃根據關連人士雙方共同協定之協議收取。
- (iii) 建築成本乃基於關連人士雙方共同協定之條款釐定。該等交易構成上市規則第14A章項下定義之持續關連交易。

本集團債券、優先票據以及若干銀行及金融機構融資由本公司控股股東連同其配偶最終控制之關連公司擔保。本集團概無就該等擔保向該等關連公司抵押任何資產。

年內，本集團自本公司最終控股股東連同其配偶控制之關連公司收購附屬公司河南鑫融的全部權益。有關收購交易的進一步詳情載於財務報表附註31。

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40. RELATED PARTY TRANSACTIONS (CONTINUED) 40. 關連人士交易(續)

(a) (continued)

During the year, the Company and the controlling shareholder of the Company entered into a subscription agreement for the subscription of 4,117,879,979 new ordinary shares under specific mandate at the subscription price of HK\$0.38 per share at gross amount of approximately HK\$1,564.8 million. The share subscription was completed on 15 August 2019 and the subscription shares represented approximately 40.00% of the then of issued share capital of the Company as enlarged by the allotment and issue of the subscription shares.

During the year, the Company and Ever Diamond Global Company Limited (“Ever Diamond”) entered into the management and sales services framework agreement pursuant to which the group members of Ever Diamond (Ever Diamond and its group members collectively, the “Ever Diamond Group”) shall conditionally appoint the Group as its service provider to provide the project management and sales services to Ever Diamond Group. Ever Diamond Group are entities ultimately controlled by Ms. Huang. These transactions constitute continuing connected transactions as defined under Chapter 14A of the Listing Rules. The transactions were approved at the extraordinary general meeting of the Company held on 20 December 2019, and the effective terms of the management and sales services framework agreement commenced thereafter and will be continuing up to 31 December 2021. No relevant transaction was carried out during the year ended 31 December 2019.

The Group is licensed by Zensun Real Estate to use the trademark of “Zensun” “正商” on a royalty-free basis until July 2020.

(b) Outstanding balances with related parties:

Details of the Group’s balances with related parties as at the end of the reporting period are included in notes 23, 25 and 26 to the financial statements.

(c) Compensation of key management personnel of the Group:

Short term employee benefits
Post-employment benefits

短期僱員福利
離職後福利

1,094
46

1,357
26

Total compensation paid to key management personnel

向主要管理人員支付的薪酬總額

1,140

1,383

Further details of directors’ and the chief executive’s emoluments are included in note 9 to the financial statements.

Save as above, no transaction has been entered into with the directors of the Company (being the key management personnel) during the year other than the emoluments paid to them (being key management personnel compensation) (2018: Nil).

(a) (續)

年內，本公司與本公司之控股股東訂立認購協議以根據特別授權按認購價每股0.38港元認購4,117,879,979股新普通股，總額約為1,564,800,000港元。股份認購事項已於二零一九年八月十五日完成，認購股份佔本公司當時經配發及發行認購股份擴大之已發行股本約40.00%。

年內，本公司與永鑽環球有限公司(「永鑽」)訂立管理及銷售服務框架協議，據此，永鑽集團成員公司(永鑽及其集團成員公司，統稱「永鑽集團」)將有條件委任本集團作為其服務提供商，為永鑽集團提供項目管理及銷售服務。永鑽集團為由Huang女士最終控制之實體。該等交易構成上市規則第14A章所界定的持續關連交易。該等交易已於二零一九年十二月二十日舉行的本公司股東特別大會上獲批准，管理及銷售服務框架協議的有效年期自此開始並將持續至二零二一年十二月三十一日。截至二零一九年十二月三十一日止年度，並無進行任何有關交易。

本集團獲正商置業許可按免專利費基準使用「Zensun」及「正商」商標至二零二零年七月。

(b) 與關連人士之未償還結餘：

於報告期末，本集團與關連人士之結餘詳情載於財務報表附註23、25及26。

(c) 本集團主要管理人員薪酬：

2019	2018
二零一九年	二零一八年
RMB'000	RMB'000
人民幣千元	人民幣千元

董事及主要行政人員酬金之進一步詳情載於財務報表附註9。

除上文所述者外，於年內並無與本公司董事(即主要管理人員)進行任何交易，惟向彼等支付作為主要管理人員報酬之酬金除外(二零一八年：無)。

41. SHARE OPTION SCHEME

On 28 August 2013, a new share option scheme (the “Share Option Scheme”) was adopted by the Company. The purpose of the Share Option Scheme is to motivate eligible persons who contribute to the success of the Group’s operations. The Share Option Scheme remains in force for 10 years from that date, unless otherwise cancelled or amended. Eligible persons of the Share Option Scheme include (i) a director or proposed director (including an independent non-executive director) of any member of the Group; (ii) a direct or indirect shareholder of any member of the Group; (iii) a supplier of goods or services to any member of the Group; (iv) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group; (v) a person or entity that provides research, development or other technological support or any advisory, consultancy, professional services to any member of the Group; and (vi) a landlord or tenant (including a sub-tenant) of any member of the Group. Subject to the terms of the New Share Option Scheme, the Board shall be entitled at any time during the life of the New Share Option Scheme to offer the grant of any option to any eligible person as the Board may in its absolute discretion select and the basis of eligibility shall be determined by the Board from time to time.

Pursuant to the Share Option Scheme, the maximum number of shares in respect of which options may be granted is such number of shares which, when aggregated with shares subject to any other share option scheme(s), must not exceed 10% of the issued share capital of the Company as at the date of the annual general meeting approving the Share Option Scheme on 28 August 2013. The maximum number of shares issuable under share options to each eligible person in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the shareholders’ approval in a general meeting.

41. 購股權計劃

於二零一三年八月二十八日，本公司採納新購股權計劃（「購股權計劃」）。購股權計劃旨在激勵對本集團業務成就有所貢獻之合資格人士。除非另經註銷或修訂，否則購股權計劃由該日起一直有效十年。購股權計劃之合資格人士包括(i)本集團任何成員公司之董事或候任董事(包括獨立非執行董事)；(ii)本集團任何成員公司之直接或間接股東；(iii)本集團任何成員公司之貨品或服務供應商；(iv)本集團任何成員公司之客戶、諮詢顧問、業務或合營企業夥伴、特許經營人、承包商、代理或代表；(v)向本集團任何成員公司提供研發或其他技術支持或任何顧問、諮詢顧問、專業服務之人士或實體；及(vi)本集團任何成員公司之業主或租戶(包括分租戶)。根據新購股權計劃之條款，於新購股權計劃有效期內任何時間，董事會有權向其全權酌情選擇之任何合資格人士提呈授出購股權，而合資格基準不時由董事會釐定。

根據購股權計劃，可能授出之購股權涉及之股份數目上限，與任何其他購股權計劃涉及之股份相加，最多不得超過本公司於二零一三年八月二十八日(批准購股權計劃的股東週年大會日期)已發行股本之10%。於任何十二個月期間根據購股權可向購股權計劃各合資格人士發行之股份數目上限，以本公司任何時間已發行股份1%為限。任何進一步授出超逾該限額之購股權須待股東於股東大會批准後，方可實行。

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41. SHARE OPTION SCHEME (CONTINUED)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive Director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5,000,000, within any 12-month period, are subject to the shareholders' approval in a general meeting.

The amount payable upon the acceptance of an option is HK\$1.00. The period within which an option must be exercised shall be such period as the Board may in its absolute discretion determine at the time of grant, save that such period shall not be more than 10 years commencing on the date of grant of an option.

The exercise price of the share options is determinable by the Board, but may not be less than the highest of (i) the closing price of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of offer of the grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the grant; and (iii) the nominal value of the Company's shares.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue as at the date the annual general meeting approving the Share Option Scheme on 28 August 2013, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options vested immediately and may be exercised at any time not exceeding a period of 5 years from the date on which the share options are accepted.

During the years ended 31 December 2019 and 2018, no options have been granted under the above-mentioned scheme.

41. 購股權計劃(續)

向本公司董事、主要行政人員或主要股東或彼等各自之任何聯繫人士授出購股權，均須取得獨立非執行董事(為購股權承授人之任何獨立非執行董事除外)之事先批准。此外，在任何十二個月期間，倘向任何主要股東或獨立非執行董事或彼等各自之任何聯繫人士授出任何超過本公司於任何時間已發行股份0.1%及總值超過5,000,000港元(根據本公司股份於授出日期之價格計算)之購股權，則須待股東於股東大會批准後，方可實行。

購股權獲接納時應付金額1.00港元。購股權之必須行使期限由董事會於授出購股權時全權酌情釐定，惟有關期限自購股權授出日期起計不得超過十年。

購股權之行使價由董事會釐定，惟不得低於以下各項之最高者：(i)本公司股份於提呈授出日期(必須為交易日)於聯交所每日報價表所報收市價；(ii)本公司股份於緊接提呈授出日期前五個交易日於聯交所每日報價表所報平均收市價；及(iii)本公司股份面值。

與根據購股權計劃可能授予之購股權有關之股份總數在未經本公司股東事先批准前，不允許超過本公司於二零一三年八月二十八日(批准購股權計劃的股東週年大會日期)已發行股份10%。與於任何一年內授予或可能授予任何人士之購股權有關之已發行及將予發行股份數目在未經本公司股東事先批准前，不允許超過本公司於任何時間點已發行股份1%。購股權自購股權獲接納之日起不超過五年期間內任何時間即時歸屬並可能獲行使。

於截至二零一九年及二零一八年十二月三十一日止年度，概無購股權根據上述計劃獲授出。

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

42. 本公司財務狀況報表

本公司於報告期末之財務狀況報表資料如下：

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
NON-CURRENT ASSETS	非流動資產		
Property, plant and equipment	物業、廠房及設備	75	85
Investments in subsidiaries	於附屬公司之投資	336,131	336,131
Amounts due from subsidiaries	應收附屬公司款項	-	323,777
Total non-current assets	非流動資產總額	336,206	659,993
CURRENT ASSETS	流動資產		
Accounts receivable, other receivables and other assets	應收賬款、其他應收款項及其他資產	4,964	1,798
Debt investment at amortised cost	按攤銷成本計算之債務投資	-	323,257
Financial assets at fair value through profit or loss	按公平值計入損益之金融資產	349,776	5,240
Amounts due from subsidiaries	應收附屬公司款項	3,900,275	1,391,744
Cash and cash equivalents	現金及現金等值項目	955,175	22,234
Investment properties classified as held for sale	分類為持作出售之投資物業	5,210,190	1,744,273
Total current assets	流動資產總額	5,210,190	1,745,590
CURRENT LIABILITIES	流動負債		
Other payables and accruals	其他應付款項及應計費用	96,475	724
Bank and other borrowings	銀行及其他借貸	695,963	1,375,228
Amounts due to subsidiaries	結欠附屬公司款項	216,643	214,587
Total current liabilities	流動負債總額	1,009,081	1,590,539
NET CURRENT ASSETS	流動資產淨值	4,201,109	155,051
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總值減流動負債	4,537,315	815,044
NON-CURRENT LIABILITIES	非流動負債		
Bank and other borrowings	銀行及其他借貸	2,311,130	-
Total non-current liabilities	非流動負債總額	2,311,130	-
Net assets	資產淨值	2,226,185	815,044
EQUITY	權益		
Share capital	股本	2,014,112	587,529
Reserves (Note)	儲備(附註)	212,073	227,515
Total equity	權益總額	2,226,185	815,044

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42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves is as follows:

		Capital reduction reserves 資本削減 儲備賬 RMB'000 人民幣千元	Exchange reserve 外匯儲備 RMB'000 人民幣千元	Other reserve 其他儲備 RMB'000 人民幣千元	Retained earning 保留盈餘 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2018	於二零一八年一月一日	119,330	(2,833)	82,674	61,762	260,933
Total comprehensive income/ (loss) for the year	年內全面收益/(虧損) 總額	-	30,553	-	(63,971)	(33,418)
At 31 December 2018 and 1 January 2019	於二零一八年十二月 三十一日及二零一九年 一月一日	119,330	27,720	82,674	(2,209)	227,515
Total comprehensive (loss)/ income for the year	年內全面(虧損)/ 收益總額	-	(24,739)	-	9,297	(15,442)
At 31 December 2019	於二零一九年十二月 三十一日	119,330	2,981	82,674	7,088	212,073

42. 本公司財務狀況報表(續)

附註：

本公司之儲備概述如下：

43. PARTICULARS OF THE SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 December 2019 are as follows:

43. 附屬公司概要

於二零一九年十二月三十一日，本公司主要附屬公司之資料如下：

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及 營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
75 Wall Street, LLC	USA 美國	Note (i) 附註(i)	–	100	Property investment 物業投資
American Housing REIT, Inc.	USA 美國	Common stock USD6,256 普通股 6,256美元	–	99.8	Property investment 物業投資
AHR First Borrower, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Loan financing and property investment 貸款融資及物業投資
AHR Second Borrower, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Loan financing 貸款融資
American Senior Housing REIT, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Property investment and investment holding 物業投資及投資控股
ASHR McKinney, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Property investment 物業投資
ASHR First, LLC	USA 美國	Note (i) 附註(i)	–	99.8	Property investment 物業投資
China Credit Singapore Pte. Ltd.	Singapore 新加坡	Ordinary shares SGD13,417,282 普通股 13,417,282新加坡元	100	–	Investment holding 投資控股

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 December 2019 二零一九年十二月三十一日

43. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2019 are as follows: (continued)

43. 附屬公司概要(續)

於二零一九年十二月三十一日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及 營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
Expats Residences Pte. Ltd.	Singapore 新加坡	Ordinary shares SGD25,002 普通股 25,002新加坡元	-	100	Property investment 物業投資
Heng Fung Capital Company Limited 恒鋒融資有限公司	Hong Kong 香港	Ordinary shares HK\$2 普通股2港元	100	-	Property investment and securities trading 物業投資及證券買賣
Inter-American Management, LLC	USA 美國	Note (i) 附註(i)	-	85	Provision of property management services 提供物業管理服務
Keng Fong Foreign Investment Co., Ltd.	USA 美國	Common stock USD250,000 普通股 250,000美元	-	100	Property investment 物業投資
Singapore Service Residence Pte. Ltd.	Singapore 新加坡	Ordinary shares SGD1,250,000 普通股 1,250,000新加坡元	-	100	Property investment 物業投資
Xpress Credit Limited 特速信貸有限公司	Hong Kong 香港	Ordinary shares HK\$1,260,000 普通股 1,260,000港元	-	100	Securities trading 證券買賣
ZH USA, LLC	USA 美國	Note (i) 附註(i)	100	-	Securities trading and investment holding 證券買賣及投資控股

43. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2019 are as follows: (continued)

43. 附屬公司概要(續)

於二零一九年十二月三十一日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及 營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南昌輝企業管理諮詢有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB1,000,000 註冊資本 人民幣1,000,000元	–	100	Investment holding 投資控股
河南正商經開置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB300,000,000 註冊資本 人民幣300,000,000元	–	100	Property development, project management and sales services 物業發展、項目管理及 銷售服務
河南興漢正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南象湖置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南新築置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商華府置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展

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43. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2019 are as follows: (continued)

43. 附屬公司概要(續)

於二零一九年十二月三十一日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及 營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南正商新銘置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展
河南正商新航置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	-	100	Property development 物業發展
河南正商鄭東置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展
北京上築置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB300,000,000 註冊資本 人民幣300,000,000元	-	100	Property development 物業發展
北京上陽置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB200,000,000 註冊資本 人民幣200,000,000元	-	100	Property development 物業發展
河南正商銘築置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展
河南正商鄭新房地產有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展
河南啟盛置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	-	100	Property development 物業發展

43. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2019 are as follows: (continued)

43. 附屬公司概要(續)

於二零一九年十二月三十一日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及 營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南正商中嶽置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
原陽縣正商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南正商河洛置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商雅苑置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商金城置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商瓏水置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商新雅置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展

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43. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2019 are as follows: (continued)

43. 附屬公司概要(續)

於二零一九年十二月三十一日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及 營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南省正商新居置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展
河南正商新府置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展
河南沐歌置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	-	100	Property development 物業發展
河南正商新宏置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展
河南正商致遠置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展
新鄉市興漢正商置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展
河南正商嶽村建設開發有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展
河南正商佳居置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展

43. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2019 are as follows: (continued)

43. 附屬公司概要(續)

於二零一九年十二月三十一日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及 營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南漢輝置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB200,000,000 註冊資本 人民幣200,000,000元	–	60	Property development 物業發展
河南正商王村置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南鑫築建設工程有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南正商鴻雅置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南東象正商實業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB300,000,000 註冊資本 人民幣300,000,000元	–	60	Property development 物業發展
河南嘉瑞昌置業股份有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展
河南林盟置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
武漢豫正置業有限公司 <i>Note (ii)</i> 附註(ii)	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	100	Property development 物業發展

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43. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2019 are as follows: (continued)

43. 附屬公司概要(續)

於二零一九年十二月三十一日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及 營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
滎陽博雅置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	-	100	Property development 物業發展
河南正商金銘置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展
河南正商新古置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	80	Property development 物業發展
河南正商佳航置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展
河南正商尚築置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展
河南鑫融置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展
河南悅府置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	-	100	Property development 物業發展
河南悅壘置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	-	100	Property development 物業發展

43. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries of the Company at 31 December 2019 are as follows: (continued)

43. 附屬公司概要(續)

於二零一九年十二月三十一日，本公司主要附屬公司之資料如下：(續)

Name 名稱	Place incorporation/ registration and place of business 註冊成立/ 註冊地點及 營業地點	Nominal value of issued ordinary/ registered share capital 已發行普通/ 註冊股本面值	Percentage of equity attributable to the Company 本公司應佔權益 之百分比		Principal activities 主要業務
			Direct 直接	Indirect 間接	
河南佳悅美置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB100,000,000 註冊資本 人民幣100,000,000元	–	70	Property development 物業發展
河南惠東置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
河南金州置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展
北京上瑞置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB200,000,000 註冊資本 人民幣200,000,000元	–	100	Property development 物業發展
武漢豫商置業有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB20,000,000 註冊資本 人民幣20,000,000元	–	100	Property development 物業發展
鄭州君聯房地產開發有限公司 <i>Note (ii)</i> <i>附註(ii)</i>	PRC 中國	Registered capital RMB50,000,000 註冊資本 人民幣50,000,000元	–	100	Property development 物業發展

Notes:

- (i) No capital contribution is required from the member unless otherwise required by law.
- (ii) Entities established in the PRC are limited liability companies with no English names registered or available upon establishment.

附註：

- (i) 除非法律另行規定，否則並無規定資本貢獻必須來自成員公司。
- (ii) 於中國成立之實體為有限公司，且於成立後，概無登記或採用英文名稱。

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財務報表附註

31 December 2019 二零一九年十二月三十一日

44. EVENTS AFTER THE REPORTING PERIOD

- (a) In February 2020, the Group acquired land use rights of two separate land parcels located in Xinmi City, Henan Province, the PRC through listing for sale process in its respective public auction held by Xinmi City Nature Resources and Planning Bureau for transfer of state-owned land use rights (i) with site area of approximately 53,060.26 sq.m. at a consideration of RMB25,875,838; and (ii) with site area of approximately 25,968.97 sq.m. at a consideration of RMB104,771,000, respectively. These two land parcels are designated for residential and underground for transportation usages, with the term of 70 years for residential usage and the term of 50 years for underground for transportation services usage. The handover of the land parcel is expected to be completed respectively no later than the second quarter of 2020.
- (b) In March 2020, the Group entered into a purchase agreement and thereafter issued US\$200,000,000 12.5% senior notes due 2022. The Group intended to use the gross proceeds to refinance existing indebtedness and for project development and general corporate purposes.
- (c) After the outbreak of coronavirus disease 2019 (“COVID-19”) in early 2020, various precautionary and control measures have been and continued to be implemented across the PRC. Meanwhile, the Group has imposed a series of preventive and control measures within all of the property development projects and business locations to the outbreak and safeguard the employees and business operations. The Group will continue to pay close attention to the development of the COVID-19 situation and evaluate its impact on the financial position and operating results of the Group. As at the date of this announcement, major operation for the Group’s property development business in the PRC has substantially restored to their normal operation and the Group was not aware of any material adverse effects on the consolidated financial statements as a result of the outbreak.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2020.

44. 報告期後事項

- (a) 於二零二零年二月，本集團分別於新密市自然資源和規劃局就轉讓國有土地使用權所舉辦之公開拍賣掛牌出售程序中取得位於中國河南省新密市之兩幅地塊各自之土地使用權，佔地面積及代價分別為(i)約53,060.26平方米及人民幣25,875,838元；及(ii)約25,968.97平方米及人民幣104,771,000元。該兩幅地塊指定作住宅及地下交通服務用途，住宅使用年限為70年，地下交通服務使用年限為50年。該兩幅地塊預期將分別於二零二零年第二季度之前完成交付。
- (b) 於二零二零年三月，本集團訂立一份購買協議，並於其後發行於二零二二年到期之200,000,000美元12.5%優先票據。本集團擬將所得款項總額用作為現有債務再融資、項目發展及一般企業用途。
- (c) 於二零二零年初爆發新型冠狀病毒(「COVID-19」)後，中國各地已並將繼續實施各項防控措施。同時，本集團已於所有物業發展項目、經營場所內實施一系列防控措施應對疫情爆發，保障員工安全及業務營運。本集團將繼續密切關注COVID-19疫情的發展情況，評估疫情對本集團財務狀況及經營業績的影響。於本公佈日期，本集團中國物業發展業務的主要經營活動已基本恢復正常，本集團並不知悉疫情爆發對綜合財務報表有任何重大不利影響。

45. 批准財務報表

財務報表已於二零二零年三月二十七日獲董事會批准及授權刊發。

FINANCIAL SUMMARY

財務概要

		For the year ended 31 December 截至十二月三十一日止年度				For the nine months ended 31 December 2015 截至 二零一五年 十二月三十一日 止九個月
		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元 (Restated) (重列)	2016 二零一六年 RMB'000 人民幣千元 (Restated) (重列)	HK\$'000 千港元
Results	業績					
Revenue	收益	8,887,186	601,470	1,100,419	67,960	43,960
Profit (loss) for the year/period	年度/期間溢利(虧損)	1,151,458	28,492	131,602	(54,214)	(19,193)
Attributable to: Owners of the Company Non-controlling interests	應佔: 本公司擁有人 非控股權益	1,151,571 (113)	29,971 (1,479)	131,709 (107)	(54,200) (14)	(19,655) 462
Profit (loss) for the year/period	年度/期間溢利(虧損)	1,151,458	28,492	131,602	(54,214)	(19,193)
		As at 31 December 於十二月三十一日				
		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元	2017 二零一七年 RMB'000 人民幣千元 (Restated) (重列)	2016 二零一六年 RMB'000 人民幣千元 (Restated) (重列)	2015 二零一五年 HK\$'000 千港元
Assets and liabilities	資產及負債					
Total assets	總資產	51,942,189	39,569,259	18,542,750	3,311,955	2,186,089
Total liabilities	總負債	(48,205,148)	(38,447,747)	(17,398,865)	(2,275,634)	(1,094,486)
Non-controlling interests	非控股權益	3,593	7,053	9,581	10,704	7,178
Equity attributable to owners of the Company	本公司擁有人應佔權益	3,740,634	1,128,565	1,153,466	1,047,025	1,098,781

PARTICULARS OF MAJOR INVESTMENT PROPERTIES

主要投資物業概要

As at 31 December 2019 於二零一九年十二月三十一日

INVESTMENT PROPERTIES

投資物業

Location 地點	Gross area (approximately) 總面積 (約)	Effective % held 實際擁有權 (%)	Type 類別	Lease term 租約
No.883 North Bridge Road, Shop on 1/F. and 27 Home Office Units on various floors, Southbank, Singapore 198785	28,732 sq. ft. 28,732平方呎	100%	Home Office 家居辦公室	Long-term lease 長期租約
5 Residential Units, Dakota Residences, 34-42 Dakota Crescent, Singapore 399939	9,128 sq. ft. 9,128平方呎	100%	Apartment 寓所	Long-term lease 長期租約
30/F and Carpark No. C8 on 2nd Carparking Floor, Wyndham Place, No.44 Wyndham Street, Central, Hong Kong 香港中環雲咸街44號雲咸商業中心 30樓及2樓停車場C8號車位	3,480 sq. ft. 3,480平方呎	100%	Office premises and Car Parking space 辦公室物業及車位	Long-term lease 長期租約
Portion B of 24/F, Wyndham Place, No. 44 Wyndham Street, Central, Hong Kong 香港中環雲咸街44號雲咸商業中心24樓B部份	1,680 sq. ft. 1,680平方呎	100%	Office premises 辦公室物業	Long-term lease 長期租約
Glen Carr House, 1433 North Hamilton Drive, Derby, Kansas, 67037, U.S. Glen Carr House 位於美國肯薩斯州德比市 North Hamilton Drive 1433號	29,000 sq. ft. 29,000平方呎	99.8%	Senior house communities 長者住房宿舍	Freehold 永久業權
Oxford Grand McKinney, 2851 Orchid Drive, McKinney, Texas, 75070, U.S. Oxford Grand McKinney 位於美國德薩斯州麥堅尼市 Orchid Drive 2851號	69,700 sq. ft. 69,700平方呎	99.8%	Senior house communities 長者住房宿舍	Freehold 永久業權
3 Single-family rentals located in the metropolitan regions of Texas and Georgia, U.S. 位於美國德克薩斯州及喬治亞州 市中心地區之3間單棟出租單位	6,965 sq. ft. 6,965平方呎	99.8%	Residential 住宅	Freehold 永久業權
Land parcels located at 671-180-012, 013, 014, 015, 016, 017, 018 Desert Hot Springs, County of Riverside, State of California, 92503, U.S. 位於美國加州河濱縣Desert Hot Springs之 地塊671-180-012、013、014、015、 016、017、018	67.5 acres/ 273,200 sq. m./ 2,940,300 sq. ft. 67.5畝/ 273,200平方米/ 2,940,300平方呎	100%	Vacant land 空置土地	Freehold 永久業權

THE COMPANY

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

<i>Company's Registered Office</i>	<i>Company's Principal Place of Business</i>	<i>Issuer's Registered Office and Principal Place of Business</i>
Zensun Group Limited (正商集團有限公司) Vistra Corporate Services Centre Wickhams Cay II, Road Town Tortola, VG1110 British Virgin Islands	Zensun Group Limited (正商集團有限公司) No.1 Gangwan Road Zhengzhou City Henan Province, PRC	Zensun Enterprises Limited 24th Floor, Wyndham Place 40-44 Wyndham Street Central, Hong Kong

TRUSTEE, PRINCIPAL PAYING AGENT, REGISTRAR AND TRANSFER AGENT

China Construction Bank (Asia) Corporation Limited

(中國建設銀行(亞洲)股份有限公司)

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