This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. This announcement does not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. The securities have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act") or with any securities regulatory authority of any state of the United States or other jurisdiction. The securities are being offered and sold outside the United States in reliance on Regulation S under the Securities Act and may not be offered or sold within the United States absent registration or an exemption from registration under the Securities Act. No public offering of the securities will be made in the United States or in any other jurisdiction where such an offering is restricted or prohibited. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the Company and will contain detailed information about the Company and management, as well as financial statements. The Company does not intend to register any part of the offering in the United States.

L.gem 綠景(中國)地產投資有限公司

LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(HKSE Stock Code: 95)

OVERSEAS REGULATORY ANNOUNCEMENT

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

Please refer to the attached supplemental offering memorandum (the "**Offering Memorandum**") in relation to the issuance of US$20,000,000 12.0% senior notes due 2023 (to be consolidated and form a single series with the US$450,000,000 12.0% senior notes due 2023 issued on 10 March 2020) by Gemstones International Limited (the "**Issuer**") unconditionally and irrevocably guaranteed by LVGEM (China) Real Estate Investment Company Limited (the "**Company**"), which is available on the website of the Singapore Exchange Securities Trading Limited.

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

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

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

By Order of the Board
LVGEM (China) Real Estate Investment Company Limited
HUANG Jingshu
Chairman

Hong Kong, 10 November 2020

As at the date of this announcement, the executive Directors are Ms. HUANG Jingshu (Chairman), Mr. TANG Shouchun (Chief Executive Officer), Mr. YE Xingan, Mr. HUANG Hao Yuan and Mr. SIU Chi Hung; the non-executive Director is Ms. LI Lihong; and the independent non-executive Directors are Mr. WANG Jing, Ms. HU Gin Ing and Mr. MO Fan.

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

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

CONFIRMATION OF YOUR REPRESENTATION: IN ORDER TO BE ELIGIBLE TO VIEW THE ATTACHED DOCUMENT, INVESTORS MUST COMPLY WITH THE FOLLOWING PROVISIONS. YOU HAVE BEEN SENT THE ATTACHED DOCUMENT ON THE BASIS THAT YOU HAVE CONFIRMED TO DBS BANK LTD., BOCOM INTERNATIONAL SECURITIES LIMITED, HEUNGKONG SECURITIES LIMITED, HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED AND CHINA CITIC BANK INTERNATIONAL LIMITED (COLLECTIVELY THE "INITIAL PURCHASERS") THAT YOU (I) ARE OUTSIDE THE UNITED STATES, AND, TO THE EXTENT YOU PURCHASE THE SECURITIES DESCRIBED IN THE ATTACHED DOCUMENT, YOU WILL BE DOING SO IN AN OFFSHORE TRANSACTION, AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S"), IN COMPLIANCE WITH REGULATION S; AND (II) CONSENT TO DELIVERY BY ELECTRONIC TRANSMISSION.

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OFFERING MEMORANDUM **CONFIDENTIAL**

Gemstones International Limited
碧玺国际有限公司

(incorporated in British Virgin Islands with limited liability)

Unconditionally and Irrevocably Guaranteed by

L.gem 綠景(中國)地產投資有限公司

LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED

LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED
綠景 (中國) 地產投資有限公司

(incorporated in Cayman Islands with limited liability)

US$20,000,000
12.0% Senior Notes due 2023
to be consolidated and form a single series with the US$450,000,000 12.0% Senior Notes due 2023 issued on March 10, 2020
Issue Price: 99.465%
plus accrued interest from (and including) September 10, 2020 to (but excluding) November 6, 2020

The additional US$20,000,000 12.0% Senior Notes due 2023 (the "New Notes") to be issued by Gemstones International Limited (the "Issuer") shall constitute a further issue of, and be consolidated and form a single series with, the US$450,000,000 12.0% senior notes due 2023 (the "Original Notes") issued on March 10, 2020 (the "Original Issue Date"). The terms for the New Notes are the same as those for the Original Notes in all respects except for the issue date and the issue price. The aggregate principal amount of the New Notes to be issued is US$20,000,000. The Original Notes and the New Notes are referred to collectively as the Notes. Upon the issue of the New Notes, the aggregate principal amount of outstanding Notes will be US$470,000,000. The New Notes will bear interest from September 10, 2020 at 12.0% per annum payable semi-annually in arrears on March 10 and September 10 of each year, beginning March 10, 2021. The Notes will mature on March 10, 2023.

The Notes are general obligations of the Issuer, guaranteed on a joint and several basis by LVGEM (China) Real Estate Investment Company Limited (LVGEM China) (the "Company") and by certain of the Company's subsidiaries (the "Subsidiary Guarantors"), other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in the section entitled "Description of the Notes." We refer to the guarantee by the Company 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 Company may be replaced by a limited-recourse guarantee (the "JV Subsidiary Guarantee"). We refer to the subsidiaries providing a JV Subsidiary Guarantee as JV Subsidiary Guarantors.

At any time prior to March 10, 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 a premium (as set out in the section entitled "Description of the Notes") 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 March 10, 2023, the Issuer may redeem up to 35% of the Notes, at a redemption price of 112.0% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the net cash proceeds from sales of certain kinds of capital stock of the Issuer. Upon the occurrence of a Change of Control Triggering Event (as defined in 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 will be (1) senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes, (2) 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), (3) effectively subordinated to the secured obligations (if any) of the Issuer, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, to the extent of the value of the assets serving as security therefor, and (4) effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below). In addition, applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). See "Risk Factors — Risks Relating to the Notes Guarantees and the JV Subsidiary Guarantees."

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

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

The Original Notes are listed on the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and the listing and quotation of the New Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Issuer, the Company, the New Notes, the New Notes Guarantees or the JV Subsidiary Guarantees (if any).

The Notes have been rated "B" by Fitch Ratings Ltd. ("Fitch") and "BB-" by Lianhe Ratings Global Limited ("Lianhe Global"). 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.

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

With reference to the Notice on Promoting the Reform of the Filing and Registration System for 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) 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 proposed issuance of the New Notes with the NDRC and obtained a certificate from the NDRC dated December 27, 2019 evidencing such registration and we will cause relevant information relating to the issue of the New Notes to be reported to the NDRC within 10 working days after the issue date of the New Notes.

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

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

DBS Bank Ltd. BOCOM International HeungKong Financial Haitong International China CITIC Bank International

The date of this offering memorandum is October 30, 2020

TABLE OF CONTENTS

SUMMARY	1	**REGULATION**	142
THE OFFERING	5	**MANAGEMENT**	176
SUMMARY CONSOLIDATED FINANCIAL INFORMATION	13	**PRINCIPAL SHAREHOLDERS**	181
RISK FACTORS	16	**RELATED PARTY TRANSACTIONS**	184
USE OF PROCEEDS	57	**DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS**	185
EXCHANGE RATE INFORMATION	58	**DESCRIPTION OF THE NOTES**	191
CAPITALIZATION AND INDEBTEDNESS	61	**TAXATION**	264
SELECTED CONSOLIDATED FINANCIAL INFORMATION	62	**PLAN OF DISTRIBUTION**	267
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	65	**TRANSFER RESTRICTIONS**	272
INDUSTRY OVERVIEW	94	**RATINGS**	274
CORPORATE STRUCTURE	101	**LEGAL MATTERS**	275
BUSINESS	103	**INDEPENDENT AUDITOR**	276
		GENERAL INFORMATION	277
		INDEX TO FINANCIAL STATEMENTS	F-1

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

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

This document is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

IN CONNECTION WITH THIS OFFERING, ANY OF THE INITIAL PURCHASERS, AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE AND SELL THE NEW NOTES IN THE OPEN MARKET, PROVIDED THAT CHINA CITIC BANK INTERNATIONAL LIMITED SHALL NOT BE ACTING AS THE STABILIZING MANAGER. 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 NEW NOTES. AS A RESULT, THE PRICE OF THE NEW NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END AFTER A LIMITED TIME. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE INITIAL PURCHASERS, 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 New Notes, the New Notes Guarantees and the JV Subsidiary Guarantees (if any) that is material in the context of the issue and offering of the New 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 New Notes, the New Notes Guarantees and the JV Subsidiary Guarantees (if any), the omission of which would, in the context of the issue and offering of the New 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 New Notes. You should read this offering memorandum before making a decision whether to purchase the New Notes. You must not use this offering memorandum for any other purpose, or disclose any information in this offering memorandum to any other person.

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 New Notes. By purchasing the New Notes, you will be deemed to have acknowledged that you have made certain acknowledgements, representations and agreements as set forth under the section entitled "Transfer Restrictions" below.

No representation or warranty, express or implied, is made by DBS Bank Ltd., BOCOM International Securities Limited, HeungKong Securities Limited, Haitong International Securities Company Limited and China CITIC Bank International Limited (the "Initial Purchasers"), Citicorp International Limited (the "Trustee"), Citibank, N.A., London Branch (the "Paying and Transfer Agent and Registrar") or any of their respective affiliates or advisors as to the accuracy or completeness of the information set forth herein, and nothing contained in this offering memorandum is, or should be relied upon as, a promise or representation, whether as to the past or the future.

Each person receiving this offering memorandum acknowledges that: (i) such person has been afforded an opportunity to request from us and to review, and has received, all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers, the Trustee or the Paying and Transfer Agent and Registrar or any person affiliated with the Initial Purchasers, the Trustee or the Paying and Transfer Agent and Registrar in

connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the New Notes, the New Notes 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 New Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers, the Trustee or the Paying and Transfer Agent and Registrar.

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

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

This offering memorandum summarizes certain material documents and other information, and 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 New Notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering memorandum to be legal, business or tax advice. You should consult your own professional advisors for legal, business, tax and other advice regarding an investment in the New Notes.

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

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms "we," "us," "our," the "Company," the "Group" and words of similar import, we are referring to LVGEM (China) Real Estate Investment Company Limited, or LVGEM (China) Real Estate Investment Company Limited and its consolidated subsidiaries, as the context requires. When we use the term the "Issuer", we are referring to Gemstones International Limited.

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

In this offering memorandum, all references to "US$" and "U.S. dollars" are to United States dollars, the official currency of the United States of America (the "United States" or "U.S."); all references to "HK$" and "H.K. dollars" are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC ("Hong Kong" or "HK"); and all references to "RMB" or "Renminbi" are to 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. dollars were made at the rate of RMB7.0651 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2020, and all translations from H.K. dollars into U.S. dollars were made at the rate of HK$7.7501 to US$1.00, the noon buying rate in New York City for cable transfers payable in H.K. dollars as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 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 the section entitled "Exchange Rate Information."

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

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRS") which differ in certain respects from generally accepted accounting principles in certain other countries.

Unless the context otherwise requires, references to "2017", "2018", "2019" in this offering memorandum are to our financial years ended December 31, 2017, 2018, 2019, respectively.

References to "share" are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK$0.01, in our share capital.

References to "ASP" are to average selling price.

References to "EIT" are to enterprise income tax.

References to "CAGR" are to compound annual growth rate.

References to "MOFCOM" are to the Ministry of Commerce, People's Republic of China.

References to "NDRC" are to the National Development and Reform Commission, People's Republic of China.

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

In this offering memorandum, unless the context otherwise requires, all references to "affiliate" are to person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; all references to "subsidiary" are used with the meaning ascribed to it in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong, as amended (the "Listing Rules"), which includes: (i) a "subsidiary undertaking" as defined in the schedule one to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), (ii) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to HKFRS, and (iii) any entity which will, as a result of acquisition of its equity interest by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to HKFRS; all references to "associate" are used with the meaning ascribed thereto under the Listing Rules, which includes: (i) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power, (ii) in relation to a company, its subsidiaries, its holding companies, subsidiaries of such holding companies, certain trustees, as well as companies over which such company and its subsidiaries, trustee interests, holding companies and subsidiaries of such holding companies together exercise at least 30% voting power and (iii) in the context of connected transactions, certain connected persons and enlarged family members of a director, chief executive or substantial shareholder of a listed issuer; and all references to "controlling shareholder" are used with the meaning ascribed thereto under the Listing Rules, including any person or group of persons who are entitled to exercise 30% or more of the voting power at our general meetings or are in a position to control the composition of a majority of our board of directors, and "controlling interest" will be construed accordingly.

In this offering memorandum, a land grant contract refers to a state-owned land use rights grant contract (國有土地使用權出讓合同) between a developer and the relevant PRC governmental land administrative authorities, typically the local land reserves bureaus.

In this offering memorandum, a land use rights certificate refers to a state-owned land use rights certificate (國有土地使用權證) issued by a local real estate and land reserves bureau with respect to the land use rights; a construction land planning permit refers to 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; a pre-sale permit refers to 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; a certificate of completion refers to 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; and a property ownership certificate refers to a property ownership and land use rights certificate (房地產權證) issued by a local real estate and land reserves bureau with respect to the land use rights and the ownership rights of the buildings on the relevant land.

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

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

FORWARD-LOOKING STATEMENTS

This offering memorandum contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this offering memorandum, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words "aim," "anticipate," "believe," "could," "estimate," "expect," "going forward," "intend," "may," "ought to," "plan," "project," "seek," "should," "will," "would" and similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, and may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the risk factors set forth under the section headed "Risk Factors" in this offering memorandum and the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this offering memorandum, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this offering

memorandum might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this offering memorandum are qualified by reference to the cautionary statements set out in this section.

Statements of or references to the intentions of our Company or any of our directors are made as at the date of this offering memorandum. Any such intentions may potentially change in light of future developments.

ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

Appleby, 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 Appleby 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) 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; (f) there is due compliance with the correct procedures under the laws of the Cayman Islands; and (g) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

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

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

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 our PRC legal advisor, Global Law Office, 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 Parent Guarantor, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) or their directors or officers predicated upon the civil liability provisions of the U.S. federal or state securities laws or (ii) entertain original actions brought in China against us, our directors or officers, the Parent Guarantor, the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) or their directors or officers predicated upon the U.S. federal or state securities laws.

SUMMARY

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

OVERVIEW

We are a leading, specialized property developer and commercial property operator based in Shenzhen, PRC. Our vision is "to be the most respected urban value creator" ("做最受尊敬的城市價值創造者") by providing quality products and services and creating social, economic and cultural values for cities. From 2011 to 2020, we were recognized as one of the "Top 10 Shenzhen Real Estate Enterprises in terms of Comprehensive Strength" (深圳房地產開發十強企業) by Shenzhen Real Estate Association for ten consecutive years. In 2019, we were awarded "Top 10 Trustworthy Enterprises in Shenzhen's Real Estate Industry" by Shenzhen Real Estate Association.

We were known as New Heritage Holdings Ltd. ("New Heritage Holdings"), a company listed on The Stock Exchange of Hong Kong since December 2, 2005 (Hong Kong Stock Code: 00095) and mainly engaged in property development and property investment businesses in Suzhou. On January 21, 2014, a sales and purchase agreement was entered into between China LVGEM Property Holdings Limited ("China LVGEM"), a company ultimately wholly beneficially owned by Mr. Wong Hong King, and a shareholder of New Heritage Holdings, to acquire 64.8% of the then aggregate issued share capital of New Heritage Holdings ("the 2014 Acquisition"). The 2014 Acquisition was completed on May 8, 2014. Subsequent to the completion of the 2014 Acquisition, China LVGEM's interest in the Company increased to 81.5% after the acquisition of additional shares of the Company as a result of the mandatory general offer and exercise of share options of the Company. China LVGEM's interest in New Heritage Holdings subsequently reduced to 73.0% to restore the public float. In September 2014, our name was changed to "LVGEM (China) Real Estate Investment Company Limited" ("綠景(中國)地產投資有限公司").

Adhering to the "dual core" strategic vision of "focusing on core cities and cities' core areas," we develop projects mainly in core cities and central areas to help achieve low risk, high value and high returns for our projects. Being one of the forerunners in urban redevelopment, we actively participated in urban redevelopment projects in Shenzhen, where we have accumulated extensive experience and established a unique land reserve acquisition model. We have established a solid market position in Shenzhen and have been strategically expanding into other property markets in the Pearl River Delta, in alignment with the Guangdong-Hong Kong-Macau Greater Bay Area ("GDHKMC Bay Area") concept, which was put forward in the 5th session of the 12th National People's Congress in March 2017. The GDHKMC Bay Area concept focuses on the creation of a financial and trading core area and the promotion of high-quality living through cultural development and green initiatives. The GDHKMC Bay Area is also one of the most economically prosperous and vibrant economic zones in China. Our geographical coverage also includes the Yangtze River Delta region, mainly in Suzhou.

Our business operations consist of three principal business segments:

(i) Property development and sales;

(ii) Commercial property investment and operations; and

(iii) Comprehensive services.

Our mission is to "build quality products and enhance urban value" ("持續提升城市價值"). As of June 30, 2020, we had completed a diverse portfolio of 24 residential and commercial properties with an aggregate GFA of 3.71 million sq.m., most of which are located in prime, core areas of Shenzhen such as Futian, Longhua and Luohu. We currently have a robust project pipeline with a land reserve of total planned GFA of approximately 6.82 million sq.m., including our first overseas project in Lau Fau Shan, Hong Kong. We adopt a land acquisition strategy in which we seek quality land reserves primarily through urban redevelopment and collaboration with our controlling shareholder. As one of the pioneers of urban redevelopment, we believe we can leverage our extensive experience and continue to acquire land in prime locations at a competitive cost, particularly in Shenzhen where urban redevelopment has become a primary source of land supply.

In line with our two-pronged residential and commercial business model, we own and operate for long-term investment purposes a substantial portion of the commercial properties we have developed. These commercial properties include the Shenzhen NEO Urban Commercial Complex, Zoll Centers and other retail spaces. Shenzhen NEO Urban Commercial Complex is composed of three buildings that consist of a Grade-A office building, retail space and business apartments. Zoll centers are community lifestyle and shopping centers which complement our existing residential property developments. We hold these commercial properties for capital appreciation and lease them to generate rental income. As of June 30, 2020, we had 28 investment properties primarily in Shenzhen with a total GFA of approximately 678,285 sq.m.. We launched LVGEM Zoll Hongwan Shopping Mall in January 2017, LVGEM Zoll International Garden Shopping Mall in 2017, LVGEM Zoll Yuexi Shopping Mall in 2018 and Hong Kong LVGEM NEO in 2019.

We also provide comprehensive services, including property management services and hotel operations. We provide high quality property management services to the residents and tenants of 25 properties with an aggregate GFA of approximately 2.7 million sq.m. We manage a majority of the properties developed by us, including Shenzhen NEO Urban Commercial Complex and Zoll Centers. Our LVGEM Hotel, located in central business district of Futian in Shenzhen, was awarded "The Most Popular Hotel" ("最受歡迎酒店獎") by the Shenzhen Tourism Association in 2016 and "2018 Top 16 Brand Hotels in Shenzhen" by the Shenzhen Tourism Association in 2018. In 2017, we acquired Vanllee Hotel in Covina, Los Angeles, USA.

In 2017, 2018, 2019 and the six months ended June 30, 2020, our revenue was RMB2,967.8 million, RMB4,515.7 million, RMB6,902.4 million (US$977.0 million) and RMB2,462.2 million (US$348.5 million), respectively, and our profit for the period was RMB1,038.6 million, RMB1,230.4 million, RMB1,750.0 million (US$247.7 million) and RMB38.4 million (US$5.4 million), respectively.

RECENT DEVELOPMENT

Acquisition of Equity Interests in Baishizhou Project

On August 25, 2020, our wholly owned subsidiary Greater Bay Area Intelligent City Limited entered into subscription agreements with Affluent Trade Investment Limited, Victor Success Investments Limited and Multiple Ally Limited and our controlling shareholder Mr. Wong Hong King. Pursuant to the subscription agreements, we subscribed 70% of the enlarged issued share capital of Affluent Trade Investment Limited, 75% of the enlarged issued share capital of Victor Success Investments Limited and 75% of the enlarged issued share capital of Muliple Ally Limited at a consideration of RMB1,200,000, RMB1,380,000 and RMB1,490,000 respectively. Through the subscription, the Company and Mr. Wong will indirectly hold approximately 80% and 20% equity interests in the Baishizhou Project. For more details about Baishizhou Project, please see "Business – Corporate History and Structure – Key Corporate Milestones".

Recent COVID-19 Outbreak

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 have imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. The COVID-19 outbreak poses potential risks to our business operation and financial condition. See "Risk Factors – Risks Relating to The PRC – The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics."

OUR COMPETITIVE STRENGTHS

We believe that our primary competitive strengths are:

- leading Shenzhen developer with dual-core strategy in the Pearl River Delta region, in alignment with the GDHKMC Bay Area concept;
- forerunner in urban redevelopment with the advantage to acquire land at relatively low cost;
- cooperation with controlling shareholder allowing for flexible land reserve expansion;
- strong and established two-pronged business model with steady recurring cash flow and value gains from commercial properties;
- experienced management team with proven track record of effective execution yielding strong profitability; and
- well-balanced capital and financial management.

OUR STRATEGIES

Our business strategies are to:

- continue to expand in core areas of fast-growing core cities in the GDHKMC Bay Area;
- continue to expand our land reserves by urban redevelopment and collaboration with our controlling shareholder;
- focus on further optimizing our project portfolio;
- improve our product positioning; and
- focus on technology to build smart city.

GENERAL INFORMATION

The Issuer, Gemstones International Limited, is a company incorporated on May 25, 2017 in the BVI with limited liability. The Issuer is a wholly owned subsidiary of LVGEM (China) Real Estate Investment Company Limited. The Issuer currently has no business or operations other than to issue the debt securities and conduct other activities in connection therewith.

The Parent Guarantor, LVGEM (China) Real Estate Investment Company Limited, was incorporated in the Cayman Islands on December 23, 2004 as an exempted company with limited liability. Our shares have been listed on The Stock Exchange of Hong Kong since December 2, 2005. Our principal place of business in the PRC is at 55/F, Tower A, NEO Building, 6011 Shennan Boulevard, Fuitan District, Shenzhen, China and 26/F Gold River Center, 88 Shi Shan Road, New District, Suzhou, China. Our place of business in Hong Kong is at Unit 2501, NEO, 123 Hoi Bun Road, Kowloon, Hong Kong. Our registered office is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Our website is www.lvgem-china.com. Information contained on our website does not constitute part of this offering memorandum.

THE OFFERING

The following is a brief summary of the terms of this offering and is qualified in its entirety by the section entitled "Description of the Notes" in this offering memorandum. Terms used in this summary and not otherwise defined shall have the meanings given to them in "Description of the Notes."

Issuer	Gemstones International Limited
Parent Guarantor	LVGEM (China) Real Estate Investment Company Limited (the "Company")
New Notes Offered	US$20,000,000 aggregate principal amount of 12.0% senior notes due 2023 to be consolidated and form a single series with the US$450,000,000 12.0% senior notes due 2023 issued on March 10, 2020.
Issue Price	99.465% of the principal amount of the New Notes plus accrued interest from (and including) September 10, 2020 to (but excluding) November 6, 2020.
Maturity Date	March 10, 2023.
Interest	The New Notes bear interest from and including September 10, 2020 at the rate of 12.0% per annum, payable semiannually in arrears.
Interest Payment Dates	March 10 and September 10 of each year, commencing March 10, 2021.
Ranking 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 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 and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described below under "Description of the Notes – The Subsidiary Guarantees and The JV Subsidiary Guarantees" and in "Risk Factors – Risks Relating to the Notes Guarantees and the JV Subsidiary Guarantees";

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

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

Ranking of Parent Guarantee . . . . The Parent Guarantee is:

- a general obligation of the Company;
- senior in right of payment to all future obligations of the Company expressly subordinated in right of payment to the Parent Guarantee;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- effectively subordinated to the secured obligations of the Company, 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.

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

The initial Subsidiary Guarantors consist of all the Company's Restricted Subsidiaries other than the Issuer, those Restricted Subsidiaries organized under the laws of the PRC and certain other Restricted Subsidiaries specified in "Description of the Notes." The Subsidiary Guarantors are holding companies that do not have significant operations.

None of the existing or future Restricted Subsidiaries organized under the laws of the PRC provided or will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20.0% of Total Assets as of the date such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary.

A Subsidiary Guarantee may be released or replaced in certain circumstances. See "Description of the Notes – The Subsidiary Guarantees and the JV Subsidiary Guarantees – Release of the Subsidiary Guarantees and JV Subsidiary Guarantees."

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% of the Capital Stock of such Subsidiary Guarantor, the Company may release the Subsidiary Guarantees provided by such Subsidiary Guarantor and each of its Restricted Subsidiaries organized outside the PRC, *provided* that, after the release of such Subsidiary Guarantees, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including such Other Non-Guarantor Subsidiaries) do not account for more than 20.0% of Total Assets.

JV Subsidiary Guarantees	In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or any Restricted Subsidiary (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 purchase the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company may (in each case, to the extent such Restricted Subsidiary is not an Exempted Subsidiary, a Listed Subsidiary or incorporated in the PRC), subject to the satisfaction of certain conditions described under "Description of the Notes," 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 or Listed Subsidiaries) to provide a JV Subsidiary Guarantee (as defined below) instead of a Subsidiary Guarantee. No JV Subsidiary Guarantee exists as of the Original Issue Date.
Ranking of Subsidiary Guarantees	The Subsidiary Guarantee of each Subsidiary Guarantor: • is a general obligation of such Subsidiary Guarantor; • is effectively subordinated to secured obligations of such Subsidiary Guarantor, if any, 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, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); 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: • will be a general obligation of such JV Subsidiary Guarantor; • will be enforceable only up to the JV Entitlement Amount; • will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, if any, 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 unsecured, 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, unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and • effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.
Use of Proceeds	We intend to use the net proceeds for refinancing existing medium to long term offshore debts which will become due within one year.
Optional Redemption	At any time prior to March 10, 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, as set forth in "Description of the New Notes – Optional Redemption." At any time and from time to time prior to March 10, 2023, the Issuer may redeem up to 35% of the aggregate principal outstanding 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 112.0% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date remain 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 Triggering Event	Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101.0% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date. See "Description of the Notes – Repurchase of Notes Upon a Change of Control Triggering Event."
Additional Amounts	All payments of principal of, and premium (if any) and interest on the Notes or under the Notes Guarantees and JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer, the Company, a Surviving Person (as defined under "Description of Notes – Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, the PRC, or any jurisdiction through which payments are made, unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. Subject to certain exceptions, in the event that any such withholding or deduction is so required, the Issuer, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required.
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, the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders and the Trustee (which notice shall be irrevocable), at a redemption price equal to 100.0% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Issuer, the Company or the Surviving Person, as the case may be, for redemption, if the Company or a Surviving Person would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See "Description of the Notes – Redemption for Taxation Reasons."

Covenants	The Indenture limits the Company's ability or the Issuer, the Company and its Restricted Subsidiaries to, among other things: • incur additional indebtedness and issue disqualified or preferred stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee any Indebtedness of the Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor; • 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 certain shareholders and affiliates; and • effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in "Description of the Notes – Certain Covenants."
Transfer Restrictions	The New Notes, the Notes Guarantees and the JV Subsidiary Guarantees (if any) will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See "Transfer Restrictions."
Form, Denomination and Registration	The New 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 notes deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream. Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, the records maintained by Euroclear and Clearstream.

Book-entry Only	The New 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 New Notes	The Issuer expects to make delivery of the New Notes, against payment in same-day funds on or about November 6, 2020, which the Company expects will be the fifth business day following the date of this offering memorandum referred to as "T+5". You should note that initial trading of the New Notes may be affected by the "T+5" settlement. See "Plan of Distribution."
Trustee	Citicorp International Limited.
Paying and Transfer Agent and Registrar	Citibank, N.A., London Branch.
Listing	The Original Notes are listed on the SGX-ST. Approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.
Ratings	The Notes have been rated "B" by Fitch and "BB-" by Lianhe Global. 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. For more information, see "Risk Factors – The ratings assigned to the Notes and our corporate ratings maybe lowered or withdrawn in the future."
Securities Codes	**ISIN**: XS2098347821 — **Common Code**: 209834782
Governing Law	The Notes, the Notes Guarantees, the JV Subsidiary Guarantees (if any) and the Indenture are governed by and construed in accordance with the laws of the State of New York.
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the New Notes, see "Risk Factors."

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table presents our summary financial information. The summary consolidated statements of profit or loss for 2017, 2018 and 2019 and the summary consolidated statements of financial position as of December 31, 2017, 2018 and 2019 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for such years and as of such dates, as audited by Deloitte Touche Tohmatsu ("Deloitte"), independent certified public accountants, and included elsewhere in this offering memorandum. The summary condensed consolidated statement of profit or loss for the six months ended June 30, 2019 and 2020 and the summary condensed consolidated statement of financial position data as of June 30, 2020 set forth below (except for EBITDA data) have been derived from our unaudited condensed consolidated interim financial statements for such periods and as of such date, as reviewed by Deloitte, included elsewhere in this offering memorandum.

Our financial information has been prepared and presented in accordance with HKFRS, which differs in certain respects from generally accepted accounting principles in other jurisdictions. The summary financial information below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. Historical results are not necessarily indicative of results that may be achieved in any future period. Results for interim periods are not indicative of results for the full year.

SUMMARY CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER FINANCIAL DATA

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB)	(RMB)	(RMB)	(US$) (in thousands)	(RMB)	(RMB)	(US$)
Revenue	2,967,751	4,515,685	6,902,448	976,978	3,422,084	2,462,206	348,503
Cost of sales	(1,029,862)	(1,829,515)	(2,472,093)	(349,902)	(1,013,800)	(859,214)	(121,614)
Gross profit	1,937,889	2,686,170	4,430,355	627,076	2,408,284	1,602,992	226,889
Other income, other gains and losses	121,640	155,095	112,292	15,894	86,424	(52,527)	(7,435)
Selling expenses	(67,694)	(132,982)	(134,059)	(18,975)	(51,179)	(26,862)	(3,802)
Administrative expenses	(361,572)	(390,433)	(461,498)	(65,321)	(161,296)	(198,573)	(28,106)
Fair value changes on investment properties	478,423	323,461	696,378	98,566	479,228	(174,081)	(24,640)
Fair value changes on derivative financial instruments	2,373	172,192	(20,170)	(2,855)	(47,160)	53,849	7,622
Finance costs	(613,592)	(657,995)	(1,256,165)	(177,799)	(490,069)	(686,243)	(97,131)
Share of results of joint ventures	(93)	(8)	(2)	(0)	–	–	–
Profit before tax	1,497,374	2,155,500	3,367,131	476,586	2,224,232	518,555	73,397
Income tax (expense)/credit	(458,811)	(925,097)	(1,617,168)	(228,895)	(1,232,555)	(480,196)	(67,967)
Profit for the year/period	1,038,563	1,230,403	1,749,963	247,691	991,677	38,359	5,430
Attributable to:							
Owners of the Company	1,035,392	1,237,167	1,749,884	247,680	991,860	37,556	5,316
Non-controlling interests	3,171	(6,764)	79	11	(183)	803	114
Other Financial Data							
EBITDA[(1)]	1,742,194	2,382,489	4,181,047	591,788	2,365,567	1,514,284	214,333
EBITDA margin[(2)]	58.7%	52.8%	60.6%	60.6%	69.1%	61.5%	61.5%

Notes:

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

(2) EBITDA margin is calculated by dividing EBITDA by revenue for the relevant period, expressed as a percentage.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	(RMB)	(RMB)	(RMB)	(USD)	(RMB)	(USD)
			(in thousands)			
Non-current assets						
Investment properties	19,650,677	22,117,251	23,567,529	3,335,767	23,810,000	3,370,087
Property, plant and equipment	413,871	458,393	996,014	140,977	983,642	139,226
Goodwill	231,602	231,602	231,602	32,781	231,602	32,781
Interests in joint ventures	6,068	6,060	6,058	857	6,058	857
Amount due from a joint venture	522,323	522,318	522,318	73,929	522,318	73,929
Available-for-sale investments	444,259	–	–	–	–	–
Equity instrument at fair value through other comprehensive income	–	490,816	541,125	76,591	473,271	66,987
Deferred tax assets	175,201	345,030	565,713	80,071	443,620	62,790
Deposits paid	1,210,000	–	29,410	4,163	–	–
	22,654,001	24,171,470	26,459,769	3,745,136	26,470,511	3,746,657
Current assets						
Properties under development for sale	5,621,635	7,407,278	8,165,855	1,155,802	9,453,861	1,338,107
Properties held for sale	729,206	3,302,382	2,467,237	349,215	2,955,757	418,360
Other inventories	1,145	629	738	104	570	81
Accounts receivable	377,292	11,576	31,212	4,418	80,532	11,399
Deposits paid, prepayments and other receivables	1,138,263	890,294	3,230,928	457,308	1,740,799	246,394
Financial assets at fair value through profit or loss	–	10,559	–	–	–	–
Debt instrument at fair value through other comprehensive income	–	20,000	–	–	–	–
Tax recoverable	32,594	8,048	33,562	4,750	27,792	3,934
Other financial assets	150,000	–	–	–	–	–
Restricted bank deposits	2,117,521	3,915,826	2,804,061	396,889	2,804,435	396,942
Bank balances and cash	3,975,163	3,674,042	5,542,921	784,550	7,882,068	1,115,634
	14,142,819	19,240,634	22,276,514	3,153,036	24,945,814	3,530,851
Current liabilities						
Accounts payable	600,037	1,383,514	1,111,831	157,369	824,529	116,705
Contract liabilities	–	2,268,288	2,505,265	354,597	1,988,374	281,436
Accruals, deposits received and other payables	3,725,372	744,814	673,358	95,308	736,299	104,216
Lease liabilities	–	–	22,674	3,209	21,627	3,061
Tax liabilities	1,009,685	1,468,779	2,398,675	339,510	2,616,048	370,278
Dividend payables	–	–	–	–	282,672	40,010
Borrowings	3,615,042	3,232,448	4,306,274	609,514	6,510,295	921,472
Senior notes and bond	–	2,591,909	5,027,123	711,543	3,404,172	481,829
Debt component of convertible bonds	589,650	–	1,493,257	211,357	1,015,058	143,672
Derivative component of convertible bonds	111,078	–	222,207	31,451	31,922	4,518
	9,650,864	11,689,752	17,760,664	2,513,858	17,430,996	2,467,197
Net current assets	4,491,955	7,550,882	4,515,850	639,178	7,514,818	1,063,654
Total assets less current liabilities	27,145,956	31,722,352	30,975,619	4,384,314	33,985,329	4,810,311
Non-current liabilities						
Borrowings	9,343,235	13,309,348	15,149,805	2,144,316	14,467,857	2,047,792
Senior notes and bond	5,250,854	2,809,060	–	–	3,382,169	478,715
Debt component of convertible bonds	–	1,381,645	–	–	619,441	87,676
Derivative component of convertible bonds	–	198,105	–	–	52,118	7,377
Lease liabilities	–	–	95,380	13,500	88,772	12,565
Deferred tax liabilities	2,482,664	2,585,251	2,695,601	381,538	2,701,738	382,406
	17,076,753	20,283,409	17,940,786	2,539,354	21,312,095	3,016,531
Net assets	10,069,203	11,438,943	13,034,833	1,844,960	12,673,234	1,793,780
Capital and reserves						
Share capital	39,121	41,141	42,060	5,953	42,180	5,970
Reserves	9,796,941	11,290,307	12,885,799	1,823,866	12,559,654	1,777,704
Equity attributable to owners of the Company	9,836,062	11,331,448	12,927,859	1,829,819	12,601,834	1,783,674
Non-controlling interests	233,141	107,495	106,974	15,141	71,400	10,106
Total equity	10,069,203	11,438,943	13,034,833	1,844,960	12,673,234	1,793,780

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 face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, financial condition or results of operations. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected. In such case, we may not be able to satisfy our obligations under the Notes, and you could lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS

We rely heavily on the strong performance of the property market in China, particularly in Shenzhen and the wider Pearl River Delta region, where most of our properties and investments are located

Our growth in the past has benefited from the strong demand for properties in China, particularly in Shenzhen and the wider Pearl River Delta region, where a majority of our past and current property development projects are located. In particular, two projects in Shenzhen (LVGEM Amazing Plaza and LVGEM Mangrove Bay No.1) and one project in Zhuhai (LVGEM Joyful Town) may generate a significant portion of our total contracted sales in the next two years. As we intend to continue to focus our efforts in these regions, we will continue to depend in the near future on the continuous growth and performance of the property market in such regions. Market demand for residential and commercial properties and office spaces could be affected by various factors, including the general economic environment, and any macroeconomic control measures implemented by the PRC government, including but not limited to, higher down payment requirements, home purchase restrictions on non-local residents, and price limits, many of which are beyond our control. We cannot assure you that demand for or average selling prices or sales volume of our properties will continue to grow or remain at previous levels in the future. Any adverse developments in the supply and demand of properties or in property prices in China, particularly Shenzhen and the wider Pearl River Delta region, could have a material adverse effect on our business, financial condition and results of operations.

We have primarily obtained and may continue to primarily obtain the land that we develop, through urban redevelopment, which involves a number of risks and uncertainties

Historically, a majority of our completed projects were developed on land obtained through urban redevelopment. Although we also obtain land through a variety of sources, urban redevelopment will continue to be a major source of land acquisition for development. However, we cannot assure you that we will be able to obtain sufficient land supply through urban redevelopment going forward. In addition, we may face a number of risks through such arrangements, including but not limited to the following:

- In order to successfully obtain an urban redevelopment project, we may need to incur certain costs and expenses before we obtain the land use rights and are able to commence development. As land use rights have not been obtained, bank loans are generally not available for the below-mentioned costs. Such costs and expenses normally include (i) fees paid to design firms for the designing of the urban redevelopment project; (ii) labor costs incurred during the negotiation process; and (iii) a deposit fee paid to the relevant villager-representative companies when we enter into the master agreements or letters of intent for the urban redevelopment project;

- Negotiations with the local governments and the relevant villager-representative companies on an urban redevelopment project can be time consuming. Depending on the scale of the project it generally takes two to five years from the time that we enter into a master development agreement/ plan or a letter of intent with the relevant villager-representative company until the time that we

obtain the land use rights, and may sometimes take a longer time. There can be no assurance that these timetables will not be further delayed. The long execution period may expose us to greater market risks compared to other real estate developers who obtain land for development through other means. Any property market downturn in the regions where we are arranging or developing an urban redevelopment project 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;

- There can be no assurance that we will be successful in securing the land grant contracts or obtaining the relevant land use rights certificates in relation to our urban redevelopment projects, notwithstanding the entering into of any master development agreement/plan or letter of intent with local governments, their affiliated entities and/or the relevant villager- representative companies, and regardless of the incurrence of initial costs associated with any preliminary discussions and negotiations, initial deposits and/or project planning and design proposals;

- Part of our urban redevelopment costs consist of compensation that we pay existing residents for resettlement, which is calculated in accordance with certain formulas published by the relevant local authorities. These formulas take into account the location, GFA and the type of building to be demolished, local income levels and many other factors. There can be no assurance that local authorities will not change or adjust their formulas without prior notice in a manner that will materially increase our costs;

- There can be no assurance that we will be able to reach agreements for compensation and resettlement for our current resettlement projects on satisfactory terms, or at all. Existing owners or residents may disagree with the compensation arrangements or refuse to relocate. An unfavorable final determination or settlement regarding the amount of compensation payable by us may increase the cost of the development and materially and adversely affect our cash flow, business, results of operations and financial condition; and

- There can be no assurance that the master development agreements/plans 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 and plans, particularly in light of their relatively long execution periods. If we have performed our obligations under the relevant master development agreements/plans or letters of intent, including but not limited to paying the agreed compensation to and arranging the resettlement for the existing residents, but the other parties fail to perform their corresponding obligations, our business, financial condition, results of operations and prospect would be materially and adversely affected.

Our urban renewal plan in Shenzhen may be removed out of the plan by the government if we could not meet the requirements within the stipulated time according to the Notice on strengthening and improving the interim measure of urban renewal implementation (關於加強和改進城市更新實施工作暫行措施的通知), promulgated by the General Office of the People's Government of Shenzhen on December 29, 2016, which states that each district government shall regularly clean up the urban renewal plan, and the project with one of the following situations may be removed from the renewal plan according to the procedure: 1. the verification of the land and buildings information and the approval of the urban renewal unit planning have not been completed within 1 year from the date of the announcement of the urban renewal plan; 2. the implementation entity has not been confirmed for the first phase of the project within 2 years from the approval date of the urban renewal unit planning; 3. the land grant procedures has not been completed within 1 year from the date of implementation entity confirmation.

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

We may not be able to maintain our gross margin if we acquire land reserves through land auctions held by local government

The sustainable growth and success of our business significantly depend on our ability to continue acquiring additional land reserves in desirable locations at commercially reasonable prices that are suitable for our projects. Our ability to acquire land depends on a variety of factors that are beyond our control, such as the overall economic conditions, the availability of land parcels provided by the government, our effectiveness in identifying and acquiring land parcels suitable for development and competition for such land parcels. We have in the past acquired some of our land reserves through land auctions held by local governments. The availability and price of land sold at auctions depend on certain 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. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in the PRC. Furthermore, the rapid development in the cities we conduct business in recent decades, has resulted in a limited supply of undeveloped land in desirable locations and at reasonable acquisition costs, which constitutes one of the major components of our cost of sales. See "Regulation." To the extent that we are unable to acquire suitable land parcels at commercially acceptable prices for our future development in a timely manner or at prices that will enable reasonable economic returns to us, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We maintain a substantial level of indebtedness, which may affect our business, financial condition, results of operations and prospects

We maintain a substantial level of indebtedness. Our total outstanding bank and other borrowings (including convertible bonds) amounted to RMB18,798.8 million, RMB23,324.4 million, RMB25,976.5 million (US$3,676.7 million) and RMB29,399.0 million (US$4,161.2 million) as of December 31, 2017, 2018, 2019 and June 30, 2020, respectively. As of June 30, 2020, RMB10,929.5 million (US$1,547.0 million) or 37.2% of our bank and other borrowings (including convertible bonds) was repayable within one year or on demand. As of June 30, 2020, our capital commitments and contingent liabilities (in the form of guarantees provided to banks for mortgage facilities granted to our customers) amounted to RMB1,648.3 million (US$233.3 million) and RMB2,884.1 million (US$408.2 million), respectively.

Our ability to repay the principal and pay the interest on our borrowings and to meet our capital commitments and contingent liabilities depends substantially on the cash flows and results of operations of our operating subsidiaries, which depend in part upon social, political, economic, legal and other risks described in this offering memorandum, most of which are beyond our control. We cannot assure you that we will have sufficient cash flows to service our borrowings, our capital commitments or our contingent liabilities. Due to property development expansion, we may also generate negative free cash flow for a sustained period. If we are not able to refinance our borrowings on commercially acceptable terms or at all, our liquidity will be adversely affected and, as a result, our results of operations, financial condition and business prospects may be materially and adversely affected.

We intend to acquire a substantive portion of our land for development through our controlling shareholder

Our controlling shareholder, Mr. Wong Hong King ("Mr. Wong"), and Shenzhen LVGEM Enterprise Management Group Co., Ltd. (深圳市綠景企業管理集團有限公司), a limited liability company incorporated in the PRC which is beneficially owned by Mr. Wong Hong King and his associates ("LVGEM Enterprise") have provided a non-legally binding indication of interest to our Company, under which Mr. Wong and LVGEM Enterprise indicated their willingness to support our long-term property development strategies by transferring to us land reserves of approximately 12 million sq. m. located in Shenzhen, Zhuhai and Dongguan at appropriate times subject to, among other things, finalization of consideration, payment terms and compliance with the Listing Rules. The aforesaid indication of interest is non-legally binding and may be cancelled by Mr. Wong and LVGEM Enterprise at any time. We cannot assure you that Mr. Wong and LVGEM Enterprise will transfer such land reserves to us at appropriate times or at all. Additionally, the land reserves held by Mr. Wong and LVGEM Enterprise may have title defects and/or other compliance issues and as a result, we may not be able to develop such land reserves in the manner we have planned. If we are unable to acquire the necessary land from Mr. Wong and LVGEM Enterprise to develop our projects, we may need to resort to alternative methods to acquire land, which may significantly increase our capital expenditure, or we may not be able to acquire any land at all, either of which may materially and adversely affect our business, financial condition, results of operations and prospects. Further, as we currently own a limited number of projects our inability to acquire more projects from our controlling shareholder may limit the diversity of our projects and result in further fluctuations in our operating results.

Our acquisition of other companies may be unsuccessful and we may face intense competition when we enter into new markets

To expand our business and land bank, we may intend to continue to acquire the controlling equity interests in companies holding land use rights or companies whose businesses are supplemental to ours. However, we may face strong competition during the acquisition process and we may not be successful in selecting or valuing target companies or their land appropriately. As result, we may be unable to complete such acquisitions at reasonable cost, or at all. In addition, we may have to allocate additional capital and human resources to integrate the acquired business into our operations. In addition to acquisition risk, we may enter into new markets such as Hong Kong where competition in real estate is intense. For example, in May 2019, we entered into a sale and purchase agreement to acquire certain assets in Dongguan which includes a non-residential development. We cannot assure you that such acquisition would not have a material adverse effect on our liquidity position or debt leverage or significantly increase our financial risk. We also cannot assure you that the integration of any acquired company will be successfully completed within a reasonable period of time, or at all, or that it will generate the economic benefit that we expected.

Our financing costs may increase as a result of changes in interest rates

We have incurred and expect to continue to incur a significant amount of interest expenses relating to our borrowings from commercial banks and other financial institutions. Accordingly, changes in interest rates have affected and will continue to affect our financing costs, which in turn may affect our profitability and operating results. As most of our borrowings are in Renminbi, the interest rates on our borrowings are primarily affected by the benchmark interest rates set by the PBOC and the premiums or discounts demanded by banks, which have fluctuated significantly in recent years. The average effective interest rate on our total borrowings (including convertible bonds but excluding finance costs derived from lease liabilities) were 6.6%, 6.2%, 6.3% and 6.9%, respectively, as of December 31 2017, 2018, 2019 and June 30, 2020. Average effective interest rates are derived by dividing the total interest costs for the relevant year or total annualized interest cost for the relevant period by average total borrowings (including convertible bonds) which is calculated by adding up of average balances of total borrowings (including convertible bonds) for the current period. Our interest expenses incurred in 2017, 2018, 2019 and the six months ended June 30, 2020 were RMB895.4 million, RMB1,363.1 million, RMB1,782.2 million (US$252.3 million) and RMB999.0 million (US$141.4 million),

respectively. The change in the effective interest rate on our total borrowings (including convertible bonds) was primarily driven by the changes in the PBOC benchmark rates. Future increases in the PBOC benchmark interest rate, the premiums or discounts demanded by banks may lead to higher lending rates, which may increase our financing costs and thereby adversely affect our business, financial condition and results of operations.

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

We are subject to certain restrictive covenants in the loan contracts or financing agreements between us and certain banks and financial institutions. For instance, some of our operating subsidiaries are subject to covenants that restrict them from carrying out any merger, restructuring, spin-off, reduction of registered share capital, material asset transfer, liquidation, change in shareholding or management structure, increasing their debts or establishment of any joint venture without the lenders' written consents. In addition, borrowings provided under certain loan agreements between our operating subsidiaries with banks or other financial institutions are not allowed to be used for purposes other than the specific project development as provided in the agreement. Our subsidiaries may also be subject to certain financial ratios as provided in the loan agreements or financing agreements, such as debt asset ratio lower than a certain percentage. We cannot assure you that we will be able to abide by all restrictive covenants of any of our loan agreements in the future or obtain lenders' consents or waivers in a timely manner or at all. 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.

The interests of our existing controlling shareholder may not be aligned with those of our other shareholders and holders of the Notes

Mr. Wong Hong King, our controlling shareholder, had effective control of 70.6% of our issued share capital as of June 30, 2020. Mr. Wong also holds convertible preference shares issued by our Company. Although Mr. Wong is not involved with the management and operations of our Company, he is able to significantly influence most matters requiring our shareholders' approval, including the election of directors and the approval of significant corporate transactions, including mergers and acquisitions. He also has a veto power with respect to any shareholder action or approval requiring a majority vote. The interests of Mr. Wong may not be consistent with our interests or those of our creditors, including holders of the Notes. To the extent that there are conflicts of interest between Mr. Wong and our Company or our creditors, we cannot assure you that Mr. Wong will not cause us to enter into transactions or take, or omit to take, other actions or make decisions that conflict with the best interests of our creditors, including holders of the Notes.

If we are unable to obtain the land use rights for current projects or for projects we may acquire in the future, we will not be able to develop these projects

There is no private ownership of land in China and all land ownership is held by the government of China, its agencies, and collectives. Under PRC laws, the maximum term of the land use rights ranges from 40 years to 70 years depending on the land use purpose. Upon expiration, the land use rights 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. Land use rights can be granted upon approval by the land administrative authorities of China (State Land Administration Bureau) upon payment of the required land granting fee, the entry into a land use agreement with a competent governmental authority and certain other ministerial procedures. We cannot assure you that we will be successful in obtaining the land use right certificates for our projects held for future development or in respect of any land we may acquire in the future in a timely manner, at a

commercially reasonable price, or at all. If we are not successful in obtaining the land use rights for such land, we will not be able to develop such properties, which may adversely and materially affect our business, financial condition and results of operations.

Our expansion into new geographical markets within and outside of China presents certain risks and uncertainties

In order to achieve sustainable growth, we continue to seek development opportunities in select regions in the PRC with the potential for growth and where we have no existing operations, as well as in markets outside of the PRC such as Hong Kong and the United States. 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 also 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, including our Zoll and NEO brands and method of primarily obtaining land through urban redevelopment, 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.

We may not be able to successfully manage our growth

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 purchasers, 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.

Changes in fair value of our investment properties and certain derivative instruments could affect our profit

As of June 30, 2020, the fair market value of our investment properties amounted to RMB23,810.0 million (US$3,370.1 million). Our investment property portfolio may increase in the future. Investment properties are generally illiquid. As a result, our ability to sell our investment properties in response to changing economic, financial and investment conditions is limited. We cannot assure you that we will be able to sell any of our investment properties at prices or on terms satisfactory to us, if at all. We cannot predict the length of time needed to find purchasers to purchase such investment properties. In addition, should we decide to sell a property which is subject to a tenancy agreement, we may have to obtain consent from or pay

termination fees to the tenants. We may also need to incur capital expenditures 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. Furthermore, aging of investment properties, changes in economic and financial condition, such as changes in interest rates, 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, either completed or under development. However, our ability to convert any of our investment properties to alternative uses is limited 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 such approvals and financing can be obtained when needed. These and other factors that impact our ability to respond to adverse changes in the performance of our investment in properties may adversely affect our business, financial condition and results of operations. We are also required to reassess the fair value of any investment properties that we hold semi-annually. Gains or losses arising from changes in the fair value of any such investment properties will be reflected in our results of operations in the period in which they arise. The fair value gains on our investment properties in 2017, 2018, 2019 were RMB478.4 million, RMB323.5 million and RMB696.4 million (US$98.6 million), respectively. The fair value loss on our investment properties for the six months ended June 30, 2020 was RMB174.1 million (US$24.6 million), respectively. We cannot assure you that we can recognize comparable fair value gains or loss in investment properties in the future and we may also recognize fair value losses, which would impact our result of operations for future periods.

Changes in the fair value of derivative instruments and other assets or liabilities that are marked to market could similarly cause volatility in our earnings. Derivative financial instruments are recognized as either assets or liabilities and are measured at fair value. Changes in fair value are recognized either in earnings or equity, depending on whether the transaction qualifies for cash flow hedge accounting, and if so, how effective the derivatives are at offsetting price movements in the underlying exposure. These valuation adjustments would not change our cash position, and the unrealized gains would not increase our liquidity in spite of the increased profit. On the other hand, unrealized losses would have a negative effect on our result of operations, even though such losses would not change our cash position.

Our business is sensitive to general economic conditions. A severe or prolonged downturn in the global or China's economy could materially and adversely affect our business and our financial condition

The global economic slowdown and turmoil in the global financial markets that started in the second half of 2008 have had a negative impact on the world economy, which in turn has affected the PRC real estate industry. For example:

- the economic slowdown and tightened credit have resulted in lower demand for residential and commercial properties and declining property prices; and

- the tightening of credit has negatively impacted the ability of property developers and potential property purchasers to obtain financings.

More recently, global market and economic conditions have continued to be adversely affected by the ongoing credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. In the United Kingdom, a remain-or-leave referendum on its membership within the European Union was held in June 2016, the result of which favored the exit of the United Kingdom from the European Union ("Brexit"). On January 31, 2020, the United Kingdom officially exited the European Union following a UK-EU Withdrawal Agreement signed in October 2019. The United Kingdom and the European Union will have a transition period until December 31, 2020 to negotiate, among others, trade agreements in details. Given the lack of precedent, it is unclear how Brexit would affect the fiscal, monetary and regulatory landscape within the UK, the EU and globally. The uncertainty before, during and after the period of negotiation may also create a negative economic impact and increase volatility in global markets.

Economic conditions in China are sensitive to global economic conditions. Since we derive, and expect to continue to derive, substantially all of our revenues from China, and both the residential and commercial property markets tend to be very sensitive to overall economic conditions, our business and prospects may be affected by the economic conditions in China. For example, in May 2017, Moody's Investors Service downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. In September 2017, S&P Global Ratings downgraded China's sovereign credit rating for the first time since 1999, citing similar concerns. The full impact of such actions by international rating agencies remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. China's economic growth may slow due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade war. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US$550 billion worth of Chinese products. In retaliation, the Chinese government responded with tariffs on cumulatively US$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The Chinese government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "Phase I Agreement"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China's economy and the PRC real estate industry remains uncertain. If China's economic conditions worsen, or if the banking and financial systems experience difficulties from over-indebtedness, businesses in China may face a more challenging operating environment. We cannot assure you that reductions in office space needs and residential property spending will not occur. A decline in the economic prospects of our current and potential tenant customers and residential property purchasers or the economy in general could reduce their needs for our products and services. Therefore, any prolonged slowdown in the global or China's economy may materially and adversely affect our financial condition and results of operations. In addition, the weak economy could weaken investor confidence, which constitutes the basis of the credit markets. Renewed financial turmoil affecting the financial markets, banking systems or currency exchange rates may significantly restrict our ability to obtain financing in the capital markets or from financial institutions on commercially reasonable terms, or at all, which could also materially and adversely affect our business, results of operations and prospects.

We may not have adequate financing to fund our future land acquisitions and property developments, and such financing may not be available on commercially reasonable terms, or at all

Property development is capital-intensive. We expect to continue to incur a high level of capital expenditures for construction and land acquisition in the foreseeable future.

We principally fund our property developments from a combination of internal funds, borrowings from banks and proceeds from sales and pre-sales of our properties. 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 financing availability;

- 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 real estate market.

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

- the People's Bank of China ("PBOC") has adjusted the Renminbi reserve requirement ratio several times since 2010, first upward to a peak of 21.5% and more recently downward to the level of 11%;

- the PBOC has adjusted the benchmark one-year bank lending rate many times since 2008;

- commercial banks and trust financing companies shall not grant loans to property developers to pay land premiums;

- the State Council has issued guidelines requiring that at least (i) 20% of total investment in property projects is for affordable housing and commodity housing; and (ii) 25% of the total investment for all other types of property projects is funded by the developer's own capital;

- the CBRC has issued rules governing the establishment, operation and financing activities of trust financing companies in 2007, including the provision of such financing to property developers; and

- Asset Management Association of China issued guidelines restricting private asset management schemes to invest in the ordinary residential real estate projects in cities that have highly active real estate markets, including Shenzhen and Suzhou.

On June 27, 2018, at a press conference held by the NDRC regarding the Notice Concerning Improvements to Market Restraint Mechanisms and Strict Prevention of Foreign Debt Risk and Local Government Debt Risk (關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) jointly issued by the NDRC and the Ministry of Finance, the NDRC officials expressed that they plan 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. In addition, the NDRC may issue further regulations and guidance to optimize the regulation of foreign debt issuance, such as directing the foreign debt to be used primarily for the repayment of maturing debt. We cannot assure you that we will be able to secure adequate financing to fund our land acquisitions (including any unpaid land premium for past acquisitions) to finance our project construction or to renew our existing credit facilities prior to their expiration. Our failure to do so may adversely affect our business, financial condition and results of operations. On July 9, 2019, the NDRC published on its website A Notice on Requirements for Foreign Debt Registration Application by Real Estate Enterprises (關於對房地產企業發行外債申請備案登記有關要求的通知), which imposes more restrictions on real estate enterprises incurring medium to long term foreign debt. The use of proceeds of foreign debt incurred by a real estate developer is limited to refinancing medium to long term offshore debts of the real estate developer which will become due within one year. The real estate developer is required to specify in documents for application of foreign debt registration with NDRC the details of such medium to long term offshore debts, such as amount, maturity date, and whether such medium to long term offshore debts were registered with NDRC. The real estate developer is also required to submit a commitment letter regarding the authenticity of its foreign debt issuance. Failure to comply with these restrictions, the real estate developer may be blacklisted and prevented from obtaining foreign debt registrations in the future.

For further information, please refer to the sections headed "Industry Overview" and "Regulation" in this offering memorandum. The above measures and other similar government actions and policy initiatives have limited our ability and flexibility in using bank loans and other borrowing arrangements to finance our property projects. 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 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.

Our operations are subject to extensive government policies and regulations and, in particular, we are susceptible to adverse changes in policies related to the PRC property industry and in regions in which we operate

Our business is subject to extensive governmental regulations 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 development of the PRC property sector by imposing industry policies and other economic measures, such as control over the supply of land for property development, limitation on the qualification of the property purchasers, control of foreign exchange, property financing, taxation and foreign investment. Through these policies and measures, the PRC government may restrict or reduce land available for property development, raise the loan benchmark interest rates of commercial banks, place additional limitations on the ability of commercial banks to make loans to property developers and property purchasers, impose property and additional taxes and levies on property sales and restrict foreign investment in the PRC property sector.

In recent years, the PRC Government implemented a series of regulations and policies to slow down the property market and inflation of property prices, as well as to dampen property speculation. These policies may limit our ability to obtain financing, acquire land for future developments, sell our properties at a profit or generate sufficient operating cash flows from contracted sales. As a result of the various measures implemented by the PRC government since 2011, including but not limited to, increasing the down payment requirements and mortgage rates for second-time residential property purchasers, and imposing limits on the number of residential properties local and foreign residents may purchase, the growth rate of the total transaction volumes for properties in the cities where we build residential properties may decline. In addition, since 2011, various cities have promulgated measures to further control the property markets. PRC banks also tightened mortgage lending in general, which has affected demand in the property markets. If mortgage financing for property purchases becomes more difficult to obtain or if the costs of such financing increase, our prospective customers who rely on such mortgage financing may not be able to purchase our properties, which in turn may materially and adversely affect our business, liquidity and results of operations.

We cannot assure you that the PRC Government will not adopt additional and more stringent industry policies, regulations and measures in the future. It is also difficult to ascertain the extent of the impact of any such measures. If we fail to adapt our operations to new policies, regulations or measures that may come into effect from time to time with respect to the property industry, or if our marketing and pricing strategies are ineffective in promoting our business in response, such policies and regulatory changes may adversely affect our sales, result in the deferral of our pre-sale schedules, and cause us to lower our selling prices and/or incur additional costs, in which case our operating cash flows, gross profit margin, business prospects, results of operations and financial condition may be materially and adversely affected.

The terms on which mortgages are available, if at all, to purchasers of properties may affect our sales.

Most purchasers of residential properties rely on mortgages to fund their purchases. An increase in interest rates may increase the cost of mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of residential properties. In addition, the PRC Government and commercial banks may also increase the down payment requirement, impose other conditions or otherwise change the regulatory framework in a manner which would make

mortgage financing unavailable or unattractive to potential property purchasers. For example, the PBOC reduced its benchmark rate five times in 2015, resulting in a decrease in the one-year benchmark lending rate from 5.60% on 1 January 2015 to 4.35% on 31 December 2015. The PBOC benchmark one-year lending rates in the PRC as of June 30, 2020 was 3.85%. There is no assurance that the PBOC will not raise the benchmark rates in the future. If the availability or attractiveness of mortgage financing is reduced or limited, some of our prospective customers may not be able to purchase our properties and, as a result, our business, results of operations and financial condition could be adversely affected.

Our business may be adversely affected if we fail to obtain or renew, or experience material delays in obtaining or renewing, requisite government approvals or licenses in carrying out our property development, construction and management operations

The property industry in the PRC is heavily regulated. Property developers must abide by various laws and regulations, including rules stipulated by national and local governments to enforce these laws and regulations. To engage in property development and management operations, we must apply to the relevant government authorities to obtain (and renew for those relating to on-going operations) various licenses, permits, certificates and approvals upon different property development stages, including but not limited to, qualification certificates, land use rights certificates, construction work commencement permits, construction work planning permits, construction land planning permits, pre-sale permits and completion certificates. We must meet specific conditions in order for the government authorities to issue or renew any certificate or permit and we cannot assure you that we will obtain in time. See "Regulation."

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 or incur significant costs 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. Therefore, in the event that we fail to obtain or renew, 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.

We face risks related to the pre-sale of properties from any potential limitation and restriction imposed by the PRC government and claims from customers in the event the pre-sold properties are not delivered on time or completed

PRC laws allow property developers to pre-sell properties prior to their completion upon satisfaction of certain requirements. We depend on cash flows from pre-sale of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of properties and may use pre-sale proceeds only to finance the development project where the pre-sold properties are located. We cannot assure you that the PRC national or local government will not in the future adopt a limitation, restriction or abolishment of the pre-sale practice in the commercial or residential property industry. Any such measure will adversely affect our cash flow position and require us to seek alternative sources of funding for much of our property development business.

In addition, the pre-sale of our properties carries certain risks. We make certain undertakings in our pre-sale contracts, and our pre-sale contracts and the 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 refuse to accept the delivery or even terminate the pre-sale contracts if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in his or her contract. There can be no assurance

that we will not experience any delays in the completion and delivery or our properties, or that the GFA for a delivered unit will not deviate more than 3% from the GFA set out in the relevant pre-sale contract. Any of such factors could have a material adverse effect on our business, financial condition and results of operations.

The regulatory authorities in China may impose penalties on us or reclaim our land if we fail to comply with the terms of the land grant contracts

Under PRC laws and regulations, 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 premiums and other fees, the specified use of the land and the time for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, or reclaim our land. Specifically, under the land grand contract, if we fail to pay any outstanding land premiums by the stipulated deadline, we may be subject to a late payment penalty. If we fail to fully pay the land premiums within the period stipulated in the land grand contract after the land grant contract became effective, the assignor is entitled to terminate the land grant contract and claim for indemnities. Furthermore, under current PRC laws and regulations, if we fail to commence development for more than one year from the commencement date stipulated in the land grant contract, the land authorities may serve a decision on levy of idle land fee on us and impose an idle land fee of up to 20% of the land premium. If we fail to commence development for more than two years, the land is subject to forfeiture unless the delay in development is caused by government actions or by force majeure. Moreover, even if we commence development of the land in accordance with the land grant contract, if the area of the developed land is less than one-third of the total site area of the land, or if the total capital expenditure is less than one-fourth of the total investment of the project, and the development of the land is suspended for over one year without government approval, the land will still be treated as idle land. In the Notice on Promoting the Saving and Intensification of Use of Land (國務院關於促進節約集約用地的通知) promulgated by the State Council in 2008, the aforesaid policy was reinforced. This notice states, among other things, that the Ministry of Land and Resources ("MLR") and other authorities are required to conduct research on and commence drafting of implementation rules concerning the levy of land appreciation fees on idle land. Furthermore, the MLR issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (關於嚴格建設用地管理促進批而未用土地利用的通知) in August 2009, which reiterates the current rules regarding idle land. In September 2010, the MLR and the Ministry of Housing and Urban-Rural Development ("MOHURD") jointly issued the Notice On Further Strengthening the Administration and Control of Real Estate Land and Construction (關於進一步加強房地產用地和建設管理調控的通知), which provides that a property developer and its shareholders will be prohibited from participating in land bidding before any non-compliance or illegal behaviours in which it engages, such as (1) land idle for more than one year on its own reasons, (2) illegal transfer of land use rights, (3) non-compliance with the land development requirements specified in a land grant contract, and (4) crimes such as taking land by forging official documents and illegal land speculation, have been completely rectified. We cannot assure you that circumstances leading to imposition of penalty, liquidated damages or forfeiture of our land will not arise in the future. If we are deemed as holding any land idle for more than one year without cause or are required to forfeit land, we may lose the opportunity to develop the relevant land, our investments in the land, including land premiums paid and development costs incurred, and our ability to bid for other land in the future, any of which could materially and adversely affect our business prospects, results of operations and financial condition.

On July 19, 2012, the MLR and the MOHURD promulgated the Urgent Notice on Further Tightening the Management of Land for Real Estate and Consolidating the Achievements of Regulation and Control of the Real Estate Market《國土資源部住房城鄉建設部關於進一步嚴格房地產用地管理鞏固房地產市場調控成果的緊急通知》. The notice provides that all regions shall strictly implement the Measures for the Disposal of Idle Land, deal with the early warning information on idle land displayed in the system for the monitoring and supervision of transactions in the land market, early discover and handle such information, and urge the timely formation of effective supply of land granted. With regard to users who have committed acts such as failing to make payment for land granting, leaving land idle, hoarding land and land speculation, developing land in

excess of their actual development capacity or failing to fulfil a land use contract, the competent departments of land and resources of counties and cities shall forbid them from participating in land bidding within a certain period of time.

The progress and costs of a property development project may be materially and adversely affected by many factors, including: (i) delays in obtaining necessary licences, permits or approvals from PRC government agencies or authorities; (ii) changes in property market conditions; (iii) changes in PRC government policies, regulations and/or measures; (iv) relocation of existing residents and/or demolition of existing structures; (v) shortages or increased costs of materials, equipment, contractors and skilled labour; (vi) labour disputes; (vii) construction accidents; (viii) natural disasters or catastrophes; and (ix) adverse weather conditions. We cannot assure you that we will not experience construction delays or failure to start the construction of a property development project according to its planned specifications, schedule or budget as a result any such factors, or that the Group will not be subject to any liabilities for any such delays. We may fail to commence development of our projects on time as a result of such factors and in turn, we may be subject to penalties or the land involved may be treated as idle land. Any such event could have a material adverse effect on the our business, financial condition and results of operations.

We cannot assure you that regulations relating to idle land in China will not become more restrictive in the future. If we fail to comply with the terms of land grant contracts due to delays in our developments, or as a result of factors out of our control, we may not only lose the opportunity to develop the projects on such land, but may also lose all of our past investments in the land, which would materially and adversely affect our business, financial condition and results of operations.

We may not be able to complete our development projects according to our budget or on time, or at all, which may lead to loss of or delay in recognizing revenues, lower profitability and claims from customers

Completion of property development projects requires substantial capital expenditures for, among other things, land acquisition and construction. The construction of property projects may take over a year or longer before they could generate positive net cash flow through pre-sales, sales and leasing. Furthermore, depending on the type of properties and the revenue generated, it may take a year or more after the completion of these properties before we recognize revenue from such projects. As a result, our cash flows and results of operations may be significantly affected by our project development schedules and any changes to those schedules and that our developments are completed within the planned budget. The schedules of our project developments and whether the project can be completed within the planned budgets depend on a number of factors, including the performance and efficiency of our third-party contractors and our ability to finance construction and the associated financing costs. Other specific factors that could adversely affect our project development schedules and budgets include:

- changes in market conditions, economic downturns, and decreases in business and consumer sentiment in general;
- changes in relevant regulations and government policies;
- relocation of existing residents and/or demolition of existing constructions;
- shortages of materials, equipment, contractors and skilled labor;
- labor disputes;
- construction accidents;
- errors in judgment on the selection and acquisition criteria for potential sites; and

- natural catastrophes and adverse weather conditions.

Construction delays or failure to complete the construction of a project according to its planned specifications, schedule and budget may harm our reputation as a property developer, lead 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 may be entitled to compensation for late delivery or may be able to terminate the pre-sale agreements and claim damages. See "– We face risks related to the pre-sale of properties from any potential limitation and restriction imposed by the PRC government 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 significant delays in completion or delivery of our projects in the future or that we will not be subject to any liabilities for any such delays.

In addition, any changes in the schedule of delivery of our properties will impact the revenue recognition of sales of properties due to a timing mismatch between pre-sales of our properties and revenue recognition. As a result, our profitability may fluctuate or decline during certain periods when limited amount of properties are delivered despite the fact that significant amount of properties have been pre-sold.

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

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

We generally recognize revenue from the sale of our properties upon delivery to purchasers. There is a time difference between pre-sales of projects under development and the completion of property construction. Because the timing of completion of its properties varies according to its 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 its 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 substantial capital requirements for land acquisition and construction costs.

Fluctuations in our operating results may also be caused by other factors, including fluctuations in costs and expenses, such as land grant premium, development costs, administrative expenses, and selling and marketing expenses, and changes in market demand for our properties. Additionally, our projects are currently concentrated in certain areas, such as Shenzhen, and our main acquisition focus is on urban redevelopment projects. Each project involves a number of risks which may create volatility in our results of operations. 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. If our operating results in one or more periods do not meet the market's expectations, the price of our securities, including the Notes could be materially adversely affected. 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 cyclicality, combined with the lead time required for the completion of projects and the sales of properties, means 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.

We provide guarantee for mortgage loans of our customers and may become liable to mortgagee banks if customers default on their mortgage loans

We derive a substantial portion of our revenue from sales of our properties and most of our purchasers apply for bank borrowings and mortgages to fund their purchases. Therefore, the availability of mortgages to our prospective purchasers would significantly affect our results of operations and financial condition. In accordance with industry practice, commercial banks require us to guarantee mortgage loans offered to purchasers of the properties that we develop. Guarantees for such mortgages are generally discharged at the earlier of: (i) registration of mortgage interest to the bank, or (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers. In addition, we are required by the banks to place a security deposit to secure our guarantee obligations. If a purchaser defaults on the mortgage loan, we are typically required to purchase the underlying property by paying off the mortgage loan with any accrued and unpaid interest and penalty based on the loan agreement. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. Such amount may also be settled through withholding the security deposit we place with the banks. In line with the industry practice, we do not conduct independent credit checks on our customers but rely on the credit checks conducted by the mortgagee banks. These are contingent liabilities not reflected on our statements of financial position. Should we be called upon to meet the obligation underlying such contingent liabilities, we may not have sufficient cash flow to do so.

We may be adversely affected by the performance of third-party contractors

We engage third-party contractors to carry out various services relating to our property development projects. We generally select third-party contractors through a tender process and endeavor to engage third-party companies with a strong reputation and track record, high performance reliability and adequate financial resources. However, any such third-party contractor may still 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, due to a contractor's financial or other difficulties. If the performance of any third-party contractor is not satisfactory, we may need to replace such contractor or take other remedial actions, 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 third-party 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 third-party contractors in a timely manner, which may adversely affect the construction schedules and development costs of our property development projects.

The relevant PRC tax authorities may challenge the basis on which we calculate our LAT obligations and our LAT provisions and prepayments may not be sufficient to meet our LAT obligations

In accordance with PRC regulations on LAT, all persons including companies and individuals that receive income from the sale or transfer of land use rights, properties and their attached facilities are subject to LAT at progressive rates ranging from 30% to 60% of the appreciated value of the property. In 2017, 2018, 2019 and the six months ended June 30, 2020, the approximate amount of LAT we paid was RMB78.8 million, RMB217.0 million, RMB527.2 million (US$74.6 million) and RMB44.3 million (US$6.3 million), respectively. Pursuant to Notice on Issues concerning the Administration of the Settlement of LAT of Real Estate Development Enterprises (國家税務總局關於房地產開發企業土地增值税清算管理有關問題的通知) issued by the State Administration of Taxation, effective on February 1, 2007, a taxpayer under any of the following circumstances shall settle the land appreciation tax: (a) where construction and sale of the real estate development project have both been completed; (b) where a real estate development project that has neither

been completed nor undergone final accounts is transferred as a whole; or (c) where there is a direct transfer of the land-use right. Taxpayers satisfying the aforesaid conditions shall, within ninety (90) days after the settlement conditions are satisfied, fulfill the settlement formalities with the competent tax authorities.

We make provisions for the full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement of the same with the relevant tax authorities. As we often develop our projects in several phases, deductible items for calculation of LAT, such as land costs, are apportioned among such different phases of development. Provisions for LAT are made on our own estimate based on, among others, our own apportionment of deductible expenses which are subject to final confirmation by the relevant tax authorities upon settlement of LAT. However, given the time gap between the point at which we make provision for and the point at which we settle the full amount of LAT payable, the relevant tax authorities may not necessarily agree with our own apportionment of deductible expenses or other bases on which we calculate LAT. As a result, our LAT expenses as recorded in a particular period may require subsequent adjustments. In 2017, 2018, 2019 and the six months ended June 30, 2020, we recorded approximately RMB228.5 million, RMB685.2 million, RMB1,023.6 million (US$144.9 million) and RMB288.9 million (US$40.9 million), respectively, as current tax on LAT expenses. If we substantially underestimated LAT for a particular period, our LAT provisions and prepayments may not be sufficient to meet our LAT obligations and a payment of the additional LAT assessed and levied on us by the tax authorities could adversely affect our financial results for a subsequent period.

We are subject to a higher tax rate as a result of the full-fledged levy of value-added tax on revenue from a comprehensive list of service sectors

Pursuant to the Notice on Adjustment of Transfer Business Tax to Appreciation Tax (關於全面推開營業税改徵增值税試點的通知) issued on March 23, 2016 and implemented on May 1, 2016, or Circular 36, by the Ministry of Finance and SAT, effective from May 1, 2016, the PRC tax authorities have started imposing value-added tax on revenues from various service sectors, including real estate, construction, financial services and insurance, as well as other lifestyle service sectors, to replace the business tax that co-existed with the value-added tax for over 20 years. Since the issuance of Circular 36, the Ministry of Finance and SAT have subsequently issued a series of tax circulars in March and April 2016 to implement the collection of value-added tax on revenues from construction, real estate, financial services and lifestyle services. Unlike the business tax, the value-added tax will only be imposed on added value, which means the input tax incurred from our construction and real estate will be able to be offset by the output tax. The value-added tax rates applicable to us may be generally higher than the business tax rate we were subject to prior to the implementation of Circular 36. For example, the value-added tax rate for sale of self-developed real estate projects will be increased from 5%, which was the applicable business tax rate, to 11%. However, details of implementation measures are still being formulated in accordance with Circular 36. We are still in the process of assessing the comprehensive impact of the new value-added tax regime on our tax burden, our revenue and results of operations, which remains uncertain.

Fluctuations in the cost of labor and construction materials could adversely affect our business and financial performance

The cost of construction materials, such as steel, cement and labor costs, are subject to high degree of volatility. As most of our major construction contracts are based on pre-agreed unit cost, the risk of fluctuations in construction materials and labor costs during the terms of the contracts are absorbed by our construction contractors to a large extent as they are responsible for purchasing most of the construction materials and bear relevant labor costs during the terms of the relevant contracts. However, if there is any significant increase in the cost of construction materials and labor costs, our construction contractors may renegotiate construction fees or we may be subject to higher construction fees when our existing construction contracts expire. If any of these occurs, our business, financial condition and results of operations may be materially and adversely affected.

Our property development business is subject to claims under statutorily-mandated quality warranties

Under Regulations on the Administration of Quality of Construction Works (建設工程質量管理條例), which became effective on January 30, 2000, 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 the third-party contractors we hire with respect to our property projects. If a significant number of claims were brought against us under our warranties and if we were unable to fully cover our liabilities by enforcing the relevant quality warranties against the 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 is not sufficient, we could incur significant expenses to resolve such claims or face delays in remedying the related defects, which could in turn harm our reputation, and materially adversely affect our business, financial condition and results of operations.

We incur maintenance and operating costs in operating our investment properties and hotels, and such costs may increase

Our urban complexes, lifestyle and shopping centers and hotels 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 utility 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 unable to pass such increases on to our customers. In addition, the operation of our investment properties and our hotels, as well as the restaurants and other associated facilities within the hotels, 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 and hotel industries experience a downturn and may exacerbate the impact of a decline in occupancy rates, rental rates or room rates or demand for our restaurants and catering facilities. Any significant increase in maintenance costs and operating costs may have a material and adverse effect on our business, financial condition, results of operations and prospects.

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. There can be no assurance that our existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which compete with our properties 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. 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 its projections. If we are not able 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 and adverse effect on our business, financial condition and results of operations.

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

Our investment properties and hotels 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 or hotels has design construction or other latent property or equipment defects, then 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 and hotels 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 hotels and/or the attractiveness to tenants and guests of such investment properties and hotels.

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 and hotels. The occurrence of one or more accidents, injuries or prohibited activities at any of the investment properties or hotels could adversely affect our reputation among customers and guests, harm our brand, decrease our overall rents and hotels occupancy rates and our costs by requiring us to implement additional safeguard measures. In addition, if accidents, injuries or prohibited activities occur at any of our investment properties or hotels, 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 and hotels 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 and hotels may require repairs and refurbishments which may require significant capital expenditures. Our investment properties and hotels may also 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 and hotel may impact on our ability to attract tenants at our investment properties and guests and customers for our restaurants and event facilities at our hotel. In some circumstances, such repairs, refurbishments, redevelopments or renovations may require the temporary closure of an investment property or hotel or the restaurants or other facilities within the investment property or hotel. As a result, during the period of any such repairs, refurbishments, redevelopments or renovations, we may experience a reduction in the occupancy rates, rental income and/or average room rates of the investment properties or hotels.

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

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

Any failure to protect our brand and trademarks could have a negative impact on the value of our brand names and adversely affect our business.

We believe our brand, trademarks and other intellectual property rights will be critical to our success. Any unauthorized use of our brand, trademarks or other intellectual property rights could harm our competitive advantages and business. Our efforts in protecting our brand and intellectual property rights may not always be effective. We intend to file applications to register any trademarks in China, but may not be able to register such marks or register them within the category it seeks. Historically, China has limited legal protection in intellectual property rights, and infringement of intellectual property rights continues to pose a serious risk to businesses operating in China. Monitoring and preventing unauthorized use are difficult. The measures we may take to protect our intellectual property rights may not be adequate. Further, the application of laws governing

intellectual property rights in China is uncertain and evolving and could involve substantial risks to us. As the right to use Internet domain names is not rigorously regulated in China, other companies may incorporate in their domain names elements similar in writing or pronunciation to our potential trademarks and domain names. Our business could be materially and adversely affected if we could not adequately protect our brand, trademarks, and other intellectual property.

The total GFA of some of our property developments may not be indicative of the actual GFA

The total GFA of our projects under development, projects held for future development and projects planned to be redeveloped or contracted to be acquired for future development are based on our Company's estimates. As a result, the final constructed GFA of those projects may deviate from the estimated GFA, which may adversely affect our business.

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

When granting land use rights for a parcel of land, the government specifies in the land grant contract the permitted total GFA that the developer may develop on the land. In addition, the total GFA is 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. The methodology for calculating the additional land premium is generally the same as that in the original land grant contract. If issues related to excess GFA cause delays in the delivery of our properties, we may also incur liability to purchasers under our sales and purchase agreements. There can be no assurance that the constructed total GFA for each of our existing projects under development or any future property developments will not exceed the permitted total GFA. Any of these factors may adversely affect our business.

If we were unable to successfully retain the services of our current key personnel and hire, train and retain senior executives and other skilled employees, our ability to develop and successfully market our properties could be harmed

The growth and success of our business depend significantly on certain members of our board and senior management. See "Management." In addition, several other members of our management have served us for many years and have played, and are expected to continue to play, key roles in making major business decisions. If we lose the services of any of our senior management for any reason, we may not be able to find suitable replacements for them in the short time. As competition in the PRC for senior management and key personnel with experience in property development is intense and the pool of qualified candidates is limited, we may not be able to retain the services of our key personnel, or hire, train and retain high quality senior executives or other skilled employees in the future. In addition, if any director or any member of our senior management team or any of our other key personnel joins a competitor or carry on a competing business, we may lose customers and key professionals and staff members. Furthermore, as our business continues to grow, we will need to recruit and train additional qualified persons. If we are unable to successfully retain the services of our current key personnel and hire, train and retain senior executives and other skilled employees, our ability to develop and successfully market our products could be harmed and our business and prospects could be adversely affected.

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

We are subject to a variety of laws and regulations concerning the protection of health and the environment. Environmental laws can prohibit or severely restrict property development activities in environmentally sensitive regions or areas. Compliance with health and environmental laws and conditions may result in delays, may cause us to incur substantial compliance and other costs and can severely restrict project development activities in environmentally sensitive regions or areas. Please refer to the sections headed "Business – Environmental and Safety Matters" and "Business – Legal Proceedings" in this offering memorandum for details.

As required by PRC laws, we shall prepare environmental impact statement for approval, or an environmental impact registration form for record-filing at all of our construction projects. The developers should obtain an approval before the commencement of the construction project requiring the preparation of the environmental impact statement. It is possible that there may be material environmental liabilities of which we are unaware, and which may have a material and adverse impact on our business.

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

We may from time to time be involved in disputes with various parties in connection with the development and the sale of our properties, including contractors, suppliers, construction companies, business or joint venture partners and purchasers. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs related to any delay in project development and diversion of resources and management's attention from our core business activities. Purchasers of our properties may take legal action against us if our developed properties are perceived to be inconsistent with our representations and warranties made to such purchasers. In addition, we may have compliance issues with regulatory bodies in the course of our operations, in respect of which we may face administrative proceedings and unfavorable decisions that may result in liabilities and cause delays to our property developments. We may be involved in other proceedings or disputes in the future that may have a material and adverse effect on our business, financial condition, results of operations or cash flows.

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

Under PRC laws, construction companies bear the primary civil liability for personal injuries arising out of their construction work. The owner of a property under construction may also bear liability supplementary to the liability of the construction company if the latter is not able to fully compensate the injured. The owner of the property may also bear civil liability for personal injuries, accidents and death if such personal injuries, accidents or death are caused by the fault of such owner.

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. 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. See "Business – Insurance."

RISKS RELATING TO OUR INDUSTRY

The PRC property market is heavily regulated and subject to frequent introduction of new regulations, including measures by the PRC government to slow down the growth of the property sector, which may adversely affect property developers

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 foreign investment and currency exchange restrictions. The PRC government 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 of less than certain prescribed percentage;
- restricting PRC commercial banks from granting loans to property developers for the purpose of paying land grant premiums; and
- strengthening the administration and control of the land-use and construction of real estates
- In particular, the PRC government also introduced the following policies, among others, to specifically control the growth of the residential property market:
- limiting the maximum amount of monthly mortgage and the maximum amount of total monthly debt service payments of an individual borrower;
- imposing a VAT levy on the sales proceeds for second-hand transfers subject to the length of holding period and type of properties;
- increasing the minimum amount of down payment of the purchase price of the residential property of a family;
- tightening the availability of individual housing loans in the property market to individuals and their family members with more than one residential property;
- limiting the availability of individual housing provident fund loans for the purchase of second (or more) residential properties by laborers and their family members;
- adjusting the supply of residential land; and
- improving the system for information disclosure on the real estate market.

Administrative authorities in Shenzhen and Suzhou also strengthened supervision on the price of the commodity housing market.

See "Regulation."

Following a downturn in the PRC property market in late 2008 and early 2009, property prices and transaction volume began increasing sharply in the second half of 2009. This has led to imposition of further regulations and policies by the PRC government aimed at slowing down the property market. These measures resulted in downward pricing pressures on the PRC property market starting in the second half of 2011 and low transaction volumes in the first half of 2012. Please see the section headed "Industry Overview" in this offering memorandum.

We cannot assure you that the PRC government will not implement further tightening measures to restrain the PRC property market at the national, provincial, municipal and/or local levels, in which case the declining trends in transaction volume and selling prices of properties in the PRC may continue or further intensify, and as a result, our financial condition and results of operations may be, or may continue to be, adversely affected.

Our ability to secure new projects and related investments may be restricted by policies and regulations introduced by the PRC government with respect to overseas investment

The PRC government has introduced a number of policies and regulations aimed at regulating overseas investment in the property industry in the past few years. On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, the State Administration for Industry and Commerce ("SAIC") and the State Administration of Foreign Exchange ("SAFE") issued the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market ("Circular 171") (關於規範房地產市場外資准入和管理的意見). On August 19, 2015, MOHURD and Other Authorities issued the Circular on Adjusting Policies on the Market Access and Administration of Foreign Investment in the Real Estate Market (住房城鄉建設部等部門關於調整房地產市場外資准入和管理有關政策的通知) which adjusted the relevant policies on the purchase of houses by foreign-invested real estate companies, foreign institutions, and individuals as prescribed in the "Circular 171". On May 23, 2007, the MOFCOM and SAFE issued the Circular on the Reinforcement and Regulation of Approval and Supervision of Foreign Direct Investment in the Real Estate Section (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) ("Notice 50").

On May 13, 2013, SAFE issued the Circular of the State Administration of Foreign Exchange on Printing and Distributing the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors and Relevant Supporting Documents (國家外匯管理局關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通知). According to this circular, local branches of the SAFE must not register any foreign debt of a FIREE unless it obtained approval for its new establishment or capital increase from the local MOFCOM branches and filed such approval with the MOFCOM. This circular is another restrictive measure taken by the PRC government to limit foreign investment in the PRC property market. Pursuant to the requirements in the above circulars, we must apply to the relevant examination and approval authorities if we plan to expand the scope of our business or the scale of our operations, engage in new project developments or operations or increase the registered capital of our PRC-domiciled foreign-invested subsidiaries in the future.

On October 8, 2016, Ministry of Commerce issued the Interim Measures for Record-filing Administration for the Incorporation and Alteration of Foreign-invested Enterprises ("Circular 3") (外商投資企業設立及變更備案管理暫行辦法) which took effect on the same day. According to the Circular 3, if the incorporation and change of foreign-invested enterprises does not involve special access administrative measures prescribed by the state (negative list), the examination and approval thereof has been changed to the record-filing administration. Under the Catalog of Guidance on Industries for Foreign Investment (外商投資產業指導目錄) promulgated by MOFCOM and NDRC on March 10, 2015, the construction of villa falls within the category of industries in which foreign investment is prohibited and other real estate development falls within the category of industries in which foreign investment is permitted. The Catalog of Guidance on Industries for Foreign Investment was amended on June 28, 2017 and become effective on July 28, 2017, according to which the construction of villa is removed from the category of industries in which foreign investment is prohibited and real estate development falls within the category of industries in which foreign

investment is permitted. Fields not included in the Special Administrative Measures for Foreign Investment Access (Negative List for Foreign Investment Access) of the Catalog of Guidance shall be managed according to the principle of equal treatment of domestic and foreign investment.

On March 15, 2019, the National People's Congress of the PRC adopted the Foreign Investment Law of the PRC (中華人民共和國外商投資法), or the Foreign Investment Law, with a view toward unifying and streamlining the foreign investment framework into China which became effective 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. 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 are required to follow the corporate governance rules under the PRC Company Law. However, for foreign invested enterprises formed prior to the adoption of the Foreign Investment Law, the Foreign Investment Law allows for a five-year transition period to bring the corporate governance of such foreign invested enterprises in line with the PRC Company Law.

On December 30, 2019, the MOFCOM and State Administration for Market Regulation promulgated the Measures for Foreign Investment Information Reporting (外商投資信息報告辦法), which became effective on January 1, 2020. Where foreign investors carry out investment activities in the PRC directly or indirectly, the foreign investors or foreign-invested enterprises shall submit investment information to competent commerce departments in accordance with the Measures for Foreign Investment Information Reporting, which replaces the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (外商投資企業設立及變更備案管理暫行辦法).

For further information, please refer to the sections headed "Regulation" in this offer memorandum. Pursuant to the requirements in the above-mentioned circulars, we must apply to the relevant competent authorities if we plan to expand the scope of our business or the scale of our operations, engage in new project developments or operations or increase the registered capital of our PRC foreign-invested subsidiaries in the future. If the PRC government promulgates further policies or regulations to further regulate or restrict foreign investment in the PRC property industry and if these policies or regulations have a direct application to our business and operations, our ability to secure new projects may suffer and our business, financial condition, results of operations and prospects could be materially adversely affected.

The performance of the Hong Kong property market and the policies of the Hong Kong Government and of other regulatory bodies may adversely affect property developers

As we look to expanding our business into new markets such as Hong Kong, our business and prospects may depend on the performance of the property market in Hong Kong. Any downturn in the Hong Kong property market may therefore adversely affect our performance. We cannot assure you that the demand for properties in Hong Kong will continue to grow, or will grow at all. Our financial position and results of operations may be influenced by fluctuations of supply and demand in the property market, which may, in turn, be influenced by the general state of the economy and other factors, including government policies. In recent years, the Hong Kong Government and other regulatory bodies in Hong Kong have introduced certain anti-speculation measures on the property market in Hong Kong, such as the modified ad valorem stamp duty, which applies to both residential and non-residential properties, the special stamp duty, increased mortgage down payment ratio, supply of land controls, rezoning to residential use and other fiscal policies.

There is no assurance that the Hong Kong Government will not introduce further anti-speculative measures or policies which further curtail the investment property market.

The PRC property market is highly competitive

The property market in China has been highly competitive. We compete with domestic and overseas property developers in the cities in which we have operations. We may seek to further enhance our market presence in these cities amid intense competition. Many of our competitors, including overseas listed foreign developers and top-tier domestic developers, may have more financial or other resources than us. 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. If we fail to compete effectively, our business, financial condition and results of operations will suffer.

RISKS RELATING TO THE PRC

PRC economic, political, social conditions as well as government policies could adversely affect our business, prospects, financial condition and financial results

We conduct our business operations predominantly in the PRC. The PRC economy differs from the economies of most of the developed countries in many aspects, including:

- political structure;
- level of the PRC government involvement and control;
- growth rate and level of development;
- level and control of capital investment and reinvestment;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. We cannot predict whether changes in the PRC's economic, political and social conditions and in its laws, regulations and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In addition, 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. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past implemented a number of measures intended to curtail certain segments of the economy, including the real estate industry, which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial condition. Further, in May 2017, Moody's Investors Service downgraded China's sovereign credit rating for the first time since 1989 and changed its outlook from stable to negative, citing concerns on the country's rising levels of debt and expectations of slower economic growth. The full impact of the Moody's downgrade remains to be seen, but the perceived weaknesses in China's economic development model, if proven and left unchecked, would have profound implications. 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.

We may be subject to additional payments of statutory employee benefits.

As required by PRC regulations, we make contributions to mandatory social security funds for the benefit of our PRC employees that provide for pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds, to designated government agencies.

According to the relevant PRC laws and regulations, our failure in making requisite social insurance or housing provident fund contributions may result in a fine imposed on us or us being required to rectify the noncompliance by any relevant governmental authorities.

We cannot assure you that we will not be subject to any order to rectify non-compliance in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the social insurance or housing provident funds against us, or that we will not receive any claims in respect of social insurance contributions under national laws and regulation. In addition, we may incur additional expenses to comply with such laws and regulations by the PRC government or relevant local authorities.

It may be difficult to serve process within the PRC or to enforce any judgments obtained from non-PRC courts against us or our directors.

Most of our operating subsidiaries are incorporated in the PRC, and a substantial portion of our assets are located within the PRC. The PRC does not currently have treaties providing for the reciprocal recognition or enforcement of judgments of courts located in the United States, the United Kingdom, Singapore, Japan and most other western countries. An Arrangement between China and Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of Judgments of Civil and Commercial Cases under the Jurisdictions as Agreed to by the Parties Concerned was executed on July 14, 2006. On January 18, 2019, the Supreme People's Court and the Department of Justice of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region, providing for the reciprocal recognition and enforcement of judgments of courts with each other, which is wider in scope than the previous arrangement entered in 2006. However, there are still considerable restrictions on such arrangement. As a result, it may not be possible for investors to effect service of process upon our subsidiaries or our directors pursuant to the authority of non-PRC courts. Further, the recognition and enforcement in the PRC of judgments of courts outside the PRC might be difficult or impossible.

Failure to comply with the SAFE regulations relating to special purpose vehicles by our beneficial owners may materially and adversely affect our business operations, limit our ability to inject capital into our PRC subsidiaries, limit the ability of our PRC subsidiaries to distribute profit to us or subject us to fines.

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("SAFE Circular No. 37"), which was promulgated by SAFE and became effective on July 4, 2014, requires a PRC individual resident ("PRC Resident") to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle ("Offshore SPV") that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Pursuant to the Circular 13, the aforesaid registration shall be reviewed and handled by the banks and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks. Following the initial registration, the PRC Resident is also required to make registration for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV's registered capital, share transfer or

swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV's Chinese subsidiary to distribute dividends to its overseas parent.

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. For example, if any of our advertisements are considered to be untruthful, we will be subject to penalties and will be required to cease publishing the advertisement and eliminate adverse effects by publishing notice in the same media or 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 disclosures, advertisements, filings and other publications, deteriorate our brand name and reputation, and consequently materially and adversely affect our business, financial condition and results of operations. We may be subject to other requirements under the advertising law. Certain of our subsidiaries were fined for violation of advertising law. If our employees, or the third party service providers we engaged are not prudent enough and violate the advertising laws, we will be subject to fines and our business, financial condition and results of operations may be materially and adversely affected.

Governmental control over currency conversion may affect the value of your investment and limit our ability to utilize our cash effectively

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

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

Changes in foreign exchange regulations may adversely affect our ability to transfer funds and subsequently impact the results of our operations

We currently receive most of our revenues from operations in the PRC and such revenues are denominated in Renminbi. The PRC government regulates the conversion between Renminbi and foreign currencies. Over the years, the PRC government has significantly reduced its control over routine foreign exchange transactions under current accounts, including trade and service related foreign exchange transactions and payment of dividends. However, foreign exchange transactions by our PRC subsidiaries under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or

registration with, PRC governmental authorities. There can be no assurance that these PRC laws and regulations on foreign investment will not cast uncertainties on our financing and operating plans in China. Under current foreign exchange regulations in China, subject to the relevant registration at the SAFE, we will be able to pay dividends in foreign currencies, without prior approval from the SAFE, by complying with certain procedural requirements. However, there can be no assurance that the current PRC foreign exchange policies regarding debt service and payment of dividends in foreign currencies will continue in the future. Changes in PRC foreign exchange policies might have a negative impact on our ability to service our foreign currency-denominated indebtedness and to distribute dividends to our shareholders in foreign currencies.

In addition, on August 29, 2008, the SAFE issued the *Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises* (關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知), or the Circular 142, a notice with respect to the administration of Renminbi converted from foreign exchange capital contributions of a foreign invested enterprise. As a result, unless otherwise permitted by PRC laws or regulations, such converted amount can only be applied to activities within the approved business scope of the relevant foreign invested enterprise and cannot be used for domestic equity investment or acquisition.

On March 30, 2015, the SAFE issued the *Circular on Reforming the Administration Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises* (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), or Circular 19, which became effective on June 1, 2015 and replaced Circular 142. Circular 19 provides that, the conversion of the Renminbi capital from foreign currency registered capital of foreign-invested enterprises may be at foreign-invested enterprises' discretion, which means that the foreign currency registered capital of foreign-invested enterprises for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry of monetary contribution has been registered) can be settled at the banks based on the actual operational needs of the enterprises. However, Circular 19 maintains the restriction that Renminbi converted from foreign exchange capital contributions of foreign invested enterprises can only be applied to activities within the approved business scope of the relevant foreign invested enterprise and cannot be used for domestic equity investment or acquisition. On October 23, 2019, SAFE issued the Circular to Further Promote Cross-border Trade and Investment (關於進一步促進跨境貿易投資便利化的通知) to further ease cross-border trade and investment, such as canceling restrictions on the use of foreign exchange settlement in domestic asset transaction accounts and allowing foreign non-investment enterprises to carry out domestic equity investment provided that such investment will not violate applicable special administrative measures (negative list) for foreign investment access and the projects to be invested shall be authentic and legitimate.

Interpretation of PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to you

Our business is conducted in mainland China and is governed by PRC laws and regulations. Substantially all of our subsidiaries are located in China and are subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to 5 economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how or by who an application or case is presented to such agency, we may receive less

favorable interpretation of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

We may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC income tax on our worldwide income and PRC withholding taxes on interest we pay on the Notes

Under the EIT Law, which came into effect on January 1, 2008, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" for PRC tax purposes. Under the Implementation Rules 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. 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 treat an overseas enterprise invested or controlled by another overseas enterprise and ultimately controlled by PRC individual residents, as in our case. Substantially all of our management is currently based in China and may remain in China. Therefore, we may be treated as a PRC resident enterprise for PRC tax 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 Rules.

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

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some cities in China may be under the threat of flood, earthquake, rainstorm, fire or drought or epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or, most recently, the novel coronavirus named COVID-19 by the World Health Organization. The COVID-19 pandemic which began at the end of 2019 has affected millions of individuals and adversely impacted national economies worldwide, including China. As a result, sales offices and construction of our development projects may be temporarily shut down. Moreover, supply of our raw materials and productivity of our employees might be adversely affected. As a

result, the completion of our projects may be delayed and sales might be lower than expected, which might in turn result in substantial increase in our development costs, late delivery of properties and/or otherwise adversely affect our profitability and cash flows. Further, customers who have previously entered into contracts to purchase properties may default on their purchase contracts if the economic situation further deteriorates as a result of the epidemic. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS, H5N1 avian influenza, H1N1 influenza or an outbreak of any other epidemics in China, including the ongoing COVID-19, the spread of H7N9 avian influenza virus, especially in the cities in which we operate, may result in material disruptions to our property development projects and our sales and marketing efforts, which in turn may adversely affect our business, financial condition and results of operations.

RISKS RELATING TO THE NOTES

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

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

Creditors, including trade creditors of Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on the Non-Guarantor Subsidiaries' assets that would be prior to the claims of holders of the Notes. As a result, our payment obligations under the Notes will be effectively subordinated to all existing and future obligations of our Non-Guarantor Subsidiaries, including their obligations under guarantees they have issued or will issue in connection with our business operations, and all claims of creditors of our Non-Guarantor Subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including holders of the Notes. As of June 30, 2020, our Non-Guarantor Subsidiaries had total debt in the amount of RMB13,851.4 million (US$1,960.5 million) and had capital commitments of approximately RMB1,648.3 million (US$233.3 million) and contingent liabilities of approximately RMB5,217.1 million (US$738.4 million) arising from guarantees. The Notes and the Indenture permit us, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and our Non-Guarantor Subsidiaries to incur additional indebtedness and issue additional guarantees, subject to certain limitations. In addition, our secured creditors or those of any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) would have priority as to our assets or the assets of such Subsidiary Guarantor or JV Subsidiary Guarantor (if any) securing the related obligations over claims of holders of the Notes.

Under the terms of the Notes, a Subsidiary Guarantee may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to a third party of equity interest of no less than 20% in such subsidiary by its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor, or JV Subsidiary Guarantor, multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of the last fiscal year end of the Company. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared to a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the Notes.

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

We now have, and will continue to have after the offering of the Notes, a substantial amount of indebtedness. Our total borrowings (including convertible bonds) as of December 31, 2017, 2018, 2019 and the six months ended June 30, 2020 were RMB18,798.8 million, RMB23,324.4 million, RMB25,976.5 million (US$3,676.7 million) and RMB29,399.0 million (US$4,161.2 million) respectively. Subsequent to June 30, 2020, we have incurred net additional indebtedness of RMB2,408.4 million (US$340.9 million).

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, our ability to incur additional debt is subject to limitations on indebtedness and preferred stock covenant. Under such covenant, we may incur (i) certain Permitted Indebtedness or (ii) additional indebtedness if we can, among other things, satisfy the Fixed Charge Coverage Ratio. The Fixed Charge Coverage Ratio is derived by dividing Consolidated EBITDA by Consolidated Fixed Charges. Because our definition of Consolidated Net Income (which is a significant component of Consolidated EBITDA) for the Notes includes our unrealized gains on valuation adjustments on our investment properties, our Consolidated EBITDA and therefore our ability to incur additional debt under such covenants could be substantially larger when compared to other similarly situated PRC senior notes issuers whose covenants do not typically include such unrealized gains in the definition of consolidated net income. In addition, because our definition of Consolidated Interest Expense for the Notes excludes 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, there is no assurance that we will be able to generate sufficient cash flow for these

purposes. If we are unable to service our indebtedness, including our obligations under the Notes, 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.

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

- 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 the Company 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 principal and interest 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 and offshore banks, several of our PRC subsidiaries are subject to dividend distribution limitations. See "Description of Material Indebtedness and Other Obligations – PRC Loan Agreements and "Description of Material Indebtedness and Other Obligations – Offshore Facility Agreements." 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. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Notes. These restrictions could reduce the amounts that we receive from our subsidiaries,

which would restrict our ability to meet our payment obligations under the Notes and the obligations of the Subsidiary Guarantors or JV Subsidiary Guarantors (if any) under the Subsidiary Guarantees or JV Subsidiary Guarantees as the case may be.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations and such profits differ from profits determined in accordance with HKFRS in certain significant respects, including the use of different bases of recognition of revenue and expenses. 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%. 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) withholding tax on our behalf on the interest paid under any shareholder loan. Prior to payment of interest and principal on any such shareholder loan, the PRC subsidiaries (as foreign-invested enterprises in China) must present evidence of payment of the withholding tax on the interest payable on any such shareholder loan and evidence of registration with SAFE, as well as any other documents that SAFE or its local branch may require.

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

We may be subject to risks presented by fluctuations in exchange rates between Renminbi and other currencies, particularly the H.K. dollar and 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. As of June 30, 2020, we had RMB9,282.6 million (US$1,313.9 million) bank and other borrowings denominated in H.K. dollars and RMB7,360.6 million (US$1,041.8 million) bank and other borrowings denominated in U.S. dollars. Such a devaluation could also adversely affect the value, translated or converted into H.K. dollars, 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.

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

We must offer to purchase the Notes upon the occurrence of a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest. See the section entitled "Description of the Notes." The source of funds for any such purchase would be our available cash or third-party financing.

However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to make purchases of 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 Triggering Event for purposes of the Indenture does not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definition of Change of Control Triggering Event 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.

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

We may be treated as a PRC resident enterprise for PRC tax purposes. See "– Risks Relating to the PRC – We may be deemed a PRC resident enterprise under the EIT Law and be subject to the PRC taxation on our worldwide income." If we are deemed a PRC resident enterprise, the interest payable on the Notes 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 we are considered a PRC resident enterprise and the relevant PRC tax authorities consider interest 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." If we are required under the EIT Law to withhold PRC income tax on interest payable to our foreign noteholders that are "non-resident enterprises," we will 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. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, and could have a material adverse effect on our ability to pay interest on, and repay the principal amount of, the Notes, as well as our profitability and cash flow. In addition, if you are required to pay PRC income tax on the transfer of our Notes, the value of your investment in our Notes may be materially and adversely affected. It is unclear whether, if we are considered a PRC "resident enterprise," holders of our Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

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" under the EIT Law, we may be required to withhold PRC tax on interest payable to certain of our non-resident investors. In such case, we will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by a holder of a Note of such amounts as would have been received by the holder had no such withholding been required. As described under "Description of the Notes – Redemption for Taxation Reasons," in the event we are required to pay additional amounts as a result of certain changes in specified tax 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.

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 any Indebtedness of the Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor;
- 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.

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 Material Indebtedness and Other Obligations." 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.

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

In light of land prices, sizes of projects and other factors, we may from time to time consider developing property developments jointly with third parties, including other PRC property developers. As a result, we may need to make investments in joint ventures (including joint ventures in which we may own less than a 50% equity interest) and such joint ventures may or may not be Restricted Subsidiaries. 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 primarily engaged in permitted business up to an aggregate amount equal to 15.0% of our total assets, without satisfying the Fixed Charge Coverage Ratio requirement. See "Description of the Notes."

The terms of the Notes permit us to pay substantial amount of dividends

We pay dividends to our shareholders from time to time. Under the Indenture, any such dividend payment will be a "Restricted Payment", which could not be made unless we can, among other things, satisfy the Fixed Charge Coverage Ratio. However, such restriction is subject to important exceptions and qualifications. Under the terms of the Notes, we may pay dividends on our common stock in an aggregate amount up to 20.0% of our profit for the year without satisfying the Fixed Charge Coverage Ratio. With such an exception, we may be able pay substantial amount of dividends even when we are highly leveraged, which may materially and adversely affect our ability to service our indebtedness, including the Notes.

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 Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be the case prior to any redemption period. We may be expected to redeem Notes when the current financing cost is lower than the interest rate on the Notes. In such case, a Noteholder 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 reinvest so at a significantly lower rate. It may therefore cause a negative financial impact on the holders of the Notes. Potential investors should consider reinvestment risk in light of other investments available at that time.

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

The New Notes are a new issue of securities for which there is currently no trading market. Although approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST, we cannot assure you that we will obtain or be able to maintain the listing on the SGX-ST, or that, even if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the New 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 New 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 New 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 New Notes. If an active trading market does not develop or is not continued, the market price and liquidity of the New Notes could be adversely affected.

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

The Notes have been rated "B" by Fitch and "BB-" by Lianhe Global. The ratings address our ability to perform our obligations under the terms of the Notes and credit risks in determining the likelihood that payments will be made when due under the Notes. In addition, we have been assigned a corporate family rating of B3 with a stable outlook by Moody's Investors Service, a long-term foreign currency issuer default rating of B on rating watch stable by Fitch Ratings and an initial global scale long-term issuer credit rating of BB- with a stable outlook by Lianhe Global. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that the ratings assigned to or the outlook on the Notes or us will not be further affected or revised by such acquisition or the

issuance of the Notes. A rating may not remain for any given period of time and may be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes may adversely affect the market price of the Notes.

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

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

The "Limitation on Transactions with Shareholders and Affiliates" covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company or any Restricted Subsidiary, on the one hand, and an Affiliate of any Restricted Subsidiary, on the other hand, will not be captured by such covenant, even though they are subject to the independent shareholders' requirement under the Listing Rules. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officers' certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

The insolvency laws of the BVI and other local insolvency laws may differ from those of another jurisdiction with which holders of the Notes are familiar

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

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, the financial information in this offering memorandum has been prepared in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this offering memorandum. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between HKFRS and other GAAPs. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between HKFRS and other GAAPs and how those differences might affect the financial information contained in this offering memorandum.

The New 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 New Notes will initially only be issued in global certificate form and held through Euroclear and Clearstream. Interests in the New Notes represented by the global certificate will trade in book entry form only, and New Notes in definitive registered form, or definitive registered New 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 New Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole registered holder of the global certificate representing the New Notes. Payments of principal, interest and other amounts owing on or in respect of the global certificate representing the New 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 New 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 New 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 New 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 New Notes.

RISKS RELATING TO THE NOTES GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

The Issuer is our wholly-owned subsidiary with no operations of its own and will be dependent upon payments from us under intercompany loans and/or pursuant to guarantees to meet its obligations under the Notes.

The Issuer is our newly incorporated wholly-owned subsidiary with limited assets and has no business operations other than issuing the Notes and engaging in related transactions and future issuances of debt securities upon and with terms substantially similar to the Notes. The proceeds from the issuance of the Notes will be used by the Issuer to provide financing to us for the uses described in "Use of proceeds" elsewhere in this offering memorandum. The Issuer's ability to make payments on the Notes is dependent directly on payments to the Issuer by us and certain of our subsidiaries. Our ability and that of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) to make payments to the Issuer under intercompany loans and/or pursuant to the Guarantees will depend on a number of factors, some of which may be beyond our and their control. If we and the Subsidiary Guarantors fail to make scheduled payments to the Issuer under intercompany loans and/or pursuant to the Guarantees, the Issuer will not have any other source of funds to meet its payment obligations under the Notes.

Our Parent Guarantor and 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 our business operations predominately through our PRC subsidiaries, but none of our current PRC subsidiaries will provide a Subsidiary Guarantee or JV Subsidiary Guarantee either upon issuance of the Notes or at any time thereafter. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. In addition, certain of our future offshore subsidiaries will not be required to guarantee the Notes if the consolidated assets of all our offshore subsidiaries that do not guarantee the Notes (other than Exempted Subsidiaries and Listed Subsidiaries) do not exceed 20.0% of our total assets. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of such Non-Guarantor Subsidiaries. See "Description of the Notes – The Subsidiary Guarantees and JV Subsidiary Guarantees" for a list of the Non-Guarantor Subsidiaries.

The Parent Guarantor and the initial Subsidiary Guarantors which will guarantee the Notes do not have significant operations. We cannot assure you that the Parent Guarantor and 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 obligations under Notes if we are unable to do so.

Under the terms of the Notes, a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues no less than 20.0% of the Capital Stock of such Subsidiary Guarantor to a third party, as long as the consolidated assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20.0% of our total assets.

In addition, a Subsidiary Guarantee may be replaced by a limited-recourse JV Subsidiary Guarantee following the sale or issuance to a third party of certain minority interest in such subsidiary (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such JV Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of our last fiscal year-end. See "– Risks Relating to the Notes – We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries."

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

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

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;

- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;

- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;

- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

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

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

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

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

USE OF PROCEEDS

We estimate that the gross proceeds from this offering, before deducting the underwriting discounts and commissions and other estimated expenses payable in connection with this offering and excluding accrued interest, will be approximately US$19.8 million. We intend to use the net proceeds for refinancing existing medium to long term offshore debts which will become due within one year.

Pending application of the net proceeds of this offering, we intend to invest the net proceeds in Temporary Cash Investments (as defined under "Description of the Notes – Definitions").

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 of 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. The changes in currency policy resulted in Renminbi appreciating against the U.S. dollar by approximately 33% from July 21, 2005 to December 31, 2014. For the year ended December 31, 2014, Renminbi depreciated 0.36% against the U.S. dollar, the first depreciation since the Renminbi exchange reform in 2005. The PBOC announced on August 11, 2015 that it would improve the middle price quotation mechanism for determining the USD-RMB exchange rates. On the same day, the daily reference rate for Renminbi against U.S. dollars depreciated by 1.9% to 6.2298 compared with 6.1162 for August 10, 2015. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future.

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

	Noon buying rate			
Period	**Period end**	**Average[(1)]**	**High**	**Low**
		(RMB per US$1.00)		
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6400	6.9580	6.4480
2017	6.5063	6.7530	6.9575	6.4773
2018	6.8755	6.6292	6.9737	6.2649
2019	6.9618	6.9081	7.1786	6.6822
2020				
April	7.0622	7.0708	7.0989	7.0341
May	7.1348	7.1016	7.1681	7.0622
June	7.0651	7.0816	7.1263	7.0575
July	6.9744	7.0041	7.0703	6.9744
August	6.8647	6.9310	6.9799	6.8647
September	6.7896	6.8106	6.8474	6.7529
October (through October 23)	6.6861	6.7302	6.7898	6.6503

Note:

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

HONG KONG

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

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

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

	Noon buying rate			
Period	**Period end**	**Average[(1)]**	**High**	**Low**
	(HKD per US$1.00)			
2015	7.7507	7.7519	7.7686	7.7495
2016	7.7534	7.7620	7.8270	7.7505
2017	7.8128	7.7950	7.8267	7.7540
2018	7.8305	7.8376	7.8499	7.8043
2019	7.7894	7.8351	7.8499	7.7850
2020				
March	7.7513	7.7651	7.7863	7.7511
April	7.7514	7.7512	7.7530	7.7498
May	7.7513	7.7519	7.7561	7.7500
June	7.7501	7.7501	7.7514	7.7498
July	7.7500	7.7509	7.7538	7.7499
August	7.7502	7.7502	7.7506	7.7498
September	7.7500	7.7500	7.7504	7.7499
October (through October 23)	7.7498	7.7500	7.7501	7.7498

Note:

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

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth our capitalization and indebtedness as of June 30, 2020 on an actual basis and on an adjusted basis after giving effect to the issuance of the New Notes in this offering, in each case, before deducting the underwriting discounts and commissions and other estimated expenses of this offering payable by us and excluding accrued interest. The following table should be read in conjunction with the selected consolidated financial information and related notes included in this offering memorandum.

	As of June 30, 2020			
	Actual		As adjusted	
	(RMB)	(US$)	(RMB)	(US$)
	(in thousands)			
Cash and cash equivalents[(1)]	7,266,006	1,028,436	7,406,552	1,048,329
Short-term borrowings				
Borrowings – due within one year or on demand	6,510,295	921,472	6,510,295	921,472
Senior notes and bonds	3,404,172	481,829	3,404,172	481,829
Debt component of convertible bonds	1,015,058	143,672	1,015,058	143,672
Total current borrowings	10,929,525	1,546,973	10,929,525	1,546,973
Non-current borrowings[(2)]				
Borrowings – due after one year	14,467,857	2,047,792	14,467,857	2,047,792
Senior notes and bond	3,382,169	478,715	3,382,169	478,715
Debt component of convertible bonds	619,441	87,676	619,441	87,676
New Notes to be issued	–	–	140,546	19,893
Total non-current borrowings	18,469,467	2,614,183	18,610,013	2,634,076
Total equity	12,673,234	1,793,780	12,673,234	3,180,575
Total capitalization[(3)]	31,142,701	4,407,963	31,283,247	5,814,651

Note:

(1) Cash and cash equivalents exclude fixed deposits with original maturity period of more than three months of RMB616.1 million (US$87.2 million).

(2) Subsequent to June 30, 2020, we have, in ordinary course of business, entered into additional arrangements for general corporate purpose. See "Description of Material Indebtedness and Other Obligation." The additional borrowing are not reflected in the above table.

(3) Total capitalization includes total non-current borrowings and total equity.

In our ordinary course of operations, we may incur additional debt, including Renminbi denominated borrowings or issue other debt securities.

Except as otherwise disclosed in this offering memorandum, there has been no material change to our capitalization and indebtedness since June 30, 2020.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table presents our selected financial information. The selected consolidated statement of profit or loss for 2017, 2018 and 2019 and the selected consolidated statement of financial position as of December 31, 2017, 2018 and 2019 set forth below (except for EBITDA data) have been derived from our consolidated financial statements for such years and as of such dates, as audited by Deloitte, and included elsewhere in this offering memorandum. The summary condensed consolidated statement of profit or loss for the six months ended June 30, 2019 and 2020 and the summary condensed consolidated statement of financial position data as of June 30, 2020 set forth below (except for EBITDA data) have been derived from our unaudited condensed consolidated interim financial statements for such periods and as of such date, as reviewed by Deloitte, included elsewhere in this offering memorandum.

Our financial statements have been prepared and presented in accordance with HKFRS, which differ in certain respects from generally accepted accounting principles in other jurisdictions. The selected financial information below should be read in conjunction with the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. Historical results are not necessarily indicative of results that may be achieved in any future period. Results for interim periods are not indicative of results for the full year.

SELECTED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER FINANCIAL DATA

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB)	(RMB)	(RMB)	(US$) (in thousands)	(RMB)	(RMB)	(US$)
Revenue	2,967,751	4,515,685	6,902,448	976,978	3,422,084	2,462,206	348,503
Cost of sales	(1,029,862)	(1,829,515)	(2,472,093)	(349,902)	(1,013,800)	(859,214)	(121,614)
Gross profit	1,937,889	2,686,170	4,430,355	627,076	2,408,284	1,602,992	226,889
Other income, other gains and losses	121,640	155,095	112,292	15,894	86,424	(52,527)	(7,435)
Selling expenses	(67,694)	(132,982)	(134,059)	(18,975)	(51,179)	(26,862)	(3,802)
Administrative expenses	(361,572)	(390,433)	(461,498)	(65,321)	(161,296)	(198,573)	(28,106)
Fair value changes on investment properties	478,423	323,461	696,378	98,566	479,228	(174,081)	(24,640)
Fair value changes on derivative financial instruments	2,373	172,192	(20,170)	(2,855)	(47,160)	53,849	7,622
Finance costs	(613,592)	(657,995)	(1,256,165)	(177,799)	(490,069)	(686,243)	(97,131)
Share of results of joint ventures	(93)	(8)	(2)	(0)	–	–	–
Profit before tax	1,497,374	2,155,500	3,367,131	476,586	2,224,232	518,555	73,397
Income tax (expense)/credit	(458,811)	(925,097)	(1,617,168)	(228,895)	(1,232,555)	(480,196)	(67,967)
Profit for the year/period	1,038,563	1,230,403	1,749,963	247,691	991,677	38,359	5,430
Other Financial Data							
EBITDA[(1)]	1,742,194	2,382,489	4,181,047	591,788	2,365,567	1,514,284	214,333
EBITDA margin[(2)]	58.7%	52.8%	60.6%	60.6%	69.1%	61.5%	61.5%

Note:

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

(2) EBITDA margin is calculated by dividing EBITDA by revenue for the relevant period, expressed as a percentage.

SELECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	(RMB)	(RMB)	(RMB)	(USD)	(RMB)	(USD)
			(in thousands)			
Non-current assets						
Investment properties	19,650,677	22,117,251	23,567,529	3,335,767	23,810,000	3,370,087
Property, plant and equipment	413,871	458,393	996,014	140,977	983,642	139,226
Goodwill	231,602	231,602	231,602	32,781	231,602	32,781
Interests in joint ventures	6,068	6,060	6,058	857	6,058	857
Amount due from a joint venture	522,323	522,318	522,318	73,929	522,318	73,929
Available-for-sale investments	444,259	–	–	–	–	–
Equity instrument at fair value through other comprehensive income	–	490,816	541,125	76,591	473,271	66,987
Deferred tax assets	175,201	345,030	565,713	80,071	443,620	62,790
Deposits paid	1,210,000	–	29,410	4,163	–	–
	22,654,001	24,171,470	26,459,769	3,745,136	26,470,511	3,746,657
Current assets						
Properties under development for sale	5,621,635	7,407,278	8,165,855	1,155,802	9,453,861	1,338,107
Properties held for sale	729,206	3,302,382	2,467,237	349,215	2,955,757	418,360
Other inventories	1,145	629	738	104	570	81
Accounts receivable	377,292	11,576	31,212	4,418	80,532	11,399
Deposits paid, prepayments and other receivables	1,138,263	890,294	3,230,928	457,308	1,740,799	246,394
Financial assets at fair value through profit or loss	–	10,559	–	–	–	–
Debt instrument at fair value through other comprehensive income	–	20,000	–	–	–	–
Tax recoverable	32,594	8,048	33,562	4,750	27,792	3,934
Other financial assets	150,000	–	–	–	–	–
Restricted bank deposits	2,117,521	3,915,826	2,804,061	396,889	2,804,435	396,942
Bank balances and cash	3,975,163	3,674,042	5,542,921	784,550	7,882,068	1,115,634
	14,142,819	19,240,634	22,276,514	3,153,036	24,945,814	3,530,851
Current liabilities						
Accounts payable	600,037	1,383,514	1,111,831	157,369	824,529	116,705
Contract liabilities	–	2,268,288	2,505,265	354,597	1,988,374	281,436
Accruals, deposits received and other payables	3,725,372	744,814	673,358	95,308	736,299	104,216
Lease liabilities	–	–	22,674	3,209	21,627	3,061
Tax liabilities	1,009,685	1,468,779	2,398,675	339,510	2,616,048	370,278
Dividend payables	–	–	–	–	282,672	40,010
Borrowings	3,615,042	3,232,448	4,306,274	609,514	6,510,295	921,472
Senior notes and bond	–	2,591,909	5,027,123	711,543	3,404,172	481,829
Debt component of convertible bonds	589,650	–	1,493,257	211,357	1,015,058	143,672
Derivative component of convertible bonds	111,078	–	222,207	31,451	31,922	4,518
	9,650,864	11,689,752	17,760,664	2,513,858	17,430,996	2,467,197
Net current assets	4,491,955	7,550,882	4,515,850	639,178	7,514,818	1,063,654
Total assets less current liabilities	27,145,956	31,722,352	30,975,619	4,384,314	33,985,329	4,810,311
Non-current liabilities						
Borrowings	9,343,235	13,309,348	15,149,805	2,144,316	14,467,857	2,047,792
Senior notes and bond	5,250,854	2,809,060	–	–	3,382,169	478,715
Debt component of convertible bonds	–	1,381,645	–	–	619,441	87,676
Derivative component of convertible bonds	–	198,105	–	–	52,118	7,377
Lease liabilities	–	–	95,380	13,500	88,772	12,565
Deferred tax liabilities	2,482,664	2,585,251	2,695,601	381,538	2,701,738	382,406
	17,076,753	20,283,409	17,940,786	2,539,354	21,312,095	3,016,531
Net assets	10,069,203	11,438,943	13,034,833	1,844,960	12,673,234	1,793,780
Capital and reserves						
Share capital	39,121	41,141	42,060	5,953	42,180	5,970
Reserves	9,796,941	11,290,307	12,885,799	1,823,866	12,559,654	1,777,704
Equity attributable to owners of the Company	9,836,062	11,331,448	12,927,859	1,829,819	12,601,834	1,783,674
Non-controlling interests	233,141	107,495	106,974	15,141	71,400	10,106
Total equity	10,069,203	11,438,943	13,034,833	1,844,960	12,673,234	1,793,780

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

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

OVERVIEW

We are a leading, specialized property developer and commercial property operator based in Shenzhen, PRC. Our vision is "to be the most respected urban value creator" ("做最受尊敬的城市價值創造者") by providing quality products and services and creating social, economic and cultural values for cities. From 2011 to 2020, we were recognized as one of the "Top 10 Shenzhen Real Estate Enterprises in terms of Comprehensive Strength" ("深圳房地產開發十強企業") by Shenzhen Real Estate Association for ten consecutive years. In 2019, we were awarded "Top 10 Trustworthy Enterprises in Shenzhen's Real Estate Industry" by Shenzhen Real Estate Association.

We were known as New Heritage Holdings Ltd. ("New Heritage Holdings"), a company listed on The Stock Exchange of Hong Kong since December 2, 2005 (Hong Kong Stock Code: 00095) and mainly engaged in property development and property investment businesses in Suzhou. On January 21, 2014, a sales and purchase agreement was entered into between China LVGEM Property Holdings Limited ("China LVGEM"), a company ultimately wholly beneficially owned by Mr. Wong Hong King, and a shareholder of New Heritage Holdings, to acquire 64.8% of the then aggregate issued share capital of New Heritage Holdings ("the 2014 Acquisition"). The 2014 Acquisition was completed on May 8, 2014. Subsequent to the completion of the 2014 Acquisition, China LVGEM's interest in the Company increased to 81.5% after the acquisition of additional shares of the Company as a result of the mandatory general offer and exercise of share options of the Company. China LVGEM's interest in New Heritage Holdings subsequently reduced to 73.0% to restore the public float. In September 2014, our name was changed to "LVGEM (China) Real Estate Investment Company Limited" ("綠景(中國)地產投資有限公司").

Adhering to the "dual core" strategic vision of "focusing on core cities and cities' core areas," we develop projects mainly in core cities and central areas to help achieve low risk, high value and high returns for our projects. Being one of the forerunners in urban redevelopment, we actively participated in urban redevelopment projects in Shenzhen, where we have accumulated extensive experience and established a unique land reserve acquisition model. We have established a solid market position in Shenzhen and have been strategically expanding into other property markets in the Pearl River Delta, in alignment with the GDHKMC Bay Area concept, which was put forward in the 5th session of the 12th National People's Congress in March 2017. The GDHKMC Bay Area concept focuses on the creation of a financial and trading core area and the promotion of high-quality living through cultural development and green initiatives. The GDHKMC Bay Area is also one of the most economically prosperous and vibrant economic zones in China. Our geographical coverage also includes the Yangtze River Delta region, mainly in Suzhou.

Our business operations consist of three principal business segments:

(i) Property development and sales;

(ii) Commercial property investment and operations; and

(iii) Comprehensive services.

Our mission is to "build quality products and enhance urban value" ("持續提升城市價值"). As of June 30, 2020, we had completed a diverse portfolio of 24 residential and commercial properties with an aggregate GFA of 3.71 million sq.m., most of which are located in prime, core areas of Shenzhen such as Futian, Longhua and Luohu. We currently have a robust project pipeline with a land reserve of total planned GFA of approximately 6.82 million sq.m., including our first overseas project in Lau Fau Shan, Hong Kong. We adopt a land acquisition strategy in which we seek quality land reserve primarily through urban redevelopment and collaboration with our controlling shareholder. As one of the pioneers of urban redevelopment, we believe we can leverage our extensive experience and continue to acquire land in prime locations at a competitive cost, particularly in Shenzhen where urban redevelopment has become a primary source of land supply.

In line with our two-pronged residential and commercial business model, we own and operate for long-term investment purposes a substantial portion of the commercial properties we have developed. These commercial properties include the Shenzhen NEO Urban Commercial Complex, Zoll Centers and other retail spaces. Shenzhen NEO Urban Commercial Complex is composed of three buildings that consist of a Grade-A office building, retail space and business apartments. Zoll centers are community lifestyle and shopping centers which complement our existing residential property developments. We hold these commercial properties for capital appreciation and lease them to generate rental income. As of June 30, 2020, we had 28 investment properties primarily in Shenzhen with a total GFA of approximately 678,285 sq.m.. We launched LVGEM Zoll Hongwan Shopping Mall in January 2017, LVGEM Zoll International Garden Shopping Mall in 2017, LVGEM Zoll Yuexi Shopping Mall in 2018 and Hong Kong LVGEM NEO in 2019.

We also provide comprehensive services, including property management services and hotel operations. We provide high quality property management services to the residents and tenants of 25 properties with an aggregate GFA of approximately 2.7 million sq.m. We manage a majority of the properties developed by us, including Shenzhen NEO Urban Commercial Complex and Zoll Centers. Our LVGEM Hotel, located in central business district of Futian in Shenzhen, was awarded "The Most Popular Hotel" ("最受歡迎酒店獎") by the Shenzhen Tourism Association and "2018 Top 16 Brand Hotels in Shenzhen" by the Shenzhen Tourism Association in 2018. In 2017, we acquired Vanllee Hotel in Covina, Los Angeles, USA.

In 2017, 2018, 2019 and the six months ended June 30, 2020, our revenue was RMB2,967.8 million, RMB4,515.7 million, RMB6,902.4 million (US$977.0 million) and RMB2,462.2 million (US$348.5 million), respectively, and our profit for the year/period was RMB1,038.6 million, RMB1,230.4 million, RMB1,750.0 million (US$247.7 million) and RMB38.4 million (US$5.4 million), respectively.

Significant Factors Affecting Our Results of Operations and Financial Condition

Our business, results of operations and financial condition have been, and we expect will continue to be, affected by a number of key factors and material risks, many of which are beyond our control. Please refer to the section entitled "Risk Factors." These factors and risks include the following:

Economic conditions, speed of urbanization and demand for residential and commercial properties in China, particularly in the Pearl River Delta region

Our business is heavily dependent on the performance of the real estate market in China, particularly in the Pearl River Delta region. The performance of the PRC real estate industry is subject to continued growth in the economy, the rate of urbanization and the resultant demand for properties in China. The key factors that we consider to be important to our operations include (1) general economic development, including the global economy and the overall economic growth in China, (2) growth conditions in the private sector and (3) urban planning. Economic growth attributable to the private business sector has increased the general level of disposable income and the number of middle to upper-middle income households, which are our primary target

customers. Developments in the economy and the rate of urbanization have in the past increased the supply of and demand for residential properties and affected pricing trends in the property sector in the cities and regions where we operate in China. We believe that these factors will continue to significantly affect our results of operations.

Regulatory environment

PRC government policies and measures on property development and related industries have a direct impact on financial condition and results of operations. From time to time, the PRC government adjusts its macroeconomic control policies to encourage or restrict development in the private property sector through measures relating to, among other things, land grants, pre-sales of properties, bank financing and taxation. Measures taken by the PRC government to control money supply, credit availability and fixed assets also have a direct impact on our business and results of operations. In recent years, the PRC government has implemented a series of measures with a view to control the growth of the economy, including the real estate markets. While the real estate industry is regarded as a pillar industry by the PRC government, the PRC government has taken various restrictive measures to discourage speculation in the real estate market and to increase the supply of affordable residential properties. The PRC government may introduce initiatives which may affect our access to capital and the means in which we may finance our property development. See "Regulations" for more details on the relevant PRC laws and regulations.

Ability to acquire suitable land and land use rights at suitable prices

To have a steady stream of properties available for sale and to achieve continuous growth in the long term, we need to replenish and increase land reserves suitable for development. Land use rights for the purposes of commercial use, tourism, entertainment and commodity residential property development in the PRC may be acquired mainly through three methods: (i) urban redevelopment; (ii) acquisition of equity interests in companies that hold land use rights, or acquisition of property interests held by other companies; and (iii) public tender, auction or listing-for-sale. We expect increasingly intense competition and higher land acquisition costs in respect of the statutory means of acquiring land. In November 2009, the PRC government raised the minimum down-payment of land premium to 50% and required the land premium to be fully paid within one year after the signing of a land grant contract, subject to limited exceptions. In March 2010, the Ministry of Land and Resources promulgated a notice to strictly regulate the transfer of land for commercial buildings. According to the notice, the area of a parcel of land granted for commodity residential development should be strictly restricted in accordance with the catalog of restricted use of land and the minimum price of the land transfer should not be less than 70% of the benchmark price of the place where the land being transferred is located, and the real estate developer's bid deposit should not be less than 20% of the minimum transfer price. See "Regulations." These changes of policy may materially and adversely affect our cash flow and our ability to acquire suitable land for our operations.

Price volatility in labor and construction materials

Our results of operations are affected by price volatility in labor and construction materials such as steel and cement. Most of our construction contracts are based on pre-agreed unit cost. However, if there is any significant increase in the cost of construction materials and labor costs, our construction contractors may renegotiate construction fees or we may be subject to higher construction fees when our existing construction contracts expire. We are exposed to price volatility in labor and construction materials to the extent that we are not able to pass the increased costs on to our customers by increasing our selling prices. See "Risk Factors – Risks Relating to Our Business – Fluctuations in the cost of labor and construction materials could adversely affect our business and financial performance." Further, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if construction costs increase subsequent to the pre-sale.

Access to and cost of financing

Borrowing is an important source of funding for our property developments. As of December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, our outstanding borrowings (including convertible bonds) amounted to RMB18,798.8 million, RMB23,324.4 million, RMB25,976.5 million (US$3,676.7 million) and RMB29,399.0 million (US$4,161.2 million), respectively. The effective interest rates on our total borrowings (including convertible bonds but excluding finance costs derived from lease liabilities) as of December 31, 2017, 2018, 2019 and June 30, 2020 were approximately 6.6%, 6.2%, 6.3% and 6.9%, respectively. As commercial banks in China link the interest rates on their bank loans to benchmark lending rates published by the PBOC, any increase in such benchmark lending rates will increase the interest costs for our developments. See "Risk Factors – Risks Relating to the Business – Our financing costs may increase as a result of changes in interest rates." Our ability and flexibility to use bank loans to finance our property projects are also affected by the measures taken by the PRC government from time to time to restrain money supply and credit availability for fixed asset investments, particularly with respect to the property development sector. In addition to bank borrowings, we have also accessed capital markets for our financing requirements. See "Description of Material Indebtedness and Other Obligations. An increase in our finance costs would negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will negatively affect our results of operations.

Fair Value of Investment Properties

We hold investment properties for rental income or capital appreciation. We consider the estimated long-term growth potential, overall market conditions and our cash flows and financial condition when we decide whether to sell or hold our completed properties for long-term investment purposes. Going forward, we intend to continue to consider the above factors in deciding whether to sell or lease our completed properties and we expect to increase our investment property portfolio over time. In accordance with HKFRS, gains or losses (as applicable) arising from changes in the fair value of our investment properties should be accounted for in our consolidated profit or loss, which may have a substantial effect on our profits. As of December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, the change in fair value of our investment properties was increase of RMB478.4 million, increase of RMB323.5 million, increase of RMB696.4 million (US$98.6 million) and decrease of RMB174.1 million (US$24.6 million), respectively. Our completed investment properties and investment properties under development were revalued by an independent property valuer as of December 31, 2017, 2018, 2019 and June 30, 2020, respectively, using the income capitalization approach and market-based approach, which reflected market conditions at those dates. The fair value of our investment properties may have been higher or lower had the valuer used a different set of bases or assumptions, or had the valuation been conducted by other qualified independent professional valuers using a different set of bases and assumptions. In addition, upward revaluation adjustments reflect unrealized capital gains on our investment properties as of the relevant reporting dates and do not generate any cash inflow for our operations or potential dividend distribution to our shareholders. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. If similar levels of fair value gains cannot be sustained in the future, our results of operations can be adversely impacted. See "Risk Factors – Risks Relating To the Business – Changes in fair value of our investment properties and measurement of our interests in joint ventures could affect our profit."

Timing of property development

The number of property projects that we undertake during any particular period is primarily limited by the substantial capital requirements for land acquisitions and construction, as well as land supply. In addition, the development of property projects may take many months or even years before the commencement of pre-sale or completion and delivery. No revenue is recognized with respect to a property project until it has been completed, sold and delivered to the customers. In addition, as market demand fluctuates, the revenue we recognize from sale of properties in a particular period may also depend on market conditions at the expected

completion and delivery time of a particular project. Moreover, delays in construction, regulatory approval and other processes can adversely affect the timetable of our projects. Given the foregoing limitations, timing differences and uncertainties, our results of operations have fluctuated in the past and are likely to continue to fluctuate in the future. Our profitability may be impacted because some of our completed projects or projects currently under development have not been sold and/or delivered, and we cannot assure you that there will not be such fluctuations on our profitability in the future. See "Risk Factors – Risks Relating To the Business – Our results of operation depend on a number of factors including the schedule of our property development and the timing of property sales, which may vary significantly from year to year."

Critical Accounting Policies

The preparation of our consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires our management to exercise its judgment in the process of applying our accounting policies. Therefore, the consolidated financial statements included in this offering memorandum may not necessarily reflect our results of operations, financial position and cash flows in the future or what they would have been had we been a separate, stand-alone entity during the periods presented.

Critical accounting policies are those accounting policies that are reflective of significant judgments and uncertainties and that potentially yield materially different results under different assumptions and conditions.

When reviewing our consolidated financial statements, you should consider (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. We believe the following accounting policies involve the most significant judgment and estimates used in the preparation of our consolidated financial information. In addition, we discuss our revenue recognition policy below because of its significance, even though it does not involve significant estimates or judgments.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognized when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to our Group and when specific criteria have been met for each of our Group's activities, as described below.

Revenue from the sales of goods is recognized when the goods are delivered and titles have passed.

Specifically, revenue from sales of properties in the ordinary course of business is recognized when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from hotel operation is recognized when the relevant services are provided. Property management fee income and rental related income are recognized in profit or loss when the services are rendered. Interest and investment income from a financial asset is recognized when it is probable that the economic benefits will flow to our Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Revenue from contracts with customers (upon application of HKFRS 15 on January 1, 2018)

Under HKFRS 15, our Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs;
- our Group's performance creates and enhances an asset that the customer controls as our Group performs; or
- our Group's performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents our Group's obligation to transfer goods or services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

For property management service, our Group recognizes revenue in the amount to which we have a right to invoice, as our Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of our performance completed to date.

For sales of properties, in determining the transaction price, our Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or our Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, our Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which our Group adjusts for the promised amount of consideration for a significant financing component, our Group applies a discount rate that would be reflected in a separate financing transaction between our Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Incremental costs of obtaining a contract are those costs that our Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

Our Group recognizes such costs (e.g. sales commissions) as an asset if it expects to recover these costs. The asset so recognized is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

Our Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortized to profit or loss within one year.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Cost incurred for investment properties under development comprises development expenditure including professional charges directly attributable to the development and borrowing costs, and these costs are capitalized as part of the carrying amount of the investment properties under development during the development period.

Subsequent to initial recognition, investment properties, including completed investment properties and investment properties under development, are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.

Properties under development for sale

Properties under development for sale which are intended to be held for sale are carried at lower of cost and net realizable value and are shown as current assets. Cost includes the costs of land (including relocation costs), development expenditure incurred and, where appropriate, borrowing costs capitalized during construction period. Net realizable value is determined based on prevailing market conditions.

Properties under development for sales are transferred to properties held for sale upon completion of development activities, which is when the relevant completion certificates are issued by the respective government authorities.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realizable value. Cost is determined by apportionment of the total land and development costs attributable to the properties held for sale. Net realizable value is determined based on prevailing market conditions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Our Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which our Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

DESCRIPTION OF CERTAIN STATEMENT OF PROFIT OR LOSS ITEMS

Revenue

Our revenue in 2017, 2018, 2019 and the six months ended June 30, 2020 consisted of property development and sales and recurring income which consisted of (i) commercial property investment and operations and (ii) comprehensive services.

The following table sets forth the breakdown of our revenue by segments for the periods indicated:

	For the year ended December 31,							For the six months ended June 30,				
	2017		2018		2019			2019		2020		
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	(US$'000)	%	(RMB'000)	%	(RMB'000)	(US$'000)	%
Property development and sales	2,114,289	71.2	3,664,328	81.2	5,962,446	843,929	86.4	2,988,335	87.3	2,030,652	287,420	82.5
Commercial property investment and operations	498,295	16.8	543,176	12.0	618,674	87,568	9.0	302,279	8.8	317,355	44,919	12.9
Comprehensive services	355,167	12.0	308,181	6.8	321,328	45,481	4.6	131,470	3.9	114,199	16,164	4.6
Total	2,967,751	100.0	4,515,685	100.0	6,902,448	976,978	100.0	3,422,084	100.0	2,462,206	348,503	100.0

Property Development and Sales

For property sales, revenue is recognized when the respective properties have been completed and delivered to buyers. As we derive our revenue primarily from sale of properties, our results of operations for a given period are dependent on the total GFA and ASP of properties we delivered during such period. Our results of operations may vary significantly from period to period depending on the development and delivery schedules of our property projects in any given period.

In 2017, 2018, 2019 and six months ended June 30, 2020, our revenue from sale of properties amounted to RMB2,114.3 million, RMB3,664.3 million, RMB5,962.4 million (US$843.9 million) and RMB2,030.6 million (US$287.4 million), respectively, which accounted for 71.2%, 81.2%, 86.4% and 82.5% of our total revenue, respectively.

The table below sets forth the breakdown of our revenue from property development and sales and GFA by projects for the periods indicated:

	For the year ended December 31,										For the six months ended June 30,						
	2017			2018			2019				2019			2020			
	sq.m	(RMB'000)	%	sq.m	(RMB'000)	%	sq.m	(RMB'000)	(US$'000)	%	sq.m	(RMB'000)	%	sq.m	(RMB'000)	(US$'000)	%
Shenzhen:																	
LVGEM 1866 Garden (公館1866花園) ...	669	16,185	0.8	824	23,836	0.7	365	11,276	1,596	0.2	144	5,308	0.2	–	–	–	–
LVGEM Hongwan Garden (綠景虹灣花園) ...	28,978	1,978,315	93.6	4,283	294,272	8.0	264	14,256	2,018	0.2	89	3,239	0.1	149	10,520	1,489	0.5
City Garden (城市立方花園) ...	–	–	–	954	31,905	0.9	384	14,218	2,012	0.2	–	–	–	191	5,860	829	0.3
LVGEM Chanson Garden (綠景香頌花園) ...	–	–	–	–	–	–	125	4,875	690	0.1	–	–	–	–	–	–	–
LVGEM Mangrove Bay No. 1 (綠景紅樹灣壹號) ..	–	–	–	18,056	1,518,121	41.4	56,119	4,487,014	635,096	75.3	34,622	2,754,858	92.2	8,817	612,932	86,755	30.2
LVGEM Amazing Plaza (綠景美景廣場) ...	–	–	–	–	–	–	–	–	–	–	–	–	–	20,305	1,255,674	177,729	61.8
Sub-total	29,647	1,994,500	94.4	24,117	1,868,134	51.0	57,257	4,531,639	641,412	76.0	34,855	2,763,405	92.5	29,462	1,884,986	266,802	92.8
Huazhou:																	
LVGEM International Garden (綠景國際花城) ...	22,823	101,381	4.8	253,230	1,576,139	43.0	198,654	1,259,175	178,224	21.1	23,359	151,856	5.1	10,699	90,109	12,754	4.5
Sub-total	22,823	101,381	4.8	253,230	1,576,139	43.0	198,654	1,259,175	178,224	21.1	23,359	151,856	5.1	10,699	90,109	12,754	4.5
Suzhou:																	
Taihu Garden Court (錦澤苑)	644	7,063	0.3	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Lakeside Garden Court (錦盛苑)	2,399	11,345	0.5	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Suzhou LVGEM Business Plaza (蘇州綠悍商務廣場)	–	–	–	18,925	220,055	6.0	15,553	171,632	24,293	2.9	6,135	73,074	2.4	5,378	55,557	7,864	2.7
Sub-total	3,043	18,408	0.8	18,925	220,055	6.0	15,553	171,632	24,293	2.9	6,135	73,074	2.4	5,378	55,557	7,864	2.7
Total	55,513	2,114,289	100.0	296,272	3,664,328	100.0	271,464	5,962,446	843,929	100.0	64,349	2,988,335	100.0	45,539	2,030,652	287,420	100.0

Commercial Property Investment and Operations

Income from commercial property investment and operations represents rental income from leasing of our commercial properties, office premises and car parks. Revenue from rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of relevant lease.

In 2017, 2018, 2019 and the six months ended June 30, 2020, our rental income amounted to RMB498.3 million, RMB543.2 million, RMB618.7 million (US$87.6 million) and RMB317.4 million (US$44.9 million), respectively, which accounted for 16.8%, 12.0%, 9.0% and 12.9% of our total revenue, respectively.

The table below sets forth the breakdown of our rental income for the periods indicated:

Rental income from:	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(RMB'000)	(US$'000)
Shenzhen NEO Urban Commercial Complex (深圳綠景NEO都市商務綜合體)	330,797	339,583	316,140	44,860	159,344	139,698	19,773
Hong Kong LVGEM NEO (香港綠景NEO大廈)	–	–	21,240	3,006	–	27,800	3,935
LVGEM 1866 Zoll Mall (綠景1866佐阾薈)	46,532	49,588	50,008	7,078	27,434	26,769	3,789
LVGEM Zoll Chanson Shopping Mall (綠景佐阾香頌購物中心)	38,575	42,514	41,344	5,852	21,648	18,269	2,586
LVGEM Zoll Hongwan Shopping Mall (綠景佐阾虹灣購物中心)	27,918	43,109	51,730	7,322	27,123	26,058	3,688
LVGEM Zoll International Garden Shopping Mall (綠景佐阾國際花城購物中心)	1,454	6,928	10,851	1,536	4,935	6,705	949
LVGEM Zoll Yuexi Shopping Mall (綠景佐阾越溪購物中心)	–	187	5,275	747	2,970	2,842	402
LVGEM Zoll Jinhua Shopping Mall (綠景佐阾錦華購物中心)	7,789	9,362	10,132	1,434	5,547	3,424	485
Others	45,230	51,905	111,154	15,733	53,278	65,790	9,312
Total	498,295	543,176	618,674	87,568	302,279	317,355	44,919

Comprehensive Services

We provide comprehensive services to purchasers and tenants of our residential and commercial properties. These comprehensive services include property management services, hotel operations and others. As of June 30, 2020, we provided operation and management services to 25 projects with an entrusted operation and management area of approximately 2.7 million sq.m. In 2017, 2018, 2019 and the six months ended June 30, 2020, our comprehensive services income amounted to RMB355.2 million, RMB308.2 million, RMB321.3 million (US$45.5 million) and RMB114.2 million (US$16.2 million), respectively, which accounted for 12.0%, 6.8%, 4.6% and 4.6% of our total revenue, respectively.

Cost of Sales

Cost of sales comprises primarily construction costs, land costs, capitalized interest, direct costs related to commercial property investment and operations and direct costs related to comprehensive services. The table below sets forth the breakdown of our cost of sales for the periods indicated:

	For the year ended December 31,							For the six months ended June 30,				
	2017		2018		2019			2019		2020		
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	(US$'000)	%	(RMB'000)	%	(RMB'000)	(US$'000)	%
Property development and sales												
Construction costs	555,807	75.1	1,293,717	83.8	1,661,005	235,100	76.3	649,809	72.2	423,210	59,901	56.1
Land costs	66,192	9.0	93,658	6.0	207,764	29,407	9.5	99,136	11.0	225,988	31,987	29.9
Capitalized interest	117,832	15.9	157,246	10.2	308,850	43,715	14.2	150,951	16.8	105,881	14,986	14.0
Sub-total	739,831	100.0	1,544,621	100.0	2,177,619	308,222	100.0	899,896	100.0	755,079	106,874	100.0
Commercial property investment and operations	79,606		85,489		68,296	9,667		29,658		13,208	1,869	
Comprehensive services	210,425		199,405		226,178	32,013		84,246		90,927	12,870	
Total	1,029,862		1,829,515		2,472,093	349,902		1,013,800		859,214	121,613	

Gross Profit and Gross Profit Margin

In 2017, 2018, 2019 and the six months ended June 30, 2020, our gross profit was RMB1,937.9 million, RMB2,686.2 million, RMB4,430.4 million (US$627.1 million) and RMB1,603.0 million (US$226.9 million), respectively, representing gross profit margins of 65.3%, 59.5%, 64.2% and 65.1%, respectively. See "Results of Operations."

Selling Expenses

Our selling and marketing expenses primarily include advertising and promotional expenses to promote the sales and rental of our properties, commissions to sales agents and compensations to our sales and marketing personnel. We focus our marketing efforts on the first phase of each project to establish the reputation and profile for the project which in turn leads to higher initial advertising and promotional expenses during this phase of the project. We also incur higher initial advertising and promotional expenses when expanding into new cities. As a result, our sales and marketing costs may fluctuate from time to time.

Our selling and marketing expenses amounted to RMB67.7 million, RMB133.0 million, RMB134.1 million (US$19.0 million) and RMB26.9 million (US$3.8 million) in 2017, 2018, 2019 and six months ended June 30, 2020, respectively.

Administrative Expenses

Our administrative expenses primarily include staff cost, professional fees, office expenses, entertainment expense and depreciation and amortizations. Our administrative expenses amounted to RMB361.6 million, RMB390.4 million, RMB461.5 million (US$65.3 million) and RMB198.6 million (US$28.1 million) in 2017, 2018, 2019 and six months ended June 30, 2020, respectively.

Fair Value Changes on Investment Properties

Investment properties are interests in land and buildings held to earn recurring rental income. Investment properties are stated at their fair value as of each reporting date. Gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of profit or loss in the period in which they arise. Changes in the fair value of both completed investment properties and investment properties under construction will affect our results of operation.

In 2017, 2018, 2019 and six months ended June 30, 2020, we recorded change in fair value of investment properties of increase of RMB478.4 million, increase of RMB323.5 million, increase of RMB696.4 million (US$98.6 million) and decrease of RMB174.1 million (US$24.6 million), respectively. These adjustments reflected unrealized capital gains on our investment properties, and thus did not generate cash.

Finance Costs

Our finance costs include interest expenses on bank loans and other borrowings and interest expenses on convertible bonds and less capitalized interest. Our finance costs amounted to RMB613.6 million, RMB658.0 million, RMB1,256.2 million (US$177.8 million) and RMB686.2 million (US$97.1 million) in 2017, 2018, 2019 and six months ended June 30, 2020, respectively. Under HKFRSs, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of these assets. Furthermore, interest expenses can only be capitalized during the construction period and finance costs incurred prior to and after the construction period must be expensed.

In 2017, 2018, 2019 and six months ended June 30, 2020, our finance costs represented an average effective interest rate of 6.6%, 6.2%, 6.3% and 6.9%, respectively. Average effective interest rates are derived by dividing the total interest costs for the relevant year or total annualized interest cost for the relevant period by average total borrowings (including convertible bonds) which is calculated by adding up of average balances of total borrowings (including convertible bonds) for the current period. The interest expenses on total borrowings (including convertible bonds) were RMB895.4 million, RMB1,363.1 million, RMB1,782.2 million (US$252.3 million) and RMB999.0 million (US$141.4 million) in 2017, 2018, 2019 and six months ended June 30, 2020, respectively.

Tax

Our tax comprises provisions for EIT, land appreciation tax and deferred tax. The following table sets forth the breakdown of our income tax expense for the periods indicated:

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000) (Unaudited)	(RMB'000) (Unaudited)	(US$'000) (Unaudited)
Current							
PRC EIT							
– Current year/period	(307,634)	(467,249)	(765,660)	(108,372)	(528,952)	(54,434)	(7,704)
– (Underprovision)/ overprovision in prior years	(14,163)	(13,330)	19,250	2,725	–	8,365	1,184
	(321,797)	(480,579)	(746,410)	(105,647)	(528,952)	(46,069)	(6,520)
PRC LAT							
– Current year/period	(228,502)	(685,180)	(1,023,621)	(144,884)	(947,954)	(288,933)	(40,896)
– Overprovision in prior years	224,516	161,781	7,778	1,101	7,778	–	–
	(3,986)	(523,399)	(1,015,843)	(143,783)	(940,176)	(288,933)	(40,896)
Deferred taxation							
– Current year/period	(77,047)	119,326	147,029	20,810	236,573	(145,194)	(20,551)
– Underprovision in prior years	(55,981)	(40,445)	(1,944)	(275)	–	–	–
	(133,028)	78,881	145,085	20,535	236,573	(145,194)	(20,551)
Total income tax expense	(458,811)	(925,097)	(1,617,168)	(228,895)	(1,232,555)	(480,196)	(67,967)

According to the Provisional Regulations of the PRC on the Land Appreciation Tax (中華人民共和國土地增值税暫行條例) and the Detailed Implementation Rules on the Provisional Regulations on the land appreciation tax of the PRC (中華人民共和國土地增值税暫行條例實施細則), all income from the sale or transfer of state-owned land use rights on land, buildings and their attached facilities is subject to land appreciation tax. Land appreciation tax is levied on properties developed by property developers in the PRC for sale at progressive rates generally ranging from 30% to 60% of the appreciation in land value with certain exemptions. However, no LAT is payable for the sale of ordinary residential properties if the appreciation value does not exceed 20% of the "total deductible items" as such term is defined in the relevant tax laws. Whether a property qualifies for the ordinary standard residential property exemption is determined by the local government taking into consideration the property's plot ratio, aggregate GFA and sale price.

For real estate development companies in the PRC, EIT and land appreciation tax are pre-paid based on certain percentages of pre-sales proceeds. Pre-paid EIT and land appreciation tax are deducted in the statement of profit or loss when the properties are delivered and revenue is recognized. As of December 31, 2017, 2018, 2019 and six months ended June 30, 2020, we made LAT provisions of RMB228.5 million, RMB685.2 million, RMB1,023.6 million (US$ 144.9 million) and RMB288.9 million (US$40.9 million), respectively.

We are not subject to any income tax for our Company, which is incorporated in the Cayman Islands. We did not incur Hong Kong profits tax in 2017, 2018, 2019 and the six months ended June 30, 2020 as we had no estimated assessable profits for these years. Deferred taxes are the taxes expected to be payable or recoverable on the differences between the carrying amounts of assets and liabilities in our financial statements and the corresponding tax basis. Deferred tax liabilities are generally recognized for all taxable differences and deferred tax assets are recognized for deductible temporary differences, carried-forward unused tax credit and unused tax losses. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the end of the reporting period. In 2017, 2018, 2019 and the six months ended June 30, 2020, our deferred tax liabilities mainly included temporary differences recognized relating primarily to valuation of investment properties and accelerated tax depreciation and available-for-sale investments. Our deferred tax liabilities were RMB2,482.7 million, RMB2,585.3 million, RMB2,695.6 million (US$381.5 million) and RMB2,701.7 million (US$382.4 million) as of December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, respectively.

Our effective tax rate is affected by the statutory EIT rates, land appreciation tax, non-deductible expenses and profits and losses attributable to joint ventures and associated companies in the PRC. Our effective tax rate, calculated by dividing the tax charges, including land appreciation tax (including the current and the deferred land appreciation tax), by our profit before tax, was 30.6%, 42.9%, 48.0% and 92.6% in 2017, 2018, 2019 and the six months ended June 30, 2020, respectively.

RESULTS OF OPERATIONS

Six months ended June 30, 2020 compared to six months ended June 30, 2019

Revenue

Our revenue decreased by 28.0% from RMB3,422.1 million for the six months ended June 30, 2019 to RMB2,462.2 million (US$348.5 million) for the six months ended June 30, 2020, primarily due to an increase in revenue from sales of properties held for sale.

Sales of properties. Our revenue from sales of properties decreased by 32.0% from RMB2,988.3 million for the six months ended June 30, 2019 to RMB2,030.6 million (US$287.4 million) for the six months ended June 30, 2020, primarily due to sales of LVGEM Amazing Plaza and LVGEM Mangrove Bay No. 1 and a decrease in the GFA of properties held for sale from approximately 64,349 sq.m. to 45,539 sq.m.

Rental income. Our rental income increased by 5.0% from RMB302.3 million for the six months ended June 30, 2019 to RMB317.4 million (US$44.9 million) for the six months ended June 30, 2020, primarily due to the commencement of operation of Hong Kong LVGEM NEO in the second half of 2019.

Comprehensive service. Our revenue from comprehensive services decreased by 13.1% from RMB131.5 million for the six months ended June 30, 2019 to RMB114.2 million (US$16.2 million), primarily due to the drop in revenue from hotel operations which was created by the unprecedented COVID-19 pandemic. The hotel operations were gradually recovering after the control of this coronavirus disease by the PRC government.

Cost of sales

Our cost of sales decreased by 15.2% from RMB1,013.8 million for the six months ended June 30, 2019 to RMB859.2 million (US$121.6 million) for the six months ended June 30, 2020, primarily due to the decrease in sales of properties during the six months ended June 30, 2020.

Gross profit and gross profit margin

Our gross profit decreased by 33.4% from RMB2,408.3 million for the six months ended June 30, 2019 to RMB 1,603.0 million (US$226.9 million). Our gross profit margin decreased from 70.4% for the six months ended June 30, 2019 to 65.1% for the six months ended June 30, 2020, primarily because of the revenue recognized under different project portfolio. In 2019, over 90% of the revenue for the six months ended June 30, 2019 was mainly generated from LVGEM Mangrove Bay No. 1, with a gross profit margin over 70% while 62% of the revenue for the six months ended June 30, 2020 was contributed by LVGEM Amazing Plaza, with a gross profit margin of approximately 60% and revenue from LVGEM Mangrove Bay No. 1 only accounted for around 30% of the total revenue in first half of 2020.

Selling expenses

Our selling expenses decreased by 47.5% from RMB51.2 million for the six months ended June 30, 2019 to RMB26.9 million (US$3.8 million) for the six months ended June 30, 2020. The decrease was mainly attributable to the reduction of advertising campaigns during the current interim period.

Administrative expenses

Our administrative expenses increased by 23.1% from RMB161.3 million for the six months ended June 30, 2019 to RMB198.6 million (US$28.1 million) for the six months ended June 30, 2020, primarily due to the donations to several charitable organizations in the PRC and the depreciation expenses incurred for new office in Hong Kong LVGEM NEO.

Fair value changes on investment properties

Our fair value gains on investment properties decreased by 136.3% from fair value gain of RMB479.2 million for the six months ended June 30, 2019 to fair value loss RMB174.1 million (US$24.6 million) for the six months ended June 30, 2020.

Finance costs

Our finance costs increased by 40.0% from RMB490.1 million for the six months ended June 30, 2019 to RMB686.2 million (US$97.1 million) for the six months ended June 30, 2020, primarily due to (i) the increase of the Group's total interest-bearing loans to RMB29,399.0 million as of June 30, 2020 from RMB25,976.5 million as of December 31, 2019; and (ii) the cessation of interest capitalization in relation to Hong Kong LVGEM NEO upon its completion last year.

Income tax (expense) credit

Our income tax expense was RMB480.2 million (US$68.0 million) for the six months ended June 30, 2020, compared with income tax credit of RMB1,232.6 million for the six months ended June 30, 2019, primarily due to the less LAT provision for LVGEM Amazing Plaza in current interim period than that of LVGEM Mangrove Bay No.1 recognized in the corresponding period last year.

Profit of the period

As a result of the foregoing, our profit for the period decreased by 96.1% from RMB991.6 million for the six months ended June 30, 2019 to RMB38.4 million (US$5.4 million) for the six months ended June 30, 2020.

Year ended December 31, 2019 compared to year ended December 31, 2018

Revenue

Our revenue increased by 52.9% from RMB4,515.7 million in 2018 to RMB6,902.4 million (US$977.0 million) in 2019, primarily due to the increase in revenue from sales of properties held for sale.

Sales of properties. Our revenue from sales of properties increased by 62.7% from RMB3,664.3 million in 2018 to RMB5,962.4 million (US$843.9 million) in 2019, primarily due to the sales of the high-rise residential buildings, LVGEM Mangrove Bay No.1.

Rental income. Our rental income increased by 13.9% from RMB543.2 million in 2018 to RMB618.7 million (US$87.6 million) in 2019 primarily due to the commencement of offshore operations in 2019. The properties are mainly operated under the brands of "Zoll" and "NEO". Disregarding the occupancy rate of Hong Kong LVGEM NEO, which was completed in second half of 2019, the occupancy rate of other investment properties during the year ended December 31, 2019 maintained at a high level at 91%.

Comprehensive service. Our revenue from comprehensive services increased by 4.3% from RMB308.2 million in 2018 to RMB321.3 million (US$45.5 million) in 2019.

Cost of sales

Our cost of sales increased by 35.1% from RMB1,829.5 million in 2018 to 2,472.0 million (US$349.9 million) in 2019, primarily due to the increase in sales of properties in 2019.

Gross profit and gross profit margin

Our gross profit increased by 64.9% from RMB2,686.2 million in 2018 to RMB4,430.4 million (US$627.1 million) in 2019. Our gross profit margin increased from 59.5% in 2018 to 64.2% in 2019, primarily attributable to the revenue derived from LVGEM Mangrove Bay No.1 with a higher gross profit margin over 70%.

Selling expenses

Our selling expenses increased by 0.8% from RMB133.0 million in 2018 to RMB134.1 million (US$19.0 million) in 2019, primarily due to the sales commission and advertising expenses for LVGEM Mangrove Bay No.1.

Administrative expenses

Our administrative expenses increased by 18.2% from RMB390.4 million in 2018 to RMB461.5 million (US$65.3 million) in 2019, primarily due to the donation to the Huazhou Municipal Government.

Fair value changes on investment properties

Our fair value gain on investment properties increased by 115.3% from RMB323.5 million in 2018 to RMB696.4 million (US$98.6 million) in 2019, primarily contributed from Hong Kong LVGEM NEO.

Finance costs

Our finance costs increased by 90.9% from RMB658.0 million in 2018 to RMB1,256.2 million (US$177.8 million) in 2019, primarily due to the increase in our total interest-bearing loans.

Income tax expense

Our income tax expense increased by 74.8% from RMB925.1 million in 2018 to RMB1,617.2 million (US$228.9 million) in 2019, primarily due to the increase in both Enterprise Income Tax and Land Appreciation Tax on the sales of LVGEM Mangrove Bay No.1.

Profit for the year

As a result of the foregoing, our profit for the year increased by 42.2% from RMB1,230.4 million in 2018 to RMB1,750.0 million (US$247.7 million) in 2019.

Year ended December 31, 2018 compared to year ended December 31, 2017

Revenue

Our revenue increased by 52.2% from RMB2,967.8 million in 2017 to RMB4,515.7 million in 2018, primarily due to an increase in sales of properties held for sale.

Sales of properties. Our revenue from sales of properties increased by 73.3% from RMB2,114.3 million in 2017 to RMB3,664.3 million in 2018, primarily due to sales of high-rise residential buildings of LVGEM Mangrove Bay No. 1, LVGEM International Garden zones B1, B2 and B3, and an increase in the GFA of properties held for sale from approximately 55,500 sq.m. in 2017 to 296,300 sq.m. in 2018.

Rental income. Our rental income increased by 9.0% from RMB498.3 million in 2017 to RMB543.2 million, primarily due to additional rental income from LVGEM Zoll Hongwan Shopping Mall and LVGEM Zoll International Garden Shopping Mall which commenced operations in 2017 which contributed full year rental income in the year ended December 31, 2018.

Comprehensive service. Our revenue from comprehensive services decreased by 13.2% from RMB355.2 million in 2017 to RMB308.2 million in 2018, primarily due to the decrease in income earned from the renovation work under LVGEM Hongwan Garden in the year ended December 31, 2018 as most of the work was completed in 2017.

Cost of sales

Our cost of sales increased by 77.6% from RMB1,029.9 million in 2017 to RMB1,829.5 million in 2018, primarily due to the increase in the GFA of properties sold in the year ended December 31, 2018.

Gross profit and gross profit margin

Our gross profit increased by 38.6% from RMB1,937.9 million in 2017 to RMB2,686.2 million in 2018. Our gross profit margin decreased from 65.3% in 2017 to 59.5% in 2018, primarily attributable to the revenue recognised under different project portfolio. In 2018, the gross profit margin of Shenzhen projects still maintained at over 70% while the integrated gross profit for 2018 was 59.5% under the impact of the Huazhou project, and over 90% of the revenue in year 2017 was generated from LVGEM Hongwan Garden, with a higher profit margin of approximately 68%.

Selling expenses

Our selling expenses increased by 96.4% from RMB67.7 million in 2017 to RMB133.0 million in 2018, primarily due to the increase of projects promoted to the market and the increase in sales commission and advertising expenses for LVGEM Mangrove Bay No.1 and LVGEM International Garden.

Administrative expenses

Our administrative expenses increased by 8.0% from RMB361.6 million in 2017 to RMB390.4 million in 2018, primarily due to an increase in our staff cost.

Fair value changes on investment properties

Our fair value gain on investment properties decreased by 32.4% from RMB478.4 million in 2017 to RMB323.5 million in 2018, primarily contributed from offshore investment properties.

Finance costs

Our finance costs increased by 7.2% from RMB613.6 million in 2017 to RMB658.0 million in 2018, primarily due to the increase in our total interest-bearing loans.

Income tax expense

Our income tax expense increased by 101.6% from RMB458.8 million in 2017 to RMB925.1 million in 2018, primarily due to the increase in LAT provision, which was mainly attributable to the sales of LVGEM Mangrove Bay No. 1 in 2018 and a reversal of over-provided LAT in the amount of RMB223.9 million included in 2017.

Profit for the year

As a result of the foregoing, our profit for the year increased by 18.5% from RMB1,038.6 million in 2017 to RMB1,230.4 million in 2018.

LIQUIDITY AND CAPITAL RESOURCES

We primarily use cash to pay for construction costs and land acquisition costs, service our indebtedness and fund working capital requirements. To date, we have primarily financed our expenditures through internally generated cash flows, proceeds from the pre-sale and sale of properties, leasing of investment properties, proceeds from comprehensive services, bank loans, other borrowings and funds raised from the capital markets including our reverse takeover listing, the issue of offshore convertible notes and the issue of domestic corporate bonds. Going forward, we believe our liquidity requirements will be satisfied by the above-mentioned sources and additional funds raised from the capital markets from time to time.

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

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(RMB'000)	(US$'000)
Net cash from operating activities	1,228,056	2,755,593	1,140,133	161,375	1,574,708	176,635	25,001
Net cash (used in)/from investing activities	(6,335,363)	(6,418,990)	608,374	86,110	680,325	(58,581)	(8,292)
Net cash from/(used in) financing activities	5,858,568	3,538,973	96,009	13,589	(312,297)	2,060,269	291,612
Net increase/(decrease) in cash and cash equivalents	751,261	(124,424)	1,844,516	261,074	1,942,736	2,178,323	308,322
Effect of foreign exchange rate changes	6,727	6,099	18,891	2,674	(3,598)	(7,633)	(1,080)
Cash and cash equivalents at beginning of year/period	2,592,246	3,350,234	3,231,908	457,447	3,231,909	5,095,316	721,195
Cash and cash equivalents at the end of year/period	3,350,234	3,231,909	5,095,316	721,195	5,171,047	7,266,006	1,028,436

Operating Activities

We generate cash flow from operating activities primarily from property sales, rental income and comprehensive services income. Cash used in operating activities includes primarily investment in property developments and payments of income taxes.

In the six months ended June 30, 2020, our net cash generated from operating activities was RMB176.6 million (US$25.0 million), primarily attributable to (i) income taxes paid of RMB111.9 million (US$15.8 million) and (ii) cash generated from operations of RMB288.5 million (US$40.8 million). Cash generated from operations prior to changes in working capital was RMB1,363.9 million (US$193.0 million). Changes in working capital contributed to a net cash outflow of RMB1,075.4 million (US$152.2 million), consisting primarily of (i) a decrease in deposits paid, prepayments and other receivables of RMB62.7 million (US$8.9 million), (ii) a decrease in accounts payable of RMB344.3 million (US$48.7 million), (iii) a decrease in contracted liabilities of RMB514.4 million (US$72.8 million) and (iv) a decrease in accruals, deposits received and other payables of RMB318.7 million (US$45.1 million).

In 2019, our net cash generated from operating activities was RMB1,140.1 million (US$161.4 million), primarily attributable to cash generated from operations of RMB1,997.2 million (US$282.7 million), offset by income taxes paid of RMB857.1 million (US$121.3 million). Cash generated from operations prior to changes in working capital was RMB3,963.5 million (US$561.0 million). Changes in working capital contributed to a net cash outflow of RMB1,966.3 million (US$278.3 million), consisting primarily of decrease in accruals, deposits received and other payables of RMB1,636.3 million (US$231.6 million), partially offset by increase in contract liabilities of RMB237.0 million (US$33.5 million).

In 2018, our net cash generated from operating activities was RMB2,755.6 million, primarily attributable to cash generated from operations of RMB3,275.9 million, offset by income taxes paid of RMB520.3 million. Cash generated from operations prior to changes in working capital was RMB2,308.0 million. Changes in working capital contributed to a net cash inflow of RMB967.9 million, consisting primarily of (i) an increase in contract liabilities of RMB2,268.3 million, partially offset by (i) an increase in properties under development for sale and properties held for sale of RMB1,380.7 million and (ii) a decrease in accruals, deposits received and other payables of RMB1,193.9 million.

In 2017, our net cash generated from operating activities was RMB1,228.1 million, primarily attributable to cash generated from operations of RMB1,336.6 million, offset by income taxes paid of RMB108.5 million. Cash generated from operations prior to changes in working capital was RMB1,608.7 million. Changes in working capital contributed to a net cash outflow of RMB272.2 million, consisting primarily of (i) an increase in properties under development for sale and properties held for sale of RMB685.8 million and (ii) an increase in accounts receivable of RMB360.7 million, partially offset by (i) an increase in accruals, deposits received and other payables of RMB1,160.2 million.

Investing Activities

In the six months ended June 30, 2020, our net cash used in investing activities was RMB58.6 million (US$8.3 million), primarily attributable to (i) advances to related parties of RMB1,050.7 million (US$148.7 million) and (ii) placement of restricted bank deposits of RMB1,770.9 million (US$250.7 million), partially offset by withdrawal of restricted bank deposits of RMB1,774.6 million (US$251.2 million).

In 2019, our net cash generated from investing activities was RMB608.4 million (US$86.1 million), primarily attributable to (i) withdrawal of restricted bank deposits of RMB4,037.3 million (US$571.4 million) and (ii) repayment from related parties of RMB988.7 million (US$139.9 million), partially offset by (i) placement of restricted bank deposits of RMB2,922.4 million (US$413.6 million) and (ii) advances to related parties of RMB1,701.3 million (US$240.8 million).

In 2018, our net cash used in investing activities was RMB6,419.0 million, primarily attributable to (i) placement of restricted bank deposits of RMB6,795.5 million, (ii) repayment of consideration payable of RMB2,068.9 million, and (iii) acquisition of subsidiaries of RMB1,590.0 million, partially offset by (i) withdrawal of restricted bank deposits of RMB4,998.9 million, (ii) repayment from related parties of RMB1,037.0 million, and (iii) withdrawal of short-term deposits with original maturity beyond three months but within one year of RMB624.9 million.

In 2017, our net cash used in investing activities was RMB6,335.4 million, primarily attributable to (i) placement of restricted bank deposits of RMB5,468.4 million, (ii) acquisition of subsidiaries of RMB4,518.1 million, and (iii) advances to related parties of RMB1,142.1 million, partially offset by (i) withdrawal of restricted bank deposits of RMB5,089.9 million, (ii) repayment from related parties of RMB1,291.1 million, and (iii) proceeds from disposal of other financial assets of RMB415.4 million.

Financing Activities

In the six months ended June 30, 2020, our net cash generated from financing activities was RMB2,060.3 million (US$291.6 million), primarily attributable to (i) proceeds from new borrowings of RMB3,648.5 million (US$516.4 million) and (ii) proceeds from issue of senior notes, net of transaction costs of RMB1,528.4 million (US$216.3 million), partially offset by repayment of borrowings of RMB2,318.4 million (US$328.1 million).

In 2019, our net cash generated from financing activities was RMB96.0 million (US$13.6 million), primarily attributable to proceeds from new borrowings of RMB10,863.6 million (US$1,537.6 million), partially offset by (i) repayment of borrowings of RMB8,301.3 million (US$1,175.0 million) and (ii) interest paid of RMB1,709.7 million (US$242.0 million).

In 2018, our net cash generated from financing activities was RMB3,539.0 million, primarily attributable to (i) proceeds from new borrowings of RMB8,286.3 million, and (ii) proceeds from issue of convertible bonds of RMB960.0 million, partially offset by (i) repayment of borrowings of RMB4,994.6 million, and (ii) interest paid of RMB1,231.1 million.

In 2017, our net cash generated from financing activities was RMB5,858.6 million, primarily attributable to (i) proceeds from new borrowings of RMB7,120.3 million, and (ii) proceeds from issue of senior notes and bond of RMB2,687.2 million, partially offset by (i) repayment of borrowings of RMB2,940.7 million and (ii) interest paid of RMB750.6 million.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Indebtedness

The following table sets forth the breakdown of our indebtedness as of the dates indicated:

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(US$'000)
Borrowings comprise						
Variable rate bank loans	10,896,196	14,424,618	16,420,456	2,324,165	19,056,294	2,697,243
Fixed rate bank loans	1,260,200	1,916,300	2,781,200	393,653	805,150	113,962
Private senior notes	323,323	342,428	349,939	49,531	–	–
Public senior notes	2,661,756	2,809,060	2,870,055	406,230	4,642,462	657,098
Other borrowings	640,000	–	50,000	7,077	1,242,211	175,824
Domestic corporate bond	2,600,000	2,600,000	2,113,526	299,150	2,113,526	299,150
Convertible bonds	589,650	1,381,645	1,493,257	211,357	1,634,499	231,348
	18,971,125	23,474,051	26,078,433	3,691,163	29,494,142	4,174,625
Less: Front-end fee	(172,344)	(149,641)	(101,974)	(14,433)	(95,150)	(13,469)
	18,798,781	23,324,410	25,976,459	3,676,730	29,398,992	4,161,156
Analyzed as:						
– Secured	12,323,718	16,085,461	18,886,202	2,673,168	20,152,984	2,852,469
– Unsecured	6,475,063	7,238,949	7,090,257	1,003,562	9,246,008	1,308,687
	18,798,781	23,324,410	25,976,459	3,676,730	29,398,992	4,161,156

Our bank and other borrowings were denominated in RMB, US$ and HKD as of December 31, 2017, 2018, 2019 and June 30, 2020. See "Description of Other Material Indebtedness and Obligations."

The following table sets forth the breakdown of our indebtedness by maturity date as of the dates indicated:

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(US$'000)
Borrowings payable:						
Within one year or on demand	3,644,300	5,864,558	9,318,516	1,318,950	9,915,303	1,403,420
Between 1 and 2 years	2,055,092	4,929,101	3,323,661	470,434	2,030,135	287,347
Between 2 and 5 years	10,009,877	8,941,856	10,174,251	1,440,072	14,131,135	2,000,133
Beyond five years	2,672,206	2,356,891	1,768,748	250,350	1,783,070	252,377
Convertible bonds (Maturity date: November 2018)	589,650	–	–	–	–	–
Convertible bonds (Maturity date: November 2020)	–	613,593	663,521	93,915	694,862	98,351
Convertible bonds (Maturity date: May 2023)	–	471,513	519,077	73,471	619,441	87,676
Convertible bonds (Maturity date: September 2023)	–	296,539	310,659	43,971	320,196	45,321
Total borrowings	18,971,125	23,474,051	26,078,433	3,691,163	29,494,142	4,174,625
Less: Amount due within one year shown under current liabilities	(3,644,300)	(5,864,558)	(9,318,516)	(1,318,950)	(9,915,303)	(1,403,420)
Less: Front-end fee	(172,344)	(149,641)	(101,974)	(14,433)	(95,150)	(13,469)
Amount due after one year	15,154,481	17,459,852	16,657,943	2,357,780	19,483,689	2,757,736

Certain of our bank and other borrowings are secured by our properties under development for sale, properties held for sale, investment properties, properties, plant and equipment, and pledged deposits of our group.

The following table sets forth the breakdown of our indebtedness by currency denomination as of the dates indicated:

	As of December 31,						As of June 30,		
	2017		2018		2019			2020		
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	(US$'000)	%	(RMB'000)	(US$'000)	%
RMB	12,606,927	67.1	12,008,150	51.5	12,874,886	1,822,322	49.6	12,755,788	1,805,464	43.4
HK$	2,617,125	13.9	7,396,728	31.7	8,561,487	1,211,800	32.9	9,282,606	1,313,867	31.6
US$	3,574,729	19.0	3,919,532	16.8	4,540,086	642,608	17.5	7,360,598	1,041,825	25.0
Total	18,798,781	100.0	23,324,410	100.0	25,976,459	3,676,730	100.0	29,398,992	4,161,156	100.0

Contingent Liabilities

We enter into arrangements with PRC commercial banks to provide mortgage facilities to our customers to purchase our properties. In accordance with industry practice, we are required to provide guarantees to these banks in respect of mortgages provided to such customers. Guarantees for such mortgages are generally

discharged at the earlier of: (i) registration of mortgage interest to the bank, or (ii) the settlement of mortgage loans between the mortgagee banks and the purchasers. In addition, we are required by the banks to place a security deposit to secure our guarantee obligations. If a purchaser defaults on the mortgage loan, we are typically required to purchase the underlying property by paying off the mortgage loan with any accrued and unpaid interest and penalty based on the loan agreement. If we fail to do so, the mortgagee banks will auction the underlying property and recover the balance from us if the outstanding loan amount exceeds the net foreclosure sale proceeds. Such amount may also be settled through withholding the security deposit we place with the banks. As of December 31, 2017, 2018, 2019 and June 30, 2020, our maximum amount of guarantees provided to banks for mortgage facilities granted to our customers amounted to RMB379.2 million, RMB1,163.0 million, RMB2,132.4 million (US$301.8 million) and RMB2,884.1 million (US$408.2 million), respectively.

Commitments

In 2017, 2018, 2019 and the six months ended June 30, 2020, our contractual commitments consisted primarily of capital commitments we made in relation to land acquisitions and construction costs for our investment properties under construction and properties under development.

Operating Lease Arrangements

(a) As lessor

We lease certain of our land and buildings under operating lease arrangements. The following table sets forth our future minimum lease receivables under non-cancellable operating leases as of the dates indicated:

	As of December 31,			
	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)
Within one year	452,950	462,420	488,373	69,125
In the second to fifth years	815,542	753,475	882,851	124,959
Over five years	188,746	193,673	230,413	32,613
Total	1,457,238	1,409,568	1,601,637	226,697

(b) As lessee

We lease certain of the land and buildings under operating lease arrangements. The following table sets forth our future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As of December 31,	
	2017	2018
	(RMB'000)	(RMB'000)
Within one year	30,973	30,449
In the second to fifth years	109,808	98,963
Over five years	96,611	80,057
Total	237,392	209,469

Capital Commitments

Our capital commitments primarily relate to development costs. The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,				As of June 30,	
	2017	2018	2019		2020	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(US$'000)
Contracted but not provided for:						
– Investment properties under development and properties under development for sale . .	3,610,169	1,624,898	1,692,469	239,553	1,648,328	233,306
– Acquisition of equity interest . .	1,890,000	–	40,000	5,662	–	–
Total	5,500,169	1,624,898	1,732,469	245,215	1,648,328	233,306

Off-balance Sheet Arrangements

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

MARKET RISK

We are exposed to various types of market risks, including market risk, interest rate risk, foreign currency risk, credit risk and liquidity risk in the normal course of our business.

Interest rate risk

Our income and operating cash flows are substantially independent of changes in market interest rates. Other than deposits held at banks, we do not have significant interest-bearing assets. Our exposure to the risk of changes in market interest rates relates primarily to our long term debt obligations. Borrowings at floating rates expose us to cash flow interest rate risk. Borrowings at fixed rates expose us to fair value interest rate risk. Since we have mainly entered into floating interest rate loans, there is no significant fair value interest rate risk. We have not used any interest rate swaps to hedge our exposure to interest rate risk.

Foreign currency risk

All of our turnover and substantially all of our operating expenses are denominated in RMB, which is currently not a freely convertible currency. The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Shortages in the availability of foreign currencies may restrict the ability of our PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to us.

Under the existing PRC foreign exchange regulations, payments of current account items, including dividends, trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange by complying with certain procedural

requirements. However, approval from appropriate PRC governmental authorities is required where RMB is to be converted into a foreign currency and remitted out of the PRC to pay capital account items, such as the repayment of bank and other borrowings denominated in foreign currencies.

Currently, our PRC subsidiaries may purchase foreign currencies for settlement of current account transactions, including payment of dividends to us, without prior approval of the State Administration of Foreign Exchange. Our PRC subsidiaries may also retain foreign currencies in their current accounts to satisfy foreign currency liabilities or to pay dividends. Since foreign currency transactions on the capital account are still subject to limitations and require approval from the State Administration of Foreign Exchange, this could affect our subsidiaries' ability to obtain required foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

Our financial assets and liabilities, including certain short term deposits denominated in Hong Kong dollars, are subject to foreign currency risk. Therefore, the fluctuations in the exchange rates of RMB against foreign currencies could affect our results of operations. There are limited hedging instruments available in the PRC to reduce our exposure to exchange rate fluctuations between RMB and other currencies. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

Credit risk

It is our policy that all customers are required to pay deposits in advance of the purchase of properties. In addition, we do not have any significant credit risk as the credit given to any individual or corporate entity is not significant. There is no significant concentration of credit risk within us.

The credit risk of our financial assets, which mainly comprise financial guarantees, cash and short term deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets and projected cash flows from operations. Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings. In addition, banking facilities are available for contingency purposes.

NON-GAAP FINANCIAL MEASURES

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

- Finance costs;
- Capitalized interest included in cost of sales;
- Income tax expense;
- Depreciation and amortization;
- Other income, other gains and losses;
- Fair value changes on investment properties;
- Fair value changes on derivative financial instruments;
- Share of results of joint ventures; and
- Equity-settled share-based payments

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

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

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

	For the year ended December 31,				For the six months ended June 30,		
	2017	2018	2019		2019	2020	
	(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(RMB'000)	(US$'000)
Profit for the years/ periods	1,038,563	1,230,403	1,749,963	247,691	991,677	38,359	5,430
Adjustments							
Finance costs	613,592	657,995	1,256,165	177,799	490,069	686,243	97,131
Capitalized interest included in cost of sales	117,832	157,246	308,850	43,715	150,951	105,881	14,986
Income tax expense	458,811	925,097	1,617,168	228,895	1,232,555	480,196	67,967
Depreciation and amortization	35,331	40,529	37,399	5,293	18,807	30,846	4,366
Other income, other gains and losses	(121,640)	(155,095)	(112,292)	(15,894)	(86,424)	52,527	7,435
Fair value changes on investment properties	(478,423)	(323,461)	(696,378)	(98,566)	(479,228)	174,081	24,640
Fair value changes on derivative financial instruments	(2,373)	(172,192)	20,170	2,855	47,160	(53,849)	(7,622)
Share of results of joint ventures	93	8	2	–	–	–	–
Equity-settled share-based payments	80,408	21,959	–	–	–	–	–
EBITDA	1,742,194	2,382,489	4,181,047	591,788	2,365,567	1,514,284	214,333
Revenue	2,967,751	4,515,685	6,902,448	976,978	3,422,084	2,462,206	348,503
EBITDA margin[(1)]	58.7%	52.8%	60.6%	60.6%	69.1%	61.5%	61.5%

Note:

(1) EBITDA margin equals to EBITDA divided by revenue.

INDUSTRY OVERVIEW

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

OVERVIEW OF THE PRC ECONOMY

The PRC economy has grown significantly since the beginning of economic reforms in 1978. The PRC's accession to the World Trade Organization in 2001 has further accelerated the reform of the PRC economy. The PRC's nominal GDP increased from approximately RMB31,952 billion in 2008 to approximately RMB74,413 billion in 2016 at a compound annual growth rate, or CAGR, of approximately 11.1%.

The table below sets out the key economic indicators for the PRC for the years indicated:

	Economic statistics of the PRC								
	2008	2009	2010	2011	2012	2013	2014	2015	2016
	(in billion, except percentages)								
Nominal GDP *(RMB)*	31,952	34,090	41,303	48,930	54,037	59,524	64,397	68,905	74,413
Real GDP growth rate	9.7%	9.4%	10.6%	9.5%	7.9%	7.8%	7.3%	6.9%	6.7%
Per capita GDP *(RMB)* . . .	24,121	26,222	30,876	36,403	40,007	43,852	47,203	49,229	53,980
Total investment in fixed *(RMB)*	17,283	22,460	25,168	31,149	37,468	44,629	51,202	56,200	60,647
Fixed-asset investment growth	25.9%	30.0%	12.1%	23.8%	20.3%	19.1%	14.7%	9.8%	7.9%
Foreign direct investment *(USD)*	92.4	90.0	105.7	116.0	111.7	117.6	119.6	126.3	126.0

Source: National Bureau of Statistics of China, MOFCOM

Currently, the PRC economy is undergoing a transition from an investment-driven economy to a consumption-driven one. The real GDP growth of the PRC moderated to approximately 6.7% in 2016 from approximately 9.7% in 2008, yet it remains among the fastest growing economies in the world. The PRC government is targeting real GDP growth of approximately 6.5% for the 13th Five-Year Plan[1] period.

In 2016, the PRC had a total population of approximately 1.38 billion, while population growth has slowed to less than 1% since the late 1990s, the urban population has continued to grow. In 2016, approximately 57.3% of the population live in urban areas, compared to approximately 45.7% in 2008. The rising urban population drives the needs for urban housing and other infrastructure, stimulating the growth of the real estate market. In addition, with the disposable income of urban households being substantially higher than rural households, urbanization is an important factor contributing to the increase of domestic consumption.

[1] A Five-Year Plan is a series of social and economic development initiatives. The 13th Five-Year Plan, which covers 2016 to 2020, was approved by the National People's Congress of the PRC on March 5, 2016 with the goals of addressing rising inequality and creating an environment for more sustainable growth by prioritizing more equitable wealth distribution, increased domestic consumption, and improved social infrastructure and social safety nets.

OVERVIEW OF THE REAL ESTATE MARKET IN THE PRC

We believe the economic growth of the PRC, the increase in disposable income, the emergence of the mortgage lending market and the increase in the urbanization rate, are key factors in sustaining the growth of the PRC's property market. Government housing reforms continue to encourage private ownership and it is expected that an increasing proportion of urban residents owning private properties will continue to increase over the coming years in the near future. According to the National Bureau of Statistics of China, the PRC's urbanization rate, i.e., the proportion of the population residing in urban areas, rose from approximately 45.7% in 2008 to approximately 57.3% in 2016. The increase in the urban population of the PRC will likely result in the increase in demand for residential properties. The table below describes the PRC's urbanization rate for the years indicated.

	2008	2009	2010	2011	2012	2013	2014	2015	2016
	(in million, except percentages)								
Urban population	606.7	621.9	665.6	690.8	711.8	731.1	749.2	771.2	793.0
Total population	1,328.0	1,334.5	1,340.9	1,347.4	1,354.0	1,360.7	1,367.8	1,374.6	1,382.7
Urbanization rate	45.7%	46.6%	49.7%	51.3%	52.6%	53.7%	54.8%	56.1%	57.3%

Supply of properties in the PRC also increased from approximately 665.4 million sq.m. in 2008 to approximately 1,061.3 million sq.m. in 2016.

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total GFA completed (million sq.m.)	665.4	726.8	787.4	926.2	994.3	1,014.4	1,074.6	1,000.4	1,061.3
Total GFA sold (million sq.m.)	659.7	947.6	1,047.6	1,093.7	1,113.0	1,305.5	1,206.5	1,285.0	1,573.5
GFA of residential properties sold (million sq.m.)	592.8	861.9	933.7	965.3	984.7	1,157.2	1,051.8	1,124.1	1,375.4
Average price of commodity properties (RMB per sq.m.)	3,800	4,681	5,032	5,357	5,709	6,237	6,323	6,793	7,476
Average price of residential properties (RMB per sq.m.)	3,576	4,459	4,725	4,993	5,430	5,850	5,932	6,473	7,203

Source: National Bureau of Statistics of China

The total GFA sold was different from the total GFA completed in the years indicated because of the difference in timing of completion and sales of properties. Total GFA completed and GFA of residential properties sold increased from approximately 665.4 million sq.m. and 592.8 million sq.m. in 2008 to approximately 1,061.3 million sq.m. and 1,375.4 million sq.m. in 2016 due to continuation of urbanization and hence construction and sales of residential units.

The average price of commodity properties sold in the PRC increased from RMB3,800 per sq.m. in 2008 to RMB7,476 per sq.m. in 2016, while the average price of residential properties sold increased from RMB3,576 per sq.m. to RMB7,203 per sq.m. during the same period.

THE URBAN REDEVELOPMENT MARKET IN SHENZHEN

Urban redevelopment was proposed in 1994, and has developed vigorously over the years with the implementation of the corresponding legislations and regulations. According to Centaline Research Center Shenzhen, new land supply has decreased significantly since 2010. In particular, the average price for residential land transaction has increased significantly since 2013. Since 2010, land released from urban redevelopment has become a more important source of new land supply in Shenzhen and accounted for 56.9% in new land supply in 2016. According to the 2012 work report by the Shenzhen government, development space by way of urban redevelopment will be further released to encourage city development through secondary development of existing land. Taking into account the decreased quantity of land available for bid invitations, auctions and listings in recent years, urban redevelopment has become an increasingly common method for developers to acquire land reserves.

THE REAL ESTATE MARKETS OF SELECT AREAS IN THE PRC

Shenzhen

Shenzhen, China's first special economic zone, has attracted significant foreign direct investment. Shenzhen is a major container port and manufacturing center, and is the headquarters of some China's high-tech companies. Shenzhen had a population of approximately 11.91 million as of December 31, 2016, with a nominal GDP of RMB1,949 billion.

On July 1, 2010, the Shenzhen special economic zone was expanded from the original area of 396 sq.km. to 1,952 sq.km. Going forward, Shenzhen plans to further develop cross-border inter-commercial links with Hong Kong, including the planned Guangzhou-Shenzhen-Hong Kong Express Rail Link.

Shenzhen is among one of the four tier 1 cities in China. It has the highest population density and highest proportion of young population aged 25-34 among tier 1 cities.

Tier 1 Cities Demographics

City	Administrative Area[1] (sq.km.)	Residents[1] ('000 people)	Population Density[1] (people/sq.km.)	% Population Aged 25-34 as of Total Population[2]
Shenzhen	1,997	11,379	5,697	30.5
Guangzhou	7,434	13,501	1,816	21.1
Shanghai	6,341	24,153	3,809	20.2
Beijing	16,411	21,705	1,323	20.8

Note:

(1) As of end of 2015.

(2) The 2010 Population Census of the PRC.

The table below sets forth certain economic statistics of Shenzhen and key statistics related to the residential property market in Shenzhen for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population ('000)	9,543	9,950	10,372	10,467	10,547	10,629	10,779	11,379	11,908
Nominal GDP (RMB billion)	779	829	977	1,152	1,297	1,457	1,600	1,750	1,949
Real GDP growth rate (%) .	12.1	10.7	12.0	10.0	10.0	10.5	8.8	8.9	9.0
Per capita GDP (RMB) . . .	83,431	85,060	96,184	110,520	123,451	136,945	149,495	157,985	167,411
GFA completed ('000 sq.m.)	6,297	4,020	3,444	3,250	4,258	3,536	4,253	3,603	4,900
GFA under construction ('000 sq.m.)	32,763	31,124	29,399	28,760	32,167	40,035	44,922	49,784	51,740
Total floor space of office building sold ('000 sq.m.)	55.9	196.3	150.0	99.0	59.8	213.1	231.7	565.4	505.7
ASP (RMB/sq.m.)	12,665	14,615	19,170	21,350	19,590	24,402	24,723	33,942	45,146
Residential ASP	12,823	14,389	18,954	21,037	18,996	23,427	24,040	33,661	45,498

Source: Statistics Bureau of Shenzhen Municipality

Dongguan

Dongguan, being a prefecture-level city in central Guangdong Province, is an important industrial city located in the Pearl River Delta. It is also the fourth largest city in Guangdong Province in terms of GDP in 2016, reached approximately RMB683 billion, following Guangzhou, Shenzhen and Foshan.

The table below sets forth certain economic statistics for Dongguan and key statistics related to the residential property market in Dongguan for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population ('000)	7,506	7,861	8,225	8,255	8,292	8,317	8,343	8,254	8,261
Nominal GDP (RMB billion)	370	379	428	477	504	552	588	627	683
Real GDP growth (%)	14.0	5.3	10.3	8.0	6.1	9.8	7.8	8.0	8.1
Per capita GDP (RMB)	50,471	49,273	53,913	57,913	60,907	66,440	70,605	75,616	82,682
GFA completed ('000 sq.m.)	3,952	2,681	2,561	2,423	3,624	2,649	4,104	3,254	2,327
GFA under construction ('000 sq.m.)	16,952	20,501	16,866	23,966	24,539	28,379	35,857	39,212	44,087
GFA sold ('000 sq.m.) . . .	5,096	6,041	5,113	5,956	6,391	8,031	6,651	10,770	10,619
ASP (RMB/sq.m.)	5,567	5,846	7,311	7,717	8,486	9,066	9,685	9,992	13,744

Source: Dongguan Statistics Bureau

Maoming

Maoming is located in the southwestern region of Guangdong Province. As of 31 Dec 2016, Maoming had a population of approximately 6.12 million. Maoming's GDP reached approximately RMB263 billion in 2016.

The table below sets forth certain economic statistics for Maoming and key statistics related to the residential property market in Maoming for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population ('000)	5,934	5,878	5,826	5,883	5,969	6,013	6,049	6,081	6,123
Nominal GDP (RMB billion)	121	124	149	174	193	216	234	244	263
Real GDP growth rate (%) .	9.8	10.3	14.1	10.8	10.6	13.2	10.4	8.4	7.1
Per capita GDP (RMB). .	20,013	20,118	25,496	29,811	32,678	36,063	38,951	40,324	43,211
GFA completed ('000 sq.m.)	N/A	909	1,546	2,322	2,143	1,029	1,487	4,978	1,046
GFA under construction ('000 sq.m.)	N/A	4,331	6,672	8,188	9,137	10,281	12,123	23,113	15,970
GFA sold ('000 sq.m.) . . .	1,479	1,657	1,989	2,818	3,277	3,299	2,584	2,704	3,212

Source: Maoming Statistics Bureau

Note: N/A means data not available.

Zhuhai

Zhuhai is one of China's special economic zones and is situated immediately north and west of Macau. Zhuhai had a population of approximately 1.68 million as of December 31, 2016, with a nominal GDP of RMB223 billion.

The table below sets forth certain economic statistics for Zhuhai and key statistics related to the residential property market in Zhuhai for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population ('000)	1,511	1,542	1,562	1,568	1,583	1,590	1,614	1,634	1,675
Nominal GDP (RMB billion)	100	104	121	141	151	168	187	203	223
Real GDP growth rate (%) .	9.2	6.6	12.9	11.3	7.0	10.5	10.4	10.0	8.5
Per capita GDP (RMB) . . .	66,799	68,051	78,030	90,140	95,819	105,843	116,537	124,700	134,500
GFA completed ('000 sq.m.)	4,019	3,712	2,162	3,497	4,024	3,861	1,662	1,964	3,609
GFA under construction ('000 sq.m.)	11,739	11,440	12,111	16,545	17,757	18,538	20,560	22,454	26,439
GFA sold ('000 sq.m.) . . .	1,756	2,897	2,828	2,240	2,512	3,422	3,361	4,177	6,532
ASP (RMB/sq.m.)	6,921	7,485	10,693	11,679	N/A	N/A	N/A	14,031	18,611

Source: Zhuhai Statistics Bureau

Note: N/A means data not available.

Suzhou

Suzhou, a city west of Shanghai, is known for its canals, bridges and classical gardens. Today, Suzhou is one of the most important business hub and logistic center in Yangtze River Delta region.

Suzhou had a population of approximately 10.6 million at the end of 2016. In 2016, its GDP reached approximately RMB1,548 billion.

The table below sets forth selected economic indicators relating to Suzhou for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population ('000)	9,127	9,370	10,466	10,518	10,549	10,576	10,604	10,616	10,647
Nominal GDP (RMB billion)	670	774	923	1,050	1,201	1,302	1,376	1,450	1,548
Real GDP growth rate (%) .	12.5	11.5	13.3	12.0	10.1	9.6	8.3	7.6	7.5
Per capita GDP (RMB) . . .	73,395	82,604	88,159	102,129	114,029	123,200	130,000	136,300	14,539
GFA completed ('000 sq.m.)	14,812	14,481	17,611	15,145	24,355	16,925	15,272	16,531	18,821
GFA under construction ('000 sq.m.)	70,369	69,230	80,379	79,436	84,039	95,959	109,090	112,859	121,241
GFA sold ('000 sq.m.) . . .	10,074	21,825	15,140	12,109	14,663	18,751	15,992	21,337	24,941
ASP (RMB/sq.m.)	N/A	N/A	8,213	9,028	8,980	9,479	9,639	10,335	13,596

Source: Suzhou Statistics Bureau

Note: N/A means data not available.

Hong Kong

Until July 1, 1997, Hong Kong was a colony of the United Kingdom ("UK"). On July 1, 1997, the UK handed sovereignty over Hong Kong to the PRC, and Hong Kong became a Special Administrative Region of the PRC. Hong Kong is one of the world's most significant financial centers, and consistently ranks as the world's most competitive and freest economic entity. At the end of December 2016, Hong Kong had a population of approximately 7.4 million.

The table below sets forth certain economic statistics for Hong Kong and key statistics related to the residential property market in Hong Kong for the years indicated:

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Population ('000)	6,964	6,996	7,052	7,110	7,171	7,211	7,253	7,310	7,375
Nominal GDP (HKD billion)	1,675	1,632	1,776	1,934	2,037	2,138	2,258	2,397	2,491
Real GDP growth rate (%) .	3.8	-2.6	7.1	8.9	5.3	5.0	5.6	6.2	3.9
Per capita GDP (HKD) . . .	236,989	233,060	252,887	273,549	284,720	297,462	311,835	328,117	339,531
Public rental housing flats completed (units)	19,050	15,389	13,672	11,186	13,114	14,057	9,938	14,264	11,276
Private domestic units completed (units)	8,776	7,157	13,405	9,449	10,149	8,254	15,719	11,280	14,595
Private domestic units with consent to commence major revision work (units)	3,019	3,847	6,166	6,674	3,169	9,250	3,369	8,357	7,159
Value of registered sale and purchase of residential building units (HKD million)	343,827	425,840	560,686	442,527	452,275	298,942	433,418	416,520	428,041

Source: Census and Statistics Department, Hong Kong Special Administrative Region

Note: N/A means data not available.

GDHKMC BAY AREA

The GDHKMC Bay Area, coined by Premier Li Keqiang in the Report on the Work of the Government 2017, includes Hong Kong, Macau and nine cities in Guangdong province, namely Guangzhou, Shenzhen, Zhuhai, Dongguan, Huizhou, Zhongshan, Foshan, Zhaoqing and Jiangmen. While the GDHKMC Bay Area concept was recently proposed in March 2017, the idea of building city clusters is not new but an updated version of previous regional development initiatives such as the Pearl River Delta and the Pan-Pearl River Delta. The Chinese government aims to make the GDHKMC Bay Area a shipping, logistics, trade, exhibition, tourism and innovation center for mutual development among the Pearl River Delta, Hong Kong and Macau, and position the area as a pioneer for carrying out various reforms and a key economic center of China.

The GDHKMC Bay Area cities have a combined total GDP of RMB9,326 billion and per capita GDP of RMB137,349 in 2016. Among which, the Pearl River Delta cities (the Guangdong cities in the GDHKMC Bay Area) have a combined total GDP of RMB6,790 billion, accounting for 79.3% of Guangdong Province and 9.1% of the PRC in 2016.

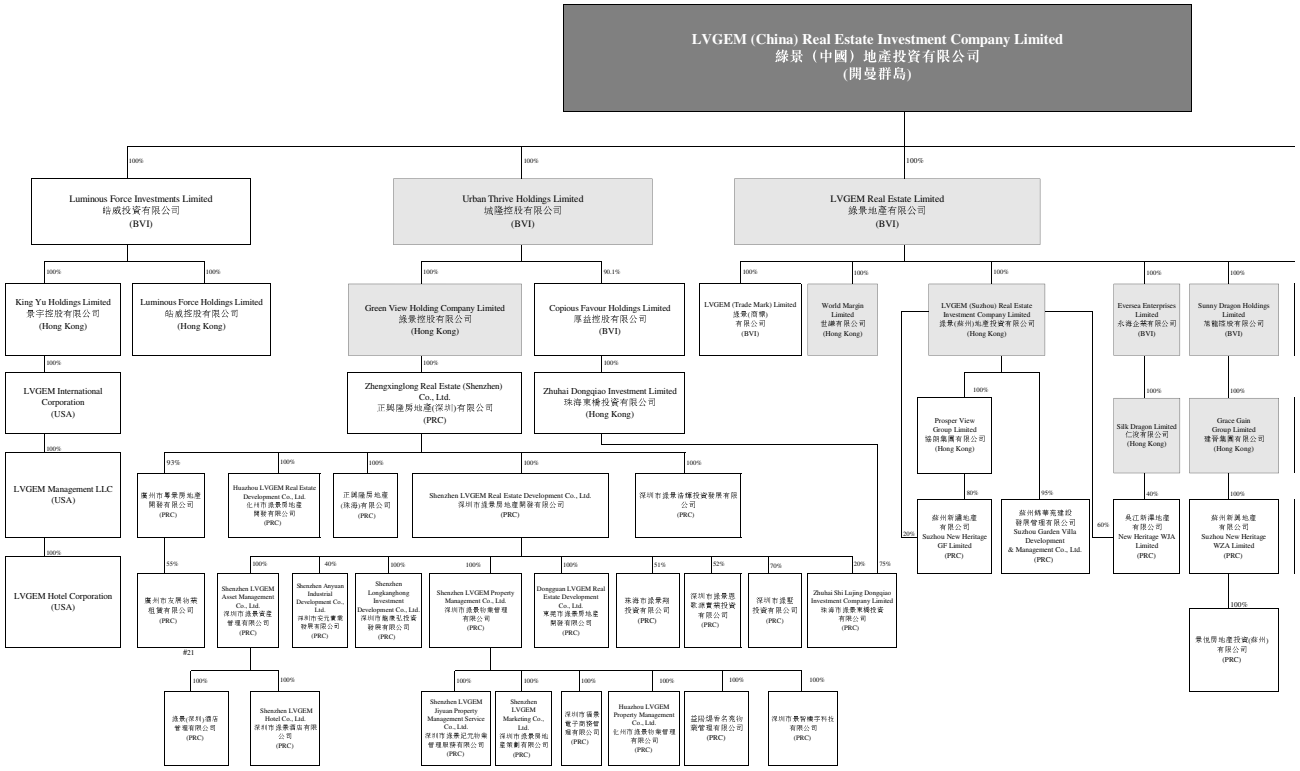
	GDP 2016	GDP CAGR 2008-2016	Per Capita GDP 2016	Population 2016	Area 2016	GFA Completed 2016
	(RMB billion)		(RMB)	(million)	(sq.km.)	(sq.km.)
Hong Kong	2,226	5.1%	302,691	7.4	1,104	237
Guangzhou	1,961	11.5%	134,066	14.0	7,434	12,022
Shenzhen	1,949	12.1%	167,411	11.9	1,997	4,900
Foshan	863	9.0%	115,642	7.5	3,875	5,667
Dongguan	683	8.0%	82,682	8.3	2,512	2,327
Huizhou	341	12.9%	71,605	4.8	11,159	5,555
Zhongshan	320	10.8%	99,471	3.2	1,770	2,341
Macau	310	9.6%	480,040	0.6	29	192
Jiangmen	242	8.3%	53,374	4.5	9,554	2,855
Zhuhai	223	10.6%	134,500	1.7	1,696	3,609
Zhaoqing	208	14.2%	51,178	4.0	15,006	N/A

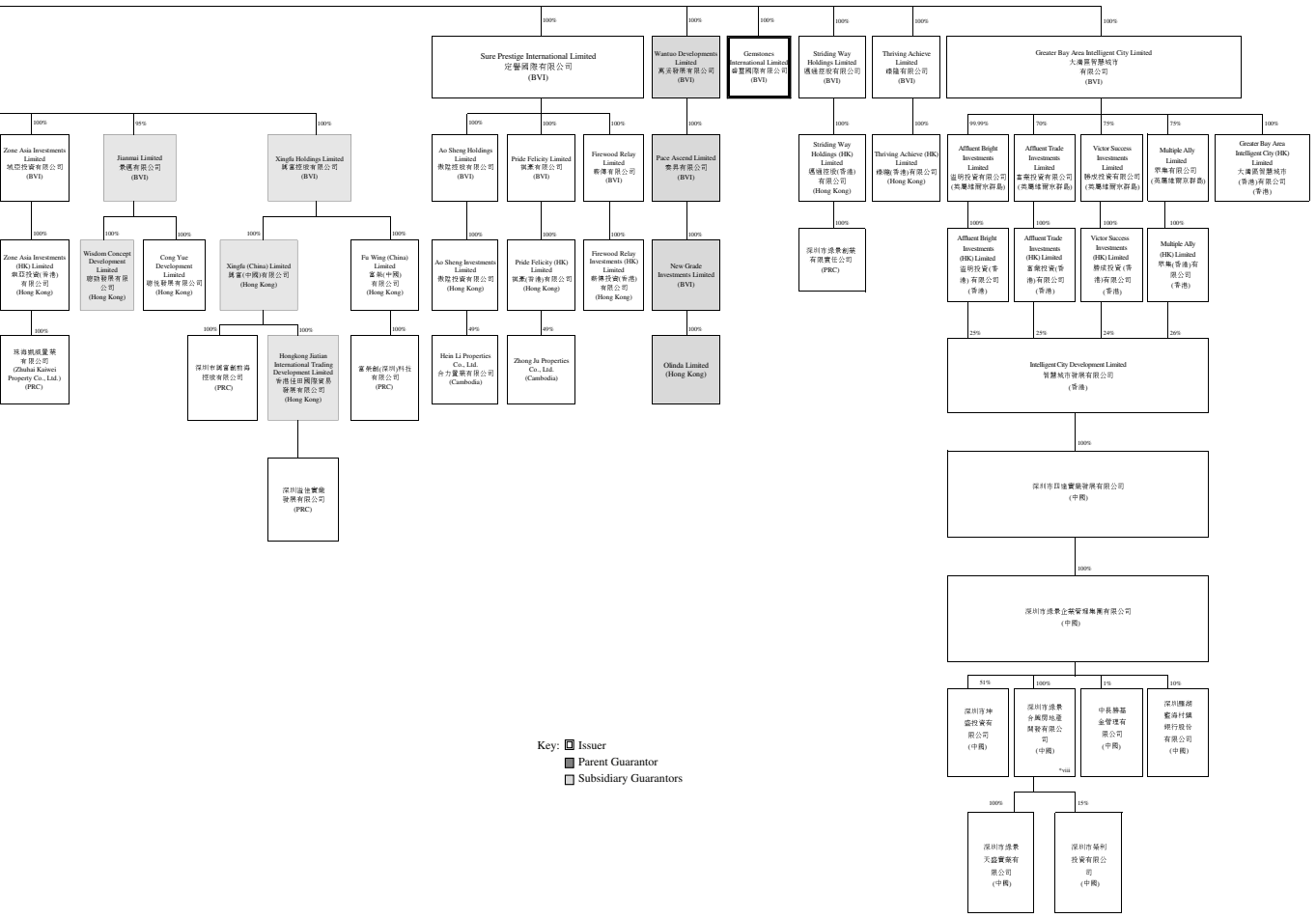
Sources: Guangdong Provincial Bureau of Statistics
Census and Statistics Department, Hong Kong Special Administrative Region
Macau Yearbook of Statistics

Note: N/A means data not available.

CORPORATE STRUCTURE

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




Sure Prestige International Limited
定譽國際有限公司
(BVI)
Wantuo Developments Limited
萬圣發展有限公司
(BVI)
Gemstones International Limited
盛豐國際有限公司
(BVI)
Striding Way Holdings Limited
邁達控股有限公司
(BVI)
Thriving Achieve Limited
綠隆有限公司
(BVI)
Greater Bay Area Intelligent City Limited
大灣區智慧城市有限公司
(BVI)
Zone Asia Investments Limited
城亞投資有限公司
(BVI)
Jianmai Limited
衆邁有限公司
(BVI)
Xingfu Holdings Limited
興富控股有限公司
(BVI)
Ao Sheng Holdings Limited
衆陞控股有限公司
(BVI)
Pride Felicity Limited
佩憲有限公司
(BVI)
Firewood Relay Limited
薪傳有限公司
(BVI)
Pace Ascend Limited
衆昇有限公司
(BVI)
Striding Way Holdings (HK) Limited
邁達控股(香港)有限公司
(Hong Kong)
Thriving Achieve (HK) Limited
綠隆(香港)有限公司
(Hong Kong)
Affluent Bright Investments Limited
溢明投資有限公司
(英屬維爾京群島)
Affluent Trade Investments Limited
富業投資有限公司
(英屬維爾京群島)
Victor Success Investments Limited
勝成投資有限公司
(英屬維爾京群島)
Multiple Ally Limited
眾集有限公司
(英屬維爾京群島)
Greater Bay Area Intelligent City (HK) Limited
大灣區智慧城市(香港)有限公司
(香港)
Zone Asia Investments (HK) Limited
衆亞投資(香港)有限公司
(Hong Kong)
Wisdom Concept Development Limited
聰勤發展有限公司
(Hong Kong)
Cong Yue Development Limited
聰悅發展有限公司
(Hong Kong)
Xingfu (China) Limited
興富(中國)有限公司
(Hong Kong)
Fu Wing (China) Limited
富衆(中國)有限公司
(Hong Kong)
Ao Sheng Investments Limited
衆陞投資有限公司
(Hong Kong)
Pride Felicity (HK) Limited
佩憲(香港)有限公司
(Hong Kong)
Firewood Relay Investments (HK) Limited
薪傳投資(香港)有限公司
(Hong Kong)
New Grade Investments Limited
(BVI)
深圳市綠衆創業有限公司
(PRC)
Affluent Bright Investments (HK) Limited
溢明投資(香港)有限公司
(香港)
Affluent Trade Investments (HK) Limited
富業投資(香港)有限公司
(香港)
Victor Success Investments (HK) Limited
勝成投資(香港)有限公司
(香港)
Multiple Ally (HK) Limited
眾集(香港)有限公司
(香港)
珠海姚城置業有限公司
(Zhuhai Kaiwei Property Co., Ltd.)
(PRC)
深圳市國富創創業控股有限公司
(PRC)
Hongkong Jiatian International Trading Development Limited
香港佳田國際貿易發展有限公司
(Hong Kong)
富衆創(深圳)科技有限公司
(PRC)
Hein Li Properties Co., Ltd.
合力置業有限公司
(Cambodia)
Zhong Ju Properties Co., Ltd.
(Cambodia)
Olinda Limited
(Hong Kong)
Intelligent City Development Limited
智慧城市發展有限公司
(香港)
深圳市耳塗實業發展有限公司
(中國)
深圳市綠衆企業管理集團有限公司
(中國)
深圳市坤盛投資有限公司
(中國)
深圳市綠衆合興房地產開發有限公司
(中國)
*viii
中長勝基金管理有限公司
(中國)
深圳鹽湖鹽海村鎮規行股份有限公司
(中國)
深圳市綠衆天盛實業有限公司
(中國)
深圳市榮利投資有限公司
(中國)
Key:
Issuer
Parent Guarantor
Subsidiary Guarantors

BUSINESS

OVERVIEW

We are a leading, specialized property developer and commercial property operator based in Shenzhen, PRC. Our vision is "to be the most respected urban value creator" ("做最受尊敬的城市價值創造者") by providing quality products and services and creating social, economic and cultural values for cities. From 2011 to 2020, we were recognized as one of the "Top 10 Shenzhen Real Estate Enterprises in terms of Comprehensive Strength" (深圳房地產開發十強企業) by Shenzhen Real Estate Association for ten consecutive years. In 2019, we were awarded "Top 10 Trustworthy Enterprises in Shenzhen's Real Estate Industry" by Shenzhen Real Estate Association.

We were known as New Heritage Holdings Ltd. ("New Heritage Holdings"), a company listed on The Stock Exchange of Hong Kong since December 2, 2005 (Hong Kong Stock Code: 00095) and mainly engaged in property development and property investment businesses in Suzhou. On January 21, 2014, a sales and purchase agreement was entered into between China LVGEM Property Holdings Limited ("China LVGEM"), a company ultimately wholly beneficially owned by Mr. Wong Hong King, and a shareholder of New Heritage Holdings, to acquire 64.8% of the then aggregate issued share capital of New Heritage Holding (the "2014 Acquisition"). The 2014 Acquisition was completed on May 8, 2014. Subsequent to the completion of the 2014 Acquisition, China LVGEM's interest in the Company increased to 81.5% after the acquisition of additional shares of the Company as a result of the mandatory general offer and exercise of share options of the Company. China LVGEM's interest in New Heritage Holdings subsequently reduced to 73.0% to restore the public float. In September 2014, our name was changed to "LVGEM (China) Real Estate Investment Company Limited" ("綠景(中國)地產投資有限公司").

Adhering to the "dual core" strategic vision of "focusing on core cities and cities' core areas," we develop projects mainly in core cities and central areas to help achieve low risk, high value and high returns for our projects. Being one of the forerunners in urban redevelopment, we actively participated in urban redevelopment projects in Shenzhen, where we have accumulated extensive experience and established a unique land reserve acquisition model. We have established a solid market position in Shenzhen and have been strategically expanding into other property markets in the Pearl River Delta, in alignment with the GDHKMC Bay Area concept, which was put forward in the 5th session of the 12th National People's Congress in March 2017. The GDHKMC Bay Area concept focuses on the creation of a financial and trading core area and the promotion of high-quality living through cultural development and green initiatives. The GDHKMC Bay Area is also one of the most economically prosperous and vibrant economic zones in China. Our geographical coverage also includes the Yangtze River Delta region, mainly in Suzhou.

Our business operations consist of three principal business segments:

(i) Property development and sales;

(ii) Commercial property investment and operations; and

(iii) Comprehensive services.

Our mission is to "build quality products and enhance urban value" ("持續提升城市價值"). As of June 30, 2020, we had completed a diverse portfolio of 24 residential and commercial properties with an aggregate GFA of 3.71 million sq.m., most of which are located in prime, core areas of Shenzhen such as Futian, Longhua and Luohu. We currently have a robust project pipeline with a land reserve of total planned GFA of approximately 6.82 million sq.m., including our first overseas project in Lau Fau Shan, Hong Kong. We adopt a land acquisition strategy in which we seek quality land reserves primarily through urban redevelopment and

collaboration with our controlling shareholder. As one of the pioneers of urban redevelopment, we believe we can leverage our extensive experience and continue to acquire land in prime locations at a competitive cost, particularly in Shenzhen where urban redevelopment has become a primary source of land supply.

In line with our two-pronged residential and commercial business model, we own and operate for long-term investment purposes a substantial portion of the commercial properties we have developed. These commercial properties include the Shenzhen NEO Urban Commercial Complex, Zoll Centers and other retail spaces. Shenzhen NEO Urban Commercial Complex is composed of three buildings that consist of a Grade-A office building, retail space and business apartments. Zoll centers are community lifestyle and shopping centers which complement our existing residential property developments. We hold these commercial properties for capital appreciation and lease them to generate rental income. As of June 30, 2020, we had 28 investment properties primarily in Shenzhen with a total GFA of approximately 678,285 sq.m.. We launched LVGEM Zoll Hongwan Shopping Mall in January 2017, LVGEM Zoll International Garden Shopping Mall in 2017, LVGEM Zoll Yuexi Shopping Mall in 2018 and Hong Kong LVGEM NEO in 2019.

We also provide comprehensive services, including property management services and hotel operations. We provide high quality property management services to the residents and tenants of 22 properties with an aggregate GFA of approximately 2.42 million sq.m. We manage a majority of the properties developed by us, including Shenzhen NEO Urban Commercial Complex and Zoll Centers. Our LVGEM Hotel, located in central business district of Futian in Shenzhen, was awarded "The Most Popular Hotel" ("最受歡迎酒店獎") by the Shenzhen Tourism Association in 2016 and "2018 Top 16 Brand Hotels in Shenzhen" by the Shenzhen Tourism Association in 2018. In 2017, we acquired Vanllee Hotel in Covina, Los Angeles, USA.

In 2017, 2018, 2019 and the six months ended June 30, 2020, our revenue was RMB2,967.8 million, RMB4,515.7 million, RMB6,902.4 million (US$977.0 million) and RMB2,462.2 million (US$348.5 million), respectively, and our profit for the period was RMB1,038.6 million, RMB1,230.4 million, RMB1,750.0 million (US$247.7 million) and RMB38.4 million (US$5.4 million), respectively.

RECENT DEVELOPMENT

Acquisition of Equity Interests in Baishizhou Project

On August 25, 2020, our wholly owned subsidiary Greater Bay Area Intelligent City Limited entered into subscription agreements with Affluent Trade Investment Limited, Victor Success Investments Limited and Multiple Ally Limited and our controlling shareholder Mr. Wong Hong King. Pursuant to the subscription agreements, we subscribed 70% of the enlarged issued share capital of Affluent Trade Investment Limited, 75% of the enlarged issued share capital of Victor Success Investments Limited and 75% of the enlarged issued share capital of Muliple Ally Limited at a consideration of RMB1,200,000, RMB1,380,000 and RMB1,490,000 respectively. Through the subscription, the Company and Mr. Wong will indirectly hold approximately 80% and 20% equity interests in the Baishizhou Project. For more details about Baishizhou Project, please see "Business – Corporate History and Structure – Key Corporate Milestones".

Recent COVID-19 Outbreak

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 have imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. The COVID-19 outbreak poses potential risks to our business operation and financial condition. See "Risk Factors – Risks Relating to The PRC – The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics."

OUR COMPETITIVE STRENGTHS

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

Leading Shenzhen developer with dual-core strategy in the Pearl River Delta region, in alignment with the GDHKMC Bay Area concept

We have established ourselves as a leading property developer in Shenzhen, where we have been recognized by Shenzhen Real Estate Association as one of the "Top 10 Shenzhen Real Estate Enterprises in terms of Comprehensive Strength" for the past ten consecutive years, from 2011 to 2020 and selected as one of the "Top 10 Creditworthy Real Estate Companies in Shenzhen" by the big four banks in China for nine consecutive years. In 2019, we were ranked among the "Top 10 Trustworthy Enterprises in Shenzhen's Real Estate Industry" by Shenzhen Real Estate Association.

We focus our property development and operations in Shenzhen, as well as the broader Pearl River Delta region, in alignment with the GDHKMC Bay Area concept. The GDHKMC Bay Area includes Shenzhen, Hong Kong, Zhuhai and Dongguan, which are some of the China's most economically prosperous and vibrant regions and areas. The GDHKMC Bay Area concept, which was put forward in the 5th session of the 12th National People's Congress in March 2017, focuses on the creation of a financial and trading core area and the promotion of high-quality living through cultural development and green initiatives.

Shenzhen has the highest population density and proportion of young people among first-tier cities in China, which leads to strong housing demand and where limited and decreasing land supply in Shenzhen has led to the increasing average price of land, according to the National Bureau of Statistics of China and Centaline Research Center (Shenzhen). See "Industry Overview – The Real Estate Markets of Select Areas in the PRC – Shenzhen."

We leverage a dual-core strategy of focusing on core cities and their core areas. Most of our projects in Shenzhen are located in prime locations, which are well-established and/or growing districts that are densely populated and situated near financial centers, key public transportation routes or prime school districts, such as Futian district and Longhua new district adjacent to Futian. Since our inception, we have completed 14 property development projects in Shenzhen, with a total site area of approximately 376,400 sq.m. and an aggregate GFA of approximately 2.36 million sq.m. We also held 14 investment properties located in Shenzhen with an aggregate GFA of approximately 379,475 sq.m. Our completed residential and commercial properties include, among others, LVGEM Hongwan Garden, Shenzhen NEO Urban Commercial Complex, Lanwan Peninsula Community, Zhongcheng Tianyi Garden, LVGEM Chanson Meilu Garden and LVGEM Mangrove Bay No. 1. By strategically focusing on these prime geographical locations, we believe that we have been able to optimize the value and marketability of our projects, proven by the strong sales track records of our properties and high occupancy rates of our investment properties.

We have further established a strong market position in our other targeted regions by leveraging our experience from our home base in Shenzhen. These other targeted areas include Zhuhai and Dongguan, which are also fast growing and important business hubs in the Pearl River Delta region and part of the national policy of the GDHKMC Bay Area concept. See "Industry Overview – GDHKMC Bay Area." We have gained extensive knowledge about the Zhuhai real estate market through the successful development of Phoenix Hill No. 1, where the project company was disposed of from Green View prior to the reverse takeover since the underlying project has been substantially sold out. Dongguan, which is close to Shenzhen, organically benefits from the high demand of property in Shenzhen as Shenzhen's residents expand into neighboring cities in reaction to the shortage of housing supply in Shenzhen. By expanding into Hong Kong with our Lau Fau Shan project and the acquisition of a non-residential property project, we have also further developed our international platform and entered a relatively low risk market and key business hub, which is also part of the

GDHKMC Bay Area. Additionally, Suzhou is also a key city in close proximity to Shanghai with strong real estate demand. See "Industry Overview – The Real Estate Markets of Select Areas in the PRC – Suzhou." We have completed four projects in Suzhou with a total site area of approximately 342,585 sq.m. and has aggregate GFA of approximately 464,650 sq.m. Our long track record in these regions enabled us to capture the housing demand in these cities.

Forerunner in urban redevelopment with the advantage to acquire land in prime areas at relatively low cost

We are a forerunner in urban redevelopment. 11 out of our 14 completed projects in Shenzhen involved urban redevelopment and all our ongoing projects in Shenzhen are also urban redevelopment projects. Through urban redevelopment, we have been able to systematically acquire land in prime areas at a relatively low cost to support our development and expansion strategies. In 2017, 2018, 2019 and the six months ended June 30, 2020, land costs (consisting of land premium and, for urban redevelopment projects, also compensation of demolition and construction cost of relocation housing), accounted for 9%, 6% 10% and 30%, respectively, of costs of sales for property development and sales. As land supply has become limited in Shenzhen, urban redevelopment has become Shenzhen's primary source of land supply. In 2016, land released from urban redevelopment accounted for 56.9% of the new supply of land in Shenzhen, according to Centaline Research Center Shenzhen. As a result of our reputation and extensive experience in urban redevelopment in Shenzhen, we are invited from time to time by villager-representatives to carry out their redevelopment plans.

Our completed and under development projects highlight our strong resource integration capabilities and ability to enhance urban value through urban redevelopment. We have approximately 22 years of experience and completed our first urban redevelopment project in 2000. For example, Lanwan Peninsula Community project featured a "sky garden" in Shenzhen to maximize green landscape, LVGEM Hotel and Zhongcheng Tianyi Garden retained the historical heritage of the original villagers in the development and design process. Shenzhen NEO Urban Commercial Complex is a Top 10 landmark office building in Shenzhen, attracting a number of tenants from Fortune 500 companies and financial institutions, such as China Mobile, Guotai Junan Securities, SPD Bank, Industrial and Commercial Bank of China, Bank of Shanghai, Fuji Xerox, China Minsheng Bank, China Everbright Bank and China Construction Bank.

Cooperation with controlling shareholder allowing for flexible land reserve expansion

We believe our ability to acquire land at low cost is also attributable to our operating flexibility and experience. We collaborate with our controlling shareholder, Mr. Wong Hong King, as a major means to acquire land reserves. Our controlling shareholder controls certain projects with an aggregate GFA of approximately 12.1 million sq.m. situated in core cities with significant development potential such as Shenzhen (GFA of approximately 4.4 million sq.m.), Zhuhai (GFA of approximately 1.3 million sq.m.) and Dongguan (GFA of approximately 5.5 million sq.m.) and our controlling shareholder is conducting preliminary work for these projects through resource integration. Mr. Wong Hong King started his career in the construction business and has over 30 years of experience in real estate development. Mr. Wong Hong King has entered into a deed of non-competition with our Company and will not engage in a competing business such as property development or hotel operations. Mr. Wong Hong King and LVGEM Entity have also provided a non-legally binding indication of interest to our Company, under which they indicated their willingness to support our long-term property development strategies by transferring to us such land reserves of approximately 12 million sq.m. located in Shenzhen, Zhuhai and Dongguan at appropriate times, subject to, among other things, finalization of consideration, payment terms and compliance with the Listing Rules. See "Risk Factors – We intend to acquire a substantive portion of our land for development through our controlling shareholder." We are also flexible in securing quality land reserves via various channels such as through acquisitions and public processes. We conduct research and analysis and try to identify the future growth potential of a land site for our property development before our competitors so as to avoid price competition. As a result, we do not need to commit significant capital to build a large land reserve, which enables us to

operate with low financial pressure and support our cash flow. Additionally, we are able to minimize risks and timing uncertainty associated with urban redevelopment projects, focus on developing high quality urban redevelopment projects and avoid the costly competitive bidding process. We believe that our strength in urban redevelopment and land reserves acquisition strategy allow us to use our working capital more efficiently, maintain a healthy profit margin and respond more effectively to changing market conditions.

Strong and established two-pronged business model with steady recurring cash flow and value gains from commercial properties

Our two-pronged residential and commercial business model provides us with a solid and stable recurring income, which comprises income from commercial property investment and operations and comprehensive services. We have strong property development capabilities to develop a wide range of properties, focusing on the core areas of Shenzhen, the Pearl River Delta region and the GDHKMC Bay Area. We also focus our investment portfolio on urban complexes and boutique upscale residences to meet the demand of our target customers. The revenue from our property development and sales segment provide the requisite operating cash flows for investment and operation of our commercial properties, while our commercial property investment and operations segment provide stable recurring income, enabling us to withstand fluctuations in the residential property market. Our income from commercial property and operations investment has steadily increased over the years due to high occupancy rates of close to 88% for our Shenzhen NEO Urban Commercial Complex and close to 100% for our LVGEM Zoll Chanson Shopping Mall and LVGEM 1866 Zoll Shopping Mall as of June 30, 2020, respectively. The revenue from commercial property investment and operations and comprehensive services amounted to 95%, 62%, 53% and 43% of our finance costs including capitalized interest in 2017, 2018, 2019 and the six months ended June 30, 2020, respectively.

In addition, our investment property projects located in prime areas in Shenzhen enable us to benefit from rising property values in Shenzhen. The fair value of our key investment properties, Shenzhen NEO Urban Commercial Complex, LVGEM 1866 Zoll Shopping Mall and LVGEM Zoll Chanson Shopping Mall, have risen by 3.5 times to 5.3 times compared to the original cost and our existing investment properties have continued to achieve stable rental income with strong cost yields. For example, in the six months ended June 30, 2020, our Shenzhen NEO Urban Commercial Complex achieved a cost yield, which is calculated as rental income for the period, annualized then divided by original cost, of approximately 22.02% and our LVGEM Zoll Chanson Shopping Mall and LVGEM 1866 Zoll Shopping Mall achieved cost yields of approximately 15.28% and 20.47%.

We believe that our two-pronged business model helps us realize significant synergies. We have two brands under our commercial property series, "Neo" and "Zoll." We believe our capabilities to develop and operate quality projects provide us with significant leverage for our future business growth.

Shenzhen NEO Urban Commercial Complex is an urban business complex located in the western region of the central Futian District of Shenzhen. A number of offices and branches of Fortune Global 500 companies are tenants of our Shenzhen NEO Urban Commercial Complex. It has been named one of Shenzhen's top 10 landmark buildings, which significantly enhances the value of our brand.

We have developed a community lifestyle and shopping center model under the "Zoll" brand which integrates residential properties with supporting commercial facilities to meet the shopping, entertainment, social, health and education-related needs of the community residents and residents from neighboring communities. Tenants include well-known brands such as Uniqlo, China Resources Vanguard, Dadi Cinema, Starbucks, Burger King, Decathlon, Pizza Hut, McDonalds and Watsons. The Zoll Centers we have developed and the surrounding communities have improved the market positioning and the overall value of our properties, and have also improved the quality of life of urban community residents, thereby increasing customer loyalty.

Experienced management team with proven track record of effective execution yielding strong profitability

The significant growth of our business since our inception is in large part due to our management team, which has extensive experience in property development and operations. We have consistently achieved high levels of gross profit margins. In 2017, 2018, 2019 and the six months ended June 30, 2020, our gross profit margins were 65.3%, 59.5%, 64.2% and 65.1%, respectively. Building upon our strong track record and execution capabilities, we have established ourselves as a forerunner in urban redevelopment and have continued to build up a diverse portfolio of residential and commercial properties with high sales and occupancy rates. We believe that we have benefited, and will continue to benefit, from our management's extensive experience and knowledge of the property market in the PRC, and in particular in the key regions in which we operate and plan to expand.

Well-balanced capital and financial management

Our senior management places a strong emphasis on the financial and capital management of our Company. We maintain disciplined financial management guided by various financials targets and have formulated a prudent set of capital and financial management policies to service the best interest of all our stakeholders.

We have adopted diversified funding channels, fully utilizing options from onshore loans, onshore bonds and offshore debt markets, as well as equity capital markets, including convertible bond issuances. See "Description of Material Indebtedness and other Obligations." We have established strong, long-term relationships with banks including Bank of Communications, China CITIC Bank, China Everbright Bank, Bank of Shanghai Chong Hing Bank, Bank of China and Ping An Bank.

OUR STRATEGIES

Continue to expand in core areas of fast-growing core cities in the GDHKMC Bay Area

We intend to maintain our leading position in the Shenzhen property market and continue to focus on core areas of the Pearl River Delta region, in alignment with the national policy of the GDHKMC Bay Area. As this region has one of the highest GDP per capita in China, we believe that the demand and price of property in this region will continue to increase, which will improve the overall selling rate and support property rental income of our properties. We expect that the completion of the Hong Kong-Zhuhai-Macau bridge and the cross-border rail link will further improve connections between cities in the GDHKMC Bay Area and stimulate further growth in these areas, providing attractive opportunities for property development and investment. We will also leverage our experience and expertise in Suzhou to enhance our presence in the Yangtze River Delta region. Additionally, we plan to continue expanding our overseas presence, which has been led by the acquisition of a commercial building named Hong Kong LVGEM NEO (see "- Recent Development") in Hong Kong. We will continue to consider other suitable projects in the future in line with our strategies.

Continue to expand our land reserves by urban redevelopment and collaboration with our controlling shareholder

We plan to continue to expand our land reserves in strategic locations by adopting a land acquisition strategy, where we seek quality land reserves primarily through urban redevelopment opportunities and collaboration with our controlling shareholder, which helps reduce financial cost and cash flow pressure. We intend to continue leveraging our extensive experience of approximately 20 years in urban redevelopment to develop projects with high gross profit margin and high return on investment, with land sufficiently sourced from our controlling shareholder through strategic collaboration. For example, three urban redevelopment

projects located in Shenzhen, Dongguan and Zhuhai respectively, owned by our controlling shareholder, are expected to be injected into our land reserves. We believe that our land reserves acquisition strategy will enhance our ability to acquire land more efficiently and at a reasonable cost.

Focus on further optimizing our project portfolio

We plan to adhere to our two-pronged model of developing residential and commercial property by selecting and taking on projects that add urban value to the community. Our residential property development business has been our primary source of income, and we will continue to diversify our project portfolio by selectively developing and holding quality commercial properties in core areas, which allows us to benefit from stable recurring rental income and expected capital appreciation. We will also focus on enhancing our commercial property investment and operations segment, and the comprehensive services segment.

Improve our product positioning

We intend to continue focusing on developing projects to cater to the evolving needs of our various target customers, including first time property buyers and buyers looking to upgrade. We seek to improve our product positioning of both our residential and commercial properties by conducting market research and seeking professional advice on product positioning, which will guide the design and development of each project. We will continue to work closely with leading domestic and international architecture and design firms in creating unique projects that reflect the spirit and essence of our vision and assimilate the latest trends and elements.

Focus on technology to build smart city

We will actively explore new models for the urban development projects to achieve cost effectiveness and profitability. We will devote more resources to research and development, optimize our existing products and technologies and strengthen the research and development of new products and technologies to build a smart city and enhance the brand recognition of LVGEM.

CORPORATE HISTORY AND STRUCTURE

Key Corporate Milestones

Establishment: 1992-1998

In 1992, New Heritage Holdings, as we were previously known, was founded, prior to the acquisition by Mr. Wong Hong King, our controlling shareholder.

In 1995, Green View, wholly owned by Mr. Wong Hong King, his major operating entity for real estate development, was established.

In 1998, Green View commenced the development of LVGEM Garden Estate, its first property development project.

Forerunner in urban redevelopment: 1998-2009

In 2005, New Heritage Holdings was listed on The Stock Exchange of Hong Kong (stock code: 00095) and was engaged primarily in real estate development and investment in Suzhou.

During the period Green View completed several premium real estate projects through urban redevelopment in Shenzhen such as Lanwan Peninsula Community in 2004, LVGEM Garden Phase II in 2005 and Zhongcheng Tianyi Garden in 2008.

In 2007, Green View entered into the Zhuhai market commencing development of Phoenix Hill No. 1, which the project company was disposed from Green View prior to the reverse takeover since the underlying project has been substantially sold out.

Expanded into commercial sector and successfully developed "Zoll" and "NEO" brands: 2009-2014

In 2010, Green View developed City Garden, a high quality real estate development project.

In 2011, Green View launched our Shenzhen NEO Urban Commercial Complex and developed LVGEM Chanson Garden and the LVGEM Hotel.

In 2011, Green View was ranked for the first time among the "Top 10 Shenzhen Real Estate Development Enterprises in terms of Comprehensive Strength" by the Shenzhen Branch of China Real Estate Association.

In 2013, Green View developed LVGEM Chanson Meilu Garden and LVGEM 1866 Garden.

In 2013, Green View also opened LVGEM Zoll Chanson Shopping Mall, a shopping center under our "Zoll" brand.

In 2014, Green View opened LVGEM 1866 Zoll Shopping Mall, a shopping center under our "Zoll" brand.

Successful listing and capital markets operations: Since 2014

In June 2014, Mr. Wong Hong King acquired an 81.5% stake in New Heritage Holdings with cash consideration of HKD1.21 billion.

From July 2014 to August 2014, Mr. Wong Hong King disposed shares to a 73% stake to restore New Heritage Holdings' public float to above 25%.

In September 2014, New Heritage Holdings was renamed as LVGEM (China) Real Estate Investment Company Limited.

In June 2015, Mr. Wong Hong King announced the asset injection of shares of Green View into our company at a total consideration of HKD13,785 million. The consideration was settled by a mix of issuance of ordinary shares, convertible preferred shares and cash balance partly raised from placement of new shares.

In November 2015, the asset injection was completed. This transaction was deemed as a reverse takeover and treated as a new listing application under the Listing Rules.

We have continued to develop projects in core areas of Shenzhen such as LVGEM Mangrove Bay No. 1, LVGEM Amazing Plaza and LVGEM Liguang Project.

We have expanded in certain overseas markets by seeking suitable opportunities, such as Lau Fau Shan project in Hong Kong and our acquisition of the Vanllee Hotel in the United States in 2017.

In October 2017, we successfully acquired the first commercial building in Hong Kong, named Hong Kong LVGEM NEO. In July 2019, the certificate of completion for the project was obtained and the hand over ceremony was held. Signed tenants include insurance groups, financial companies, technology enterprises and virtual banks, and the leasing rate has reached approximately 50%.

On October 28, 2019, we acquired approximately 25% of the equity interests of the Baishizhou Project. On August 25, 2020, we held an indirect 80% of equity interest of the Baishizhou Project. Baishizhou Project is an urban renewal project, located in Nanshan District, Shenzhen City, with a total site area of approximately 460,000 sq.m. The project will be developed in three phases with a planned total GFA of 4.4 million sq.m..

OVERVIEW OF OUR PROPERTY DEVELOPMENT PROJECTS

As of June 30, 2020, we have developed a diverse portfolio of 24 completed projects with an aggregate site area of approximately 748,242 sq.m. and an aggregate GFA of approximately 3,707,378 sq.m. Our property portfolio consists of urban boutique residences, Zoll Centers, Shenzhen NEO Urban Commercial Complexes and hotels.

- ***Urban boutique residences***: Our urban boutique residences are located in urban areas which are commercially prosperous, with scenic surroundings and convenient access to transportation facilities. Some of these urban boutique residence projects also include accompanying retail spaces.

- ***NEO Urban Commercial Complexes***: We developed and operate the Shenzhen NEO Urban Commercial Complex in the central business district of Futian, Shenzhen, and are currently developing the Suzhou NEO Urban Commercial Complex in Wuzhong district, Suzhou.

- ***Zoll Centers***: We develop community-based lifestyle and shopping centers under the "Zoll" (佐阾) brand. The Zoll Centers are primarily located in mature communities in downtown areas of core cities, and typically neighbor our urban boutique residences.

- ***Hotels***: We developed and operate the LVGEM Hotel, a business hotel conveniently located in the central business district in Shenzhen. We also acquired and operate the Vanllee Hotel in the United States.

The following table sets forth certain information of our completed projects as of June 30, 2020.

Completed Projects

Project name	Location	Site area	Total GFA	Method of acquisition	Construction commencement	Construction completion
		(sq.m.)	(sq.m.)			
Projects completed by New Heritage Holdings						
Suzhou Garden Villa (錦華苑)	Suzhou, Jiangsu	110,312	141,849	M&A	1992-2004 (Phase I-IV)	1995-2004 (Phase I-IV)
Taihu Garden Court (錦澤苑)	Suzhou, Jiangsu	131,445	88,889	M&A	2007-2012 (Phase I-III)	2009-2013 (Phase I-III)
Lakeside Garden Court (錦盛苑)	Suzhou, Jiangsu	86,236	152,373	M&A	2008-2012 (Phase I-IV)	2010-2014 (Phase I-IV)
Sub-total		327,993	383,111			
Projects completed by LVGEM						
LVGEM Garden Estate (綠景山莊)	Luohu, Shenzhen	42,813	72,580	M&A	April 1998	April 2000
LVGEM New Garden Phase I (綠景新苑一期)	Futian, Shenzhen	8,858	40,613	Urban redevelopment	September 2000	January 2002
LVGEM New Garden Phase II (綠景新苑二期)	Futian, Shenzhen	6,760	27,945	Urban redevelopment	May 2003	February 2004
Lanwan Peninsula Community (藍灣半島社區)	Futian, Shenzhen	39,304	232,086	Urban redevelopment	May 2002	August 2004
LVGEM Garden Phase II (綠景花園二期)	Futian, Shenzhen	20,677	164,932	Urban redevelopment	November 2003	June 2005
Zhongcheng Tianyi Garden (中城天邑花園)	Futian, Shenzhen	19,682	142,368	Urban redevelopment	March 2006	December 2008
LVGEM Hotel (綠景酒店)	Futian, Shenzhen	4,978	25,751	Urban redevelopment	March 2006	December 2008
Zhonghe Tixiang Famous Garden Phase I (中核緹香名苑一期)	Yiyang, Hunan	70,180	131,317	M&A	August 2007	April 2009
City Garden (城市立方花園)	Longgang, Shenzhen	47,372	135,012	M&A	March 2008	November 2010
Phoenix Hill No. 1 (鳳凰山一號)(1)	Zhuhai, Guangdong	91,197	120,482	M&A	2007-2008 (Phase I-II)	2008-2011 (Phase I-II)
Shenzhen NEO Urban Commercial Complex (深圳NEO都市商務綜合體)	Futian, Shenzhen	19,295	252,539	M&A, urban redevelopment	January 2004	May 2011
LVGEM Chanson Garden (綠景香頌花園)	Longhua, Shenzhen	26,117	174,366	Urban redevelopment	February 2011	December 2012
LVGEM Chanson Meilu Garden (綠景香頌美廬園)	Longhua, Shenzhen	5,540	28,845	Urban redevelopment	May 2011	May 2013
LVGEM 1866 Garden (公館1866花園)	Longhua, Shenzhen	77,795	387,482	M&A	June 2011	August 2013
LVGEM International Garden (Zone A1) (綠景國際花城 (A1區))	Huazhou, Maoming	48,795	38,456	Auction	July 2013	December 2014
LVGEM Hongwan Garden (綠景虹灣花園)	Futian, Shenzhen	32,785	367,605	Urban redevelopment	December 2012	November 2015
LVGEM International Garden (Zone A2) (綠景國際花城 (A2區))	Huazhou, Maoming	55,032	211,839	Auction	March 2014	December 2015
LVGEM Mangrove Bay No. 1 Phase 1 (綠景紅樹灣一號一期)	Futian, Shenzhen	24,424	305,450	Urban redevelopment	July 2014	June, 2018
Suzhou LVGEM Business Plaza (蘇州綠憬商務廣場)	Wuzhong, Suzhou	14,592	81,539	M&A	October 2015	July, 2018
LVGEM International Garden (Zone B) (綠景國際花城(B區1-3期)	Huazhou, Maoming	79,086	393,698	Auction	October 2016	October, 2018
Dongguang LVGEM Zoll Shopping Mall (東莞綠景佐羚購物中心)	Dongguang	20,136	58,928	M&A	NA	June, 2019
Hong Kong LVGEM NEO (香港綠景NEO大廈)	Hong Kong	4,500	55,390	M&A	N/A	July, 2019
Sub-total		668,721	3,328,741			
Total		996,714	3,711,852			

Note:

(1) The project company was disposed from Green View prior to the reverse takeover since the underlying project has been substantially sold out.

OVERVIEW OF OUR PROPERTY PROJECTS

The properties of our development projects are classified into four categories based on their respective development stages:

- ***Completed projects:*** we categorize projects or project phases as completed upon receipt of the requisite land use rights certificates and certificates of completion from relevant government authorities;

- ***Projects under development:*** we categorize projects or project phases as under development when we have received the requisite land use rights certificates and construction commencement permits but have not yet received the requisite certificates of completion;

- ***Projects held for future development:*** we categorize projects or project phases as held for future development when we have obtained the relevant land use rights certificates or land grant contracts but have not yet obtained the requisite construction commencement permits; and

- ***Projects planned to be redeveloped or contracted to be acquired for future development:*** we categorize projects or project phases as to be acquired for future development when we have entered into preliminary framework agreements, master agreements or letters of intent with villagers-representative companies of urban villages or other relevant parties but have not yet obtained the relevant land grant contracts or land use rights certificates.

As of June 30, 2020, we held a land reserve of approximately 4.1 million sq.m. of GFA.

The following table sets forth a breakdown of the GFA of our land reserve as of June 30, 2020.

Project name	Location	Ownership	Actual/Expected Pre-sale commencement	Actual/Expected Construction completion	Method of acquisition	Total site area	Total GFA	Total GFA attributable[1]	Approximate/ Estimated GFA: Total saleable GFA unsold	Approximate/ Estimated GFA: Commercial Area	Approximate/ Estimated GFA: Total GFA held for investment	Land Reserve[2]
						(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	(sq.m.)	
Completed project held for sale												
Hongwan Garden (虹灣花園)	Futian, Shenzhen	100%	2017*	2015	Urban redevelopment	32,785	367,605	292,412	925	33,188	66,344	180,947
Mangrove Bay No. 1 Phase 1 (紅樹灣一號一期)	Futian, Shenzhen	100%	2018	2018	Urban redevelopment	24,424	305,450	231,450	35,558	17,273	20,505	147,608
Suzhou Joyful Plaza (蘇州綠憬商務廣場)	Wuzhong, Suzhou	100%	2017	2018	M&A	14,592	81,841	81,841	850	12,216	12,216	41,756
LVGEM International Garden (Zone B) (綠景國際花城(B區1-3期))	Huazhou, Maoming	100%	2017	2018	Auction	79,086	393,698	393,698	25,681	43,957	0	122,394
Dongguang LVGEM Zoll Shopping Center 東莞綠景佐玲購物中心	Dongguang	100%	NA	2019	M&A/Urban redevelopment	20,136	59,056	59,056	0	59,056	59,056	59,056
LVGEM International Garden (Zone B4) (綠景國際花城(B區4期))	Huazhou, Maoming	100%	2018	2019	Auction	38,474	180,097	180,097	46,539	42,155	37,638	127,978
LVGEM International Garden (Zone E) (綠景國際花城(E區))	Huazhou, Maoming	100%	2018	2019	Auction	30,185	186,697	186,697	2,351	7,369	7,369	59,234
LVGEM Amazing Plaza (綠景美景廣場)	Nanshan, Shenzhen	100%	2019	2020	Urban redevelopment	10,862	97,214	76,808	19,271	0	0	51,317
Sub-total						250,544	1,671,659	1,502,059	131,174	215,214	203,127	790,290
Projects under development												
LVGEM International Garden (Zone D1) (綠景國際花城(D1區))	Huazhou, Maoming	100%	2019	2021	Auction	21,846	134,148	134,148	97,787	4,576	0	134,148
LVGEM International Garden (Zone D2) (綠景國際花城(D2區))	Huazhou, Maoming	100%	2019	2021	Auction	24,557	176,710	176,710	125,364	1,271	N/A	176,710
LVGEM International Garden (Zone C1) (綠景國際花城(C1區))	Huazhou, Maoming	100%	2020	2022	Auction	24,640	101,572	101,572	61,096	11,732	N/A	101,572
L.Gem Mansions (綠景公館1898)	Gusu, Shuzhou	100%	2020	2020	Auction	10,044	22,296	21,763	17,547	0	0	21,763
LVGEM Joyful Town (綠景喜悅薈)	Zhuhai	100%	2019	2021	M&A	62,457	445,492	433,325	322,928	0	3,202	433,325
Sub-total						143,544	880,218	867,518	624,722	17,579	3,202	867,518
Projects held for future development												
LVGEM International Garden (subsequent phase) (綠景國際花城剩餘地塊)	Huazhou, Maoming	100%	N/A	N/A	Auction	510,632	1,075,376	1,075,376	0	N/A	N/A	1,075,376
Zhuhai Dongqiao Project (珠海東橋項目一、二期)	Zhuhai	91%	2021; 2022	2022; 2023	Urban redevelopment	207,550	743,767	489,562	289,128	9,060	9,845	489,562
Lau Fau Shan Project (流浮山項目)	Lau Fau Shan, Hong Kong	95%	2022	2022	M&A	82,400	23,880	22,686	22,686	0	0	22,686
Sub-total						800,582	1,843,023	1,587,625	311,814	9,060	9,845	1,587,625
Project contracted to be acquired for furture development												
Baishizhou Project* (白石洲項目)	Nanshan, Shenzhen	25%	2022	N/A	Urban redevelopment	459,542	3,580,000	450,000	295,000	155,000	N/A	450,000
Mangrove Bay No. 1 Phase 2 (紅樹灣一號二期)	Futian, Shenzhen	100%	2022	2023	Urban redevelopment	17,589	139,331	57,547	7,177	9,580	0	57,547
			Phase I 2022	2023		42,453	158,000	138,410	134,510	5,700	N/A	138,410
Liguang Project (黎光舊改)	Bao'an Shenzhen	100%	Phase II 2022	2023	Urban redevelopment	30,669	141,033	67,883	65,883	2,000	0	67,883
			Phase II 2022	2023		12,211	83,106	66,906	24,732	42,174	N/A	66,906
Sub-total						562,465	4,101,470	780,746	527,302	214,454	0	780,746
project pipeline						1,506,591	6,824,712	3,235,889	1,463,838	241,093	13,047	3,235,889

Note:

1. Refers to total GFA deducting GFA used for resettlement compensation and transferred to the government pursuant to relevant land grant contracts.
2. Refers to total GFA attributable excluding total saleable GFA sold.
3. First lot pre-sold in 2014 and the remaining lot has launched in 2017.
4. To be determined.

The classification of properties in this offering memorandum may be different from the classification of properties in the consolidated financial statements included in this offering memorandum.

The table below sets forth our classification of properties and the corresponding classification of properties in our consolidated financial statements and the notes thereto contained in this offering memorandum:

Types of Properties	Offering memorandum	Annual/Interim Report
Completed projects Projects or project phases for which the requisite certificates of completion have been obtained	• Completed projects	• Completed properties for sale
Projects under development Projects or project phases for which the requisite land use rights certificates and construction commencement permits have been obtained but the requisite certificates of completion have not yet been obtained	• Projects under development	• Inventories – Properties under development for sale (for the portion planned to be sold) • Investment properties (for the portion held for long-term purpose)
Projects held for future development Projects or project phases for which the relevant land use rights certificates or land grant contracts have been obtained but the requisite construction commencement permits have not yet been obtained	• Projects held for future development	• Inventories – Properties under development for sale
Projects planned to be redeveloped or contracted to be acquired for future development Projects or project phases for which preliminary framework agreements, master agreements or letters of intent have been entered into but the relevant land grant contracts or land use rights certificates have not yet been obtained	• Projects planned to be redeveloped or contracted to be acquired future development	• Inventories – Properties under development for sale

PROPERTY DEVELOPMENT AND SALES

As of June 30, 2020, we have developed 24 residential property projects in line with our business strategy of "Focusing on Major Cities and their Core Area". We position our residential properties as urban boutique residences, located mainly in developed urban areas which are well populated, adjacent to the CBD and close to public transportation as well as within the range of prestigious educational institutions. Our completed projects have an aggregate site area of approximately 748,242 sq.m. and an aggregate GFA of approximately 3,707,378 sq.m. As of June 30, 2020, we have six projects under development, three projects held for future development and three projects to be redeveloped or contracted to be acquired for future development. The projects under development have an aggregate site area of approximately 143,544 sq.m. and an aggregate GFA of approximately 880,218 sq.m., the projects with land held for future development have an aggregate site area of approximately 800,582 sq.m., the projects with land planned to be redeveloped or contracted to be acquired have an aggregate site area of approximately 562,465 sq.m.

Completed projects

LVGEM Garden Estate (綠景山莊)

LVGEM Garden Estate is a residential and commercial project located at Jindaotian Road, Luohu District, Shenzhen. It occupies a total site area of 42,813 sq.m. with a total GFA of 72,580 sq.m. Approximately GFA 3,820 sq.m. is provided for commercial shop rental space. The project was completed in 2000.

LVGEM New Garden (綠景新苑)

LVGEM New Garden is a residential and commercial project located east of the interchange of Xinzhou 2nd Road and Xinzhou 9th Road, Futian District, Shenzhen. It occupies a total site area of 15,618 sq.m. with a total GFA of 68,558 sq.m. Approximately GFA 4,864 sq.m. is provided for commercial shop rental space. The project was completed in 2004.

Lanwan Peninsula Community (綠景藍灣半島社區)

LVGEM Peninsula Community is a residential and commercial project located at Furong Road, Futian District, Shenzhen. It occupies a total site area of 39,304 sq.m. with a total GFA of 232,086 sq.m. and consists of seven residential buildings and accompanying retail spaces. The project was completed in 2004.

LVGEM Garden Phase II (綠景花園二期)

LVGEM Garden Phase II is a residential and commercial project located at No.3018, Fuqiang Road, Futian District, Shenzhen. The project occupies a total site area of 20,677 sq.m. with a total GFA of 164,932 sq.m. Approximately GFA 21,000 sq.m. is provided for commercial shop rental space. The project was completed in 2005.

Zhongcheng Tianyi Garden (中城天邑花園)

Zhongcheng Tianyi Garden is a residential project located at Sixth Street, Xinzhou Road, Futian District, Shenzhen. The project occupies a total site area of 19,682 sq.m. and consists of three residential buildings. The project has an aggregate GFA of 142,368 sq.m. The project was completed in 2008.

Zhonghe Tixiang Famous Garden Phase I (中核緹香名苑一期)

Zhonghe Tixiang Famous Garden Phase I is a residential project located at 7 Haitang Road, Gaoxin District, Yiyang. The project occupies a total site area of 70,180 sq.m. and consists of 13 residential buildings. The project has an aggregate GFA of 131,317 sq.m. The project was completed in 2009.

City Garden (城市立方花園)

City Garden is a residential and commercial project located at Block 37, Longcheng, Longgang District, Shenzhen. The project occupies a total site area of 47,372 sq.m. with a total GFA of 135,012 sq.m. and consists of nine residential buildings and accompanying retail spaces. Approximately GFA 4,866 sq.m. is provided for commercial shop rental space. The project was completed in 2010.

LVGEM Chanson Garden (綠景香頌花園)

LVGEM Chanson Garden is a residential project located at the interchange of Bulong Road and Minzhi Road in the central area of Longhua district, Shenzhen. The project occupies a total site area of 26,117 sq.m. with a GFA of 174,366 sq.m. It is also surrounded by a "hub and circle" transit system, which provides convenient transportation links and benefits from its proximity to prestigious education institutions in the area. The project was completed in 2012.

LVGEM Chanson Meilu Garden (綠景香頌美廬園)

LVGEM Chanson Meilu Garden is a residential and commercial project located at the junction of Minan Road and Minzhi Road, Longhua New Town District, Shenzhen. The project occupies a total site area of 5,540 sq.m. and consists of two residential buildings with commercial units at the basement level and forms part of Chanson Zoll Center. The project has an aggregate GFA of 28,845 sq.m. The project was completed in 2013.

LVGEM 1866 Garden (公館1866花園)

LVGEM 1866 Garden is a residential and commercial project located at the interchange of the eastern side of Meilong Road and southern side of Zhongmei Road, Longhua District, Shenzhen. It is divided into two zones, the North Zone and the South Zone. The North Zone consists of seven residential buildings, occupying a total site area of 41,840 sq.m. with an aggregate GFA of 200,525 sq.m. The South Zone has six residential buildings, occupying a total site area of 35,955 sq.m. with an aggregate GFA of 186,957 sq.m. In addition, LVGEM 1866 Garden contains 1866 Zoll Center, which we hold as an investment property. The project was completed in 2013.

LVGEM International Garden (Zone A1) (綠景國際花城(A1區))

LVGEM International Garden (Zone A1) is a residential and commercial project located in Maoming, Guangdong, in the northwest region of Juzhou Park on Hexi Road. The project occupies a total site area of 48,795 sq.m. with a total GFA of 38,456 sq.m. and includes 30 townhouses. The project was completed in 2014.

Suzhou Garden Villa (錦華苑)

Suzhou Garden Villa was the first development project in Suzhou undertaken by our Group. The total development comprised a residential area of 73,044 sq.m., in the form of residential apartments, villas, classical courtyard houses, and a commercial area of 9,500 sq.m. The project consists of three phases and

offers an assortment of traditional and modern residences, including classical courtyard houses, villas, and contemporary apartments. Landscape artisans and architects were commissioned to design the award- winning residential complex and the surroundings. Phase I, II, III was completed in 1995, 1996 and 1998 respectively.

Taihu Garden Court (錦澤苑)

Taihu Garden Court is located in the historical Guangfu Town of Wuzhong District. The project occupies a total site area of 131,445 sq.m. and comprises 373 townhouses with a GFA of 88,889 sq.m. The project was completed in 2013.

Lakeside Garden Court (錦盛苑)

Lakeside Garden Court is situated in Shengze Town of Wujiang District in Suzhou, which is a major silk and textile production center in China. It is situated on the east shore of the Long Zhong Lake. The project occupies a total site area of 86,236 sq.m. and comprises 86 low-density townhouses and 14 blocks of high-rise residential buildings with a GFA area of 152,373 sq.m. The project was completed in 2014.

LVGEM Hongwan Garden (綠景虹灣花園)

LVGEM Hongwan Garden is a residential and commercial project located in the Meilin area of Futian district, Shenzhen. The project comprises five residential buildings, two apartment buildings and Hongwan Zoll Centre. It occupies a total site area of 32,785 sq.m. with a GFA of 367,605 sq.m. The project was completed in 2015. The first lot pre-sold in 2014, and the remaining lot has launched in 2017.

LVGEM International Garden (Zone A2) (綠景國際花城(A2區))

LVGEM International Garden (Zone A2) is a residential and commercial project located in Maoming, Guangdong, at the northwest region of Juzhou Park on Hexi Road. The project occupies a total site area of 55,032 sq.m. with a total GFA of 211,839 sq.m. The project was completed in 2015.

Suzhou LVGEM Business Plaza (蘇州綠憬商務廣場)

Suzhou LVGEM Business Plaza is an urban complex with office space, apartments and commercial properties. It is located in the core area of Yuexi Development Zone, Wuzhong District, Suzhou. The project occupies a total site area of 14,592 sq.m. with a total GFA of 81,539 sq.m. The project was completed in July 2018.

LVGEM Mangrove Bay No. 1 Phase I (綠景紅樹灣一號一期)

LVGEM Mangrove Bay No. 1 Phase I is a residential and commercial project located in the southeast corner of the intersection of Shazui Road and Jindiyi Road, in the central business district of Futian district, Shenzhen. The project comprises three residential buildings and a building of integrated Grade A offices, hotels and apartments. It occupies a total site area of 24,424 sq.m. with a total GFA of 305,450 sq.m. The project was completed in June 2018.

LVGEM International Garden (Zone B1-B3) (綠景國際花城 (B1-B3區))

LVGEM International Garden (Zone B1-B3) is a residential and commercial project located in Maoming, Guangdong, at the northwest region of Juzhou Park on Hexi Road. The project occupies a total site area of 79,086 sq.m. with a total GFA of 393,698 sq.m. The project was completed in December 2018.

Dongguan LVGEM Zoll Shopping Mall (東莞綠景佐羚購物中心)

Dongguan LVGEM Zoll Shopping Mall is located at the intersection of Zhangmutou Road and Baoshan Road, Zhangmutou Town, Dongguan City. The project is designed to create top five themed spaces in terms of "Office group" "Trendy squad" "Children world", "Foodie mecca" and "Party room". It also intends to develop innovative operating models, including "commercial + yueyueIP", "commercial + public welfare", "commercial + check-in location with internet traffic" and "commercial + office", and establish a multi-fashion consumption pattern covering food and beverage, lifestyle, leisure and entertainment activities to provide convenient, comfortable, warm and fun emotional experiences that allow community residents to interact with each other like neighbors and materializing a "last one mile living circle" in the community. It occupies a total site area of 20,136 sq.m. with a total GFA of 58,925 sq.m. The shopping center was completed in June 2019 and is currently in the stage of leasing.

LVGEM Amazing Plaza (綠景美景廣場)

LVGEM Amazing Plaza is an industrial park project located in the east of Qiaoxiang Road and the south of Beihuan Avenue, in the central business district of Nanshan District, Shenzhen. It comprises of loft apartments, office apartments and commercial facilities. The project occupies a total site area of 10,862 sq.m. with a total GFA of 97,214 sq.m. It was completed in January 2020.

LVGEM International Garden (Zone B4) (綠景國際花城B4)

LVGEM International Garden (Zone B4) is a residential and commercial project located in Maoming, Guangdong, at the northwest region of Juzhou Park on Hexi Road. The project occupies a total site area of 38,474 sq.m. with a total GFA of 180,097 sq.m. The project was completed in December 2019.

LVGEM International Garden (Zone E) (綠景國際花城E區)

LVGEM International Garden (Zone E) is a residential and commercial project located in Maoming, Guangdong, at the northwest region of Juzhou Park on Hexi Road. The project occupies a total site area of 30,185 sq.m. with a total GFA of 187,549 sq.m. The project was completed in December 2019.

Projects under development

LVGEM Joyful Town (綠景喜悅荟)

LVGEM Joyful Town is an urban complex project located in the Shangchong area of Xiangzhou District in Zhuhai and is next to the Mingzhu Light Railway Station. The project includes office buildings, serviced apartments, residential properties and commercial stores. It occupies a total site area of 62,457 sq.m. with a total GFA of 445,492 sq.m. The Project is expected to be completed in 2021 and the pre-sale commenced in 2019.

LVGEM International Garden (Zone D1&D2) (綠景國際花城D區)

LVGEM International Garden (Zone D1&D2) is a residential and commercial project located in Maoming, Guangdong, at the northwest region of Juzhou Park on Hexi Road. The project occupies a total site area of 46,402 sq.m. with a total GFA of 310,858 sq.m. It is expected to be completed in 2021 and the pre-sale commenced in 2019.

LVGEM International Garden (Zone C1) (綠景國際花城C1區)

LVGEM International Garden (Zone C1) is a residential and commercial project located in Maoming, Guangdong, at the northwest region of Juzhou Park on Hexi Road. The project occupies a total site area of 24,640 sq.m. with a total GFA of 101,572 sq.m. It is expected to be completed in 2022 and the pre-sale commenced in 2020.

L.Gem Mansions 1898 (綠景公館1898)

L.Gem Mansions 1898 is a residential project located in the west of Xihuan Road and the north of Jiuchang Road, in Gusu district, Suzhou, which includes three residential buildings. It occupies a total site area of 10,043.9 sq.m. with a total GFA of 22,296 sq.m. The project is expected to be completed in December 2020 and launched to the market in 2020.

Projects held for future development

LVGEM International Garden (subsequent phases) (綠景國際花城剩餘地塊)

LVGEM International Garden (subsequent phases) is a residential and commercial project located in Maoming, Guangdong, at the northwest region of Juzhou Park on Hexi Road. The project occupies a total site area of 559,829 sq.m. with a total GFA of 1,353,658 sq.m. The project is expected to be developed and completed over the coming decade in multiple phases.

LVGEM Dongqiao Project (綠景東橋項目)

LVGEM Dongqiao project is an urban redevelopment project located in Nanwan District, Zhuhai, which is the major area and key segment of the city development in Zhuhai. The project is planned to develop a high-end complex with diversified functions including residential buildings, commercial facilities, hotels and office space. It occupies a total site area of 207,550 sq.m. with a total GFA of 743,767 sq.m. It has entered the stage of dismantlement and is expected to commence the construction in 2020. The first lot of pre-sale is scheduled in 2021.

Hong Kong Lau Fau Shan Project (香港流浮山項目)

Hong Kong Lau Fau Shan Project is our Group's first Hong Kong property development project. The project is located in Deep Bay Road, Lau Fau Shan, Hong Kong and occupies a total site area of 82,400 sq.m., which is expected to consist of 114 oceanfront low density villas.

Projects planned to be redeveloped or contracted to be acquired for future development

LVGEM Baishizhou Project (綠景白石洲項目)

LVGEM Baishizhou Project is located in core area of Nanshan District, Shenzhen, being adjacent to Shennan Avenue and in proximity to Science Park and the sub-district of Overseas Chinese Town. The project, with prime geographical location, is a mega complex development project in the core area of Shenzhen City. It comprises of residential buildings, grade-A office spaces, hotel and commercial properties together with ancillary facilities including schools and cultural museum. It applies artificial intelligence throughout the project in terms of planning, design, construction, property management and commercial services to forge a "smart city". The project occupies a total site area of 459,542 sq.m. with a GFA of 3,580,000 sq.m and will be developed and completed over the next eight years in three phases.

LVGEM Mangrove Bay No. 1 Phase II (綠景紅樹灣一號二期)

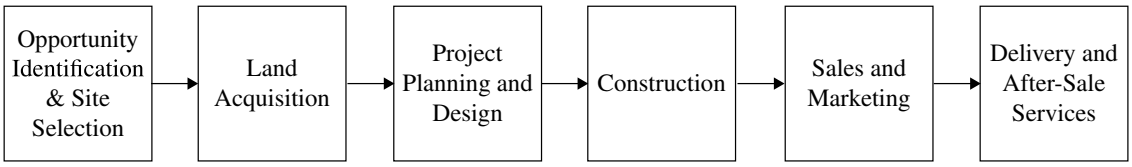
LVGEM Mangrove Bay No. 1 Phase II is a residential and commercial project located in the southeast corner of the intersection of Shazui Road and Jindiyi Road, in the central business district of Futian district, Shenzhen. The project comprises three residential buildings and a building of integrated Grade A offices, hotels and apartments. It occupies a total site area of 17,589 sq.m. with a total GFA of 158,777 sq.m. The project is expected to be completed in 2022.

LVGEM Liguang Project (綠景黎光項目)

LVGEM Liguang Project is located next to Sili Road, Old Village, Liguang Community, Shenzhen, near Guanlunhu Liguang Golf Club. It occupies a total sit area of 85,333 sq.m. with a total GFA of 382,139 sq.m and is used for commercial, industrial and residential purposes. The project is expected to commence the construction in 2020 and be completed in 2023.

OUR DEVELOPMENT PROCESS

The diagram below summarizes the major stages involved in developing a project:



We have a well-established project development process and depending on the project scale and complexity, it generally takes 24 to 36 months to complete a project after acquiring the relevant land use rights. For large-scale projects over 1,000,000 sq.m., we will adopt a rolling model to develop the land parcel in different phases.

Opportunity Identification and Site Selection

We consider opportunity identification and site selection to be a fundamental factor to the success of our project development operation and place great importance on the selection process. Our senior management determines the strategic direction and future project development plans. Based on the overall strategies and plans, our resource development center coordinates the site selection process. In conjunction with its ongoing and in-depth demographic and market research and analyses with respect to the Pearl River Delta region, the resource development center continuously works to identify and assess potential development opportunities for new projects.

We take into consideration factors including the following when conducting opportunity and site selection analyses:

- development prospects and main functional structure of the region where the land parcel is located;
- the city where the land parcel is located and the nature of its core values, existing plot ratio and potential development scale;
- nature of the surrounding areas and suitability for residential property development or commercial property development;

- general economic conditions, demographics, population density, composition of industry sectors and economic vitality of the region;
- urbanization growth rate, disposable income and purchasing power of consumers;
- convenience of the site's location, transportation network, infrastructure and ancillary facilities;
- policy trends of the city government and urban planning and development plans of the local government;
- variety and degree of trading activities of similar products in the region;
- complexity of land ownership structure in the area and complexity of property rights related to the land parcel; and
- competitive landscape of the property market in the region and its general public opinions.

The resource development center prepares feasibility analysis reports for each site being considered to evaluate the development prospects and risk profile of a potential project and assesses aspects including the site's existing and potential commercial values, potential land acquisition costs, construction budget, expected return and risk control feasibility. Based on the results from the feasibility analysis reports, representatives from the resource development center, brand marketing center, project department and other relevant departments then together determine whether a site proposal should be submitted to our senior management for final review and approval.

Land Acquisition

We acquire land for our projects mainly through three methods: (i) urban redevelopment; (ii) acquisition of equity interests in companies that hold land use rights, or acquisition of property interests held by other companies; and (iii) public tender, auction or listing-for-sale. Our resource development center is responsible for coordinating the land acquisition process.

Urban Redevelopment

Urban redevelopment involves the resettlement of property owners, demolition of existing structures and construction of new properties. Historically, we have participated in the redevelopment of urban villages and redevelopment of old industrial sites. The urban redevelopment process is governed by local rules and regulations which may vary in different cities. In addition, all our ongoing projects in Shenzhen are also urban redevelopment projects.

The urban redevelopment agreements/plans which we enter into with the villagers-representative company generally include the following terms: (i) details of the project; (ii) deposit fees (if any) that we are required to pay the villagers-representative company; (iii) details relating to resettlement compensation in the form of cash or replacement properties, as well as transitional resettlement expenses (if any); (iv) details relating to the villagers-representative company's obligations to carry out the demolition and resettlement work, and to assist us to enter into land grant contracts and obtain relevant planning and construction permits; and (v) details of our obligations relating to the development costs of the project and the construction work, sales and maintenance of the properties.

We adopt a steady but proactive approach in acquiring land by means of urban redevelopment. On one hand, we proactively seek land parcels at urban villages or old industrial sites that complement our development needs and initiate contact with the relevant villagers-representative company of the urban village

or owners of the relevant old industrial site to express interest in redeveloping the area. On the other hand, due to our reputation and successful track record in urban redevelopment, we are invited from time to time by villagers-representative companies of urban villages and owners of old industrial sites interested in urban redevelopment to carry out their urban redevelopment plans. Such invitations provide us with opportunities to identify potential quality projects. We then enter into a letter of intent or a master development agreement with the relevant villagers-representative company, in the case of an urban village, or property owners, in the case of an old industrial site, with respect to a potential urban redevelopment plan to commence the negotiation process.

Urban redevelopment plans are subject to government approval. According to the relevant provisions in the articles of association of the villagers-representative company or the property owners of an old industrial sites, the letter of intent and/or master development agreement are usually required to be approved by a minimum of 80% of the shareholders of the villagers-representative company of the relevant urban village or the property owners of an old industrial site.

When entering into the letter of intent and/or the master development agreement, we may be required to pay a deposit fee to the villagers-representative company. Such a deposit fee will be used as resettlement compensation in accordance with the letter of intent and/or the master development agreement. Historically, the certain planning fees may also be incurred in the process.

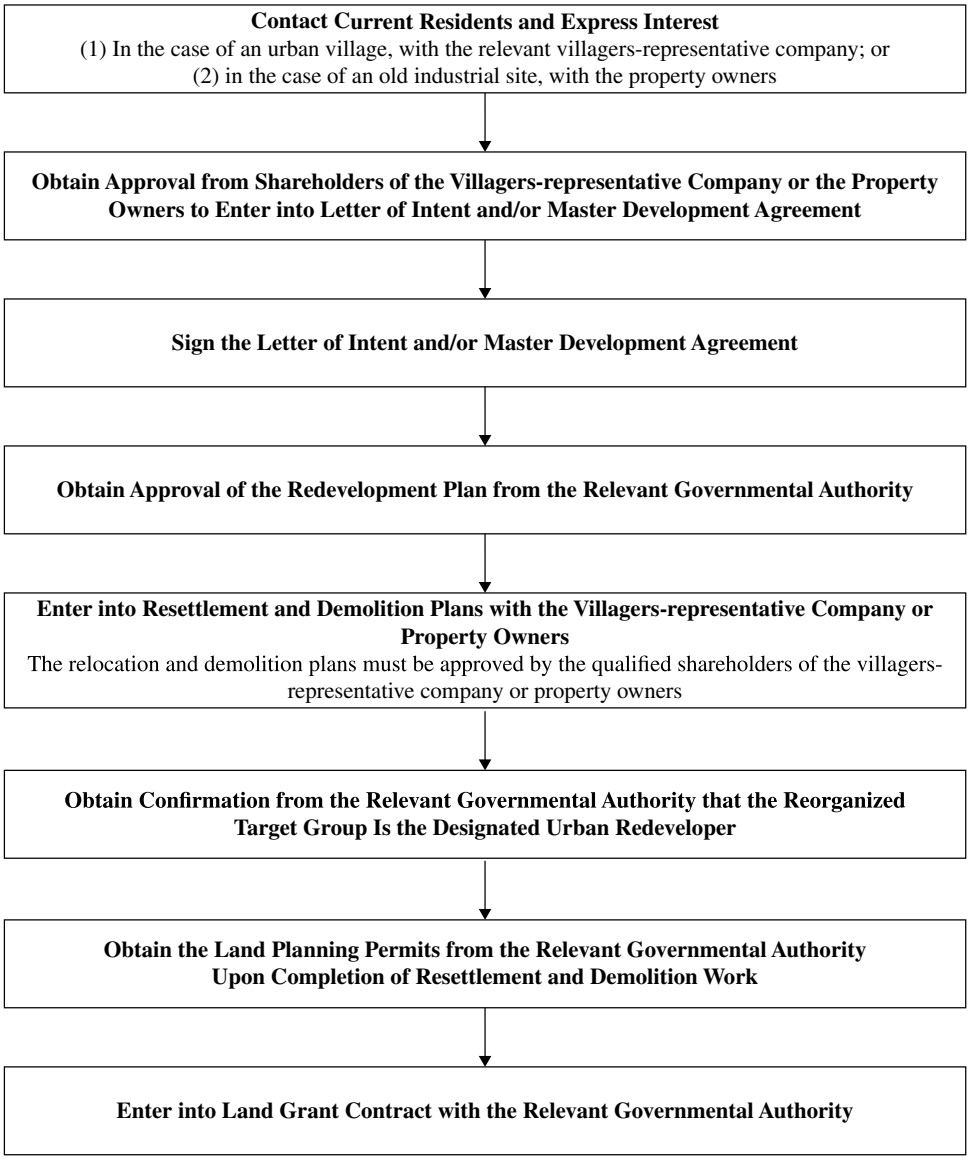
We then enter into resettlement and demolition plans with the relevant villagers-representative company, in the case of an urban village, or property owners, in the case of an old industrial site, which stipulate details including the areas or structures to be demolished, resettlement compensation and transitional resettlement arrangements.

Resettlement compensation is made in the form of cash or replacement properties. Existing property owners who opt for compensation by replacement properties are also given transitional resettlement expenses in the form of rental income. We also sometimes make resettlement compensation in the form of replacement commercial properties, which allow property owners to enjoy income flows through the leasing of these commercial properties. The villagers-representative company of an urban village or property owners of an old industrial site are generally responsible for carrying out the demolition work. However, we may assist with the demolition work as requested by the villagers-representative company or property owners from time to time.

After obtaining the relevant consents from the shareholders of the relevant villagers-representative company or the property owners, as the case may be, and entering into resettlement and demolition plans, we may apply for approval from the relevant local authorities to become the designated developer for the redevelopment project and obtain the relevant permits to commence the resettlement and demolition process.

Upon completion of the foregoing steps, including the relocation of all existing residents and the completion of demolition work, we may enter into land grant contracts with respect to the land to be redeveloped with the relevant government authorities. Under the relevant rules and regulations of Shenzhen (which may differ from the rules and regulations of other regions), we are exempted from any land premiums for land with plot ratios below 2.5, whereas we only need to pay 20% of the land premiums for land with plot ratios between 2.5 and 4.5. For land acquired from old industrial sites, where the redeveloped land is to be used for industrial purposes, we only need to pay 50% of the benchmark land premium for the portion of the land which exceeds the previous GFA before the redevelopment. Where the redeveloped land will be used for residential or commercial purposes, we need to pay the valuated land premium for the portion of the land which exceeds the previous GFA before the redevelopment, with no discount. Depending on the size and

complexity of an urban redevelopment project, it generally takes approximately two to five years acquire land through this method. The following chart illustrates the basic process for urban redevelopment as described above.



We believe that obtaining land by means of urban redevelopment is advantageous to our operations. Through urban redevelopment, we may obtain land parcels with relatively sizeable site areas situated in core regions of urban areas in a cost-efficient manner and avoid the intense competition of a public tender, auction or listing-for-sale process. Acquiring land by way of urban redevelopment also requires less front-end investment compared with acquiring land use rights through the public tender, auction or listing-for-sale process.

Acquisition of Equity Interests in Companies or Property Interests Held by Companies

In addition to participating in urban redevelopment, we acquire equity interests in companies that possess the land use rights for the targeted land or property interests held by other companies. We believe that this method allows us to obtain targeted land at competitive prices as we may negotiate the terms and conditions directly with the targeted companies or the counter parties. The sites of LVGEM Garden Estate, City Garden, LVGEM 1866 Garden, Zhonghe Tixiang Famous Garden, Hong Kong Lau Fau Shan Project and LVGEM Joyful Town are examples of our projects acquired through this method.

Public Tender, Auction or Listing-for-sale

Occasionally, we may acquire land for its projects through the public tender, auction or listing-for-sale process organized by relevant government authorities. In a public tender, an evaluation committee consisting of no fewer than five members (including a representative of the grantor and other experts) evaluates and selects the tenders that have been submitted. In addition to the bidding price, consideration may be given to each bidder's real estate development experience and track record, credit history, qualifications and development proposals. Public auctions are normally held by the relevant local land reserves bureaus, and the land use rights are granted to the highest bidders. In a listing-for-sale process, conditions for granting the land use rights are generally specified by the relevant local land reserves bureaus before bids are submitted and the land use rights are granted to the bidder with the highest bid at the end of the listing-for-sale period.

We acquired the site of LVGEM International Garden through this method.

Project Design and Planning

Our planning and design center carries out our research and development as well as project coordination functions and is responsible for the overall planning and conceptual design of our projects. We conduct project planning and design throughout the land selection, pre-construction and construction phases.

At the preliminary site screening stage, the planning and design center outlines a conceptual plan and formulates an initial development plan based on the site's specifications. The initial plan is further developed into a more comprehensive master plan after a site has been selected, as the planning and design center considers findings from further market research studies and feasibility analysis reports prepared by our brand marketing center and resource development center, taking into account considerations such as target customers, product positioning, aesthetic preferences and government requirements.

We engage reputable domestic and international design consulting firms to perform detailed design work for its projects based on its specific requirements and targeted results. We believe that a good project design significantly optimizes cost and enhances the value and marketability of a project. As such, we carefully select design consulting firms based on their respective strengths and specialties and engages different design consulting firms for different aspects of a project such as architectural design, landscape design, interior design and ancillary facility design. All design consulting firms are Independent Third Parties which we select through a tender-by-invitation process based on factors such as type of property development, project scale and positioning, budget, preferred design style, price quote, technical capabilities, firm reputation and track record.

Our planning and design center communicates closely with personnel from our project department, cost management center, tender and procurement center and other relevant departments throughout the planning and design process to obtain a comprehensive view on aspects such as budget and cost, procurement and marketing and sales efforts to enhance the efficiency of the property development process. The final design is submitted to relevant PRC government authorities for approval and becomes the blueprint for the construction of a project.

Construction

Appointment of Construction Companies

We outsource the construction work of our projects to external independent third party construction companies. Outsourcing construction work allows us to better focus on our business as a property developer, and to leverage the expertise of the construction companies and minimize certain risks, such as risks from fluctuations in the cost of raw materials.

We select construction companies for our projects through a tender process in accordance with the Law on Tender and Bidding of the PRC (中華人民共和國招標投標法) and the Rules on the Tender Scope and Criteria for Construction Projects (工程建設項目招標範圍和規模標準規定). The tender process may be conducted via open tender or tender by invitation. During 2017, 2018, 2019 and the six months ended June 30, 2020, the majority of the construction companies for our projects were selected through tender by invitation. We prefer construction companies with which we have long-term working relationships to ensure the quality of its products, and has an internal list of construction companies that meet its criteria and which it may invite to tender for new projects. To ensure the quality and workmanship of our properties, we apply stringent criteria in the selection of our construction companies. When assessing construction companies, we take into consideration factors such as professional qualifications, reputation, credentials, financial condition, experience, price quote, track record and quality of construction work, proposed construction schedule and plan and technical capabilities.

We enter into construction contracts with our selected construction companies, where the contracts contain warranties provided by the construction companies with respect to construction schedules, quality and safety standards. The construction companies are required to pay fines in the event of delays and are responsible for the costs incurred in rectifying construction defects, pre-and post-completion and delivery. In addition, we may terminate a construction contract if the construction company causes any material delay to the development schedule or irreparable damage to the project development.

We make payments to construction companies in installments in accordance with the terms and conditions stipulated in the construction contracts and the percentage required at each stage varies from case to case. In general, we pay the construction companies 80% of the full contract price during the construction process, and 85% to 90% of the contract price when the construction work is completed after reviewing and ensuring that the finished product is satisfactory. In general, we settle up to 95% of the total contract price within two months of the completion of construction, and retains the remaining 5% as quality deposit for one to five years. The quality deposit is used to cover any contingent expenses incurred as a result of construction defects.

Procurement

The construction companies are generally responsible for the procurement of raw materials, such as concrete and steel, used in the construction process. Such raw material costs are included in the pre-agreed contract prices with the construction companies. We are responsible for purchasing specific materials and fixtures such as elevators, air conditioners and generators.

For materials which the construction companies are responsible for procuring, we normally specify a list of brands which meet our standards and the construction companies then procure such materials with reference to pricing guidelines issued by local authorities. For materials which materially affect the designs of our products, such as external finishing materials, decorative materials for interior walls and valves, we may require the construction companies to procure materials of specific brands at prices we pre-negotiate with suppliers.

To maximize our economies of scale and bargaining power, we centrally procure raw materials we are responsible for through our tender and procurement center. We normally seek tenders from no less than three suppliers for each type of raw material we procure, and enter into contracts with terms that range from one to two years (or with terms that are consistent with the construction periods of the relevant projects) with the winning bidders. The procurement contracts normally do not allow for price adjustments and we are not subject to any minimum purchase commitments.

We can, to a certain extent, pass any increases in raw material costs to our customers by increasing the prices of our products. However, we still bear the risk of price fluctuations in raw materials to the extent that we are unable to increase our prices to fully cover any increases in costs.

In general, we make payments to our suppliers in installments in accordance with the terms and conditions stipulated in the procurement contracts, and payment terms granted by its suppliers vary depending on factors such as the relationship between the supplier and us and the transaction size. We are normally required to settle payment within 15 to 30 days of the receipt of invoices, which are normally provided to us after the products have passed our quality control inspection processes and those of the construction supervision companies.

Suppliers may enter into new tender bids when the relevant contractual periods expire. Typically, we may terminate a contract if the supplier fails to supply the relevant materials in accordance with the terms of the contract, industry standards or relevant regulatory requirements.

We do not maintain any inventory of construction materials. We maintain a supplier list for the raw materials which we are responsible for purchasing to ensure we have sufficient options and alternatives when a supplier fails to meet our demand and to avoid supply shortages.

Project Monitoring and Quality Control

We place significant emphasis on quality control with regard to the construction and management of our projects. To ensure quality of properties and compliance with relevant laws and regulations, we have established a system of quality control policies and procedures to govern each aspect of the development process.

Our construction management center is responsible for overseeing the overall construction process for each of our projects. Our construction management center regularly reviews our projects under construction and conducts monthly on-site inspections. If there are any instances of non-compliance, our construction management center reports them to senior management and requires the non-compliant entity to rectify the issue within a specified timeframe. Our construction management center has a team of personnel to manage the quality control aspects of our projects.

At each project level, our project department is responsible for supervising the quality control process of our projects. Personnel from our project department are based on-site to closely monitor the quality and progress of construction work and selection of construction materials to ensure all construction work is completed according to relevant timetables and in compliance with our quality standards and applicable national requirements.

In compliance with relevant PRC laws and regulations, we engage independent certified construction supervision companies to monitor the entire construction process of our projects. The construction supervision companies conduct quality inspections on construction materials and on-site workmanship checks to ensure all construction materials and properties meet our prescribed specifications and applicable regulatory requirements. In addition, all properties under development are inspected regularly and prior to delivery.

Our inspection process includes the following: (i) all materials and equipment are inspected when entering the site and samples are sent to qualified inspection units for approval. Materials and equipment with unsatisfactory inspection results cannot be used; (ii) all sub-divided work steps are inspected on-site by construction supervision companies. Only when the inspection results of a work step are satisfactory can the next work step be carried out; and (iii) the construction work of a project must be inspected and confirmed by the design unit, surveying unit, construction company, construction supervision company and us.

The construction companies which we engage are not allowed to subcontract or transfer their contractual agreements with us to third parties without our prior consent. When subcontracting construction works to third parties under our consent, the construction companies are obliged to supervise and ensure the subcontractors' construction works are in strict compliance with our specifications and requirements, and to provide us with progress reports on a regular basis so that we are able to closely monitor the construction progresses.

Sales and Marketing

Pricing

Our ability to price our products at desired levels has been, and will continue to be, important to our results of operations. Generally, we determine the prices of our for-sale properties based on a variety of factors, including market conditions, competitive landscape and prices of comparable properties in the market, expected investment returns, positioning of properties, target customers and cost of construction. We also adjust the prices of our for-sale properties during the sales process based on market responses we experience, especially when we experience favorable responses. To provide confidence to our customers, we do not normally make downward adjustments in the prices of our for-sale properties during the sales process.

Pre-sales

We commence pre-sale activities for our properties prior to their completion, usually within 11 to 18 months after the commencement of construction. According to the applicable PRC laws and regulations, there are certain criteria which must be met before we may commence any pre-sale activities for a property under development. These conditions include full payment of the land grant premium and acquisition of all relevant land use rights certificates, construction-related permits and pre-sale permits. See "Regulation – Sale of Commodity Properties."

Further, in some cities where we operate, such as Shenzhen, the use of pre-sale proceeds is restricted. Under the applicable rules and regulations of these local governments, the use of pre-sale proceeds is restricted to be primarily for the construction and development of the relevant projects. See "Regulation – Sale of Commodity Properties."

Sales, Marketing and Promotion

Our brand marketing center is responsible for formulating marketing and sales strategies and managing the overall marketing and sales process. It makes decisions with respect to product positioning and is closely involved in each property development process, from land selection to pre-sales and sales of properties. It also conducts regular market research studies and constantly monitors the changing market conditions to adjust its marketing and sales strategies in a timing manner. We have a well-established team of sales and marketing personnel to develop marketing and brand promotional plans as well as advertising and sales plans for the properties to be sold or leased. Additionally, our senior management is also engaged in the sales process, where their role includes devising optimal sales and positional strategy, designing sales office and show flats, determining pricing strategy and overseeing the sales teams to ensure they convey the appropriate and intended marketing message to potential purchasers.

Our marketing and sales strategies vary from project to project and depend on factors including market conditions, project scale and targeted customer group. Our main marketing channels include newspapers, magazines, television and billboards, as well as the Internet, where we focus on delivering differentiated product positioning to buyers and leveraging the recognition of our brand through landmark projects such as our Shenzhen NEO Urban Commercial Complex. We may also host corporate marketing events such as corporate culture seminars (企業文化講座) and discussion groups to extend our reach to target customers. For

the years ended December 31, 2017, 2018, 2019 and the six months ended June 30, 2020, our selling expenses were RMB67.7 million, RMB133.0 million, 134.1 million (US$19.0 million) and RMB26.9 million (US$3.8 million), respectively.

We also engage reputable third-party real estate sales agents to facilitate the marketing and sales of our projects. We generally enter into standard service agreements with sales agents, which include key terms such as the scope of retention, duration of services, scope of authorization, fees and payment method. The standard service agreements also stipulate that the sales agents must not conduct unauthorized sales or sell our properties at prices lower than those that we have agreed, and that the sales agents must carry out truthful advertising and comply with all applicable regulatory requirements. Commissions to the sales agents are negotiated on a case-by-case basis. The sales agents do not receive any sales payments on our behalf. Payments are made by the customers directly to company accounts we have designated.

Payment Arrangements

Customers may purchase our properties by one lump-sum payment or payment by installments. For customers who opt to pay by installments, they may fund their purchases by personal funds or mortgage loans provided by commercial banks.

We typically require our customers to pay a deposit upon entering into a sale and purchase agreement. Such deposits are non-refundable and are forfeited if the customers default on the purchases. Customers who purchase properties by making one lump-sum payment are normally required to fully settle the total purchase price within the prescribed period after entering into the relevant sale and purchase agreements. Customers who pay by installments are required to make payments in accordance with the agreed payment schedules. Outstanding balances must be fully settled prior to property delivery. Customers who purchase properties with mortgage loans are required to pay a down payment of no less than 30% of the total purchase price upon entering into a sale and purchase agreement. The outstanding amounts are settled by the mortgagee banks within the prescribed period pursuant to the respective bank financing agreements.

In line with industry practice in the PRC, we provide guarantees to mortgagee banks for the mortgage loans offered to its customers. These guarantees are typically released upon the issuance of the relevant property ownership certificate for the property and the registration of the mortgage in favor of the mortgage bank. If a purchaser defaults on a mortgage loan during the guarantee period, we are required to repay the outstanding balances owed to the mortgagee bank. We are assigned the title to the mortgage loan, giving us rights to the property, after settling such outstanding balances. In accordance with industry practice, we rely on the credit checks conducted by the mortgagee banks and does not conduct independent credit checks on its customers.

Delivery and After-sale Services

Delivery of Properties

We believe that delivering quality properties and providing satisfying purchasing experiences to customers are fundamental to the success of our business. We closely monitor the construction progress of our properties so as to deliver properties to our customers within the timeframe specified in the respective sale and purchase agreements and in a manner that complies with PRC laws and regulations. Prior to delivery, all properties are inspected by personnel from our customer service center from a customer's perspective to ensure customer satisfaction. Only when the identified issues have been rectified are the properties delivered to the customers.

The timeframes for delivery are set out in the relevant sale and purchase agreements. Under a typical sale and purchase agreement, we are liable to pay a monetary penalty of 0.03% to 0.04% of the purchase price on a daily basis until delivery of the property if we fail to deliver the property on the delivery day stipulated in the agreement. A purchaser may have the right to repudiate the sale and purchase agreement if the delay exceeds 90 days, and we must return the full payment, together with an extra penalty of approximately 10%, within 10 days of receiving the notice of repudiation from the customer.

After-sale Services

We are committed to customer satisfaction and offer our customers comprehensive after-sale services, including, among others, providing assistance in obtaining property ownership certificates, following up on warranty issues and performing maintenance services. Our after-sale services are managed by our customer service center.

We value feedback from our customers and believe it is important in helping us maintain customer relationships, improve product and service quality and identify customer preferences. We maintain a customer service telephone hotline for customers to provide feedback and complaints about our products and services. It is our policy to attend to any customer feedback or complaints in a timely manner. In addition, to better understand the needs of our customers so as to improve its offerings, we conduct satisfactory surveys from time to time.

To maintain long-term relationships with customers, establish customer loyalty and foster brand awareness, we established the LVGEM Club (綠憬會), a membership program in which our purchasers are automatically enrolled. Members of the program receive sales information regarding our latest projects prior to the public sales and are invited to attend our organized activities from time to time. Members may also enjoy discounts when shopping at our Zoll Centers.

Warranties and Returns

We provide our customers with warranties for the quality of building structures pursuant to the Measures on the Sales of Commodity Housing and Regulations for the Operations of Urban Property Development. In addition, in accordance with the published national standards, we provide quality warranties for ground foundations, main structures, waterproofing work, water and electricity work, decorative work and sanitary wares. The warranty durations vary depending on the covered items and are usually for a period of no less than two to five years. The warranty durations for ground foundations and main structures are the relevant reasonable lifespans stated in the design documents.

Our construction companies are responsible for rectifying quality defects in the properties, whether such defects are discovered pre-or post-completion and delivery. We may repair quality defects only if the construction companies cannot repair the defect in a timely manner. We generally retain a quality deposit of 5% of the total contract price for approximately one to five years to cover any contingent expenses that may be incurred as a result of any quality defects.

Except where we have breached a sale and purchase agreement, we do not allow returns of properties from our customers.

COMMERCIAL PROPERTY INVESTMENT AND OPERATIONS

As of June 30, 2020, we held 28 properties as investment properties, with an aggregate GFA of 678,285 sq.m. The following table sets forth certain information of our held investment properties as of June 30, 2020.

Project name	City	Type	Completion Date	Total GFA	Original cost	Fair market value as of June 30, 2020[2]	Rental income in six months ended June 30, 2020	Fair value yield[3]	Cost yield[4]	Occupation Rate
				(sq.m.)	(RMB) in millions	(RMB) in millions	(RMB) in millions			
Zoll										
LVGEM Zoll Chanson Shopping Mall	Shenzhen	Shopping mall and car parks	2013	37,215.47	242.1	898.4	18.3	4.12	15.28	91.18
LVGEM Zoll 1866 Shopping Mall	Shenzhen	Shopping mall and car parks	2014	54,361.43	264.8	1,356.0	26.8	4.00	20.47	98.68
LVGEM Zoll Hongwan Shopping Mall	Shenzhen	Shopping mall and car parks	2015	66,344.35	833.3	1,672.7	26.1	3.16	6.33	96.53
LVGEM Zoll Mangrove Bay No. 1 Shopping Mall	Shenzhen	Shopping mall and car parks	2018	20,505.01	386.7	541.7	–	NA	NA	NA
LVGEM Zoll International Garden Shopping Mall	Huazhou	Shopping mall	2015/2018	72,884.76	316.5	503.3	6.7	2.69	4.28	91.64
LVGEM Zoll Jinhua Shopping Mall	Suzhou	Shopping mall	2004	15,504.25	69.8	189.0	3.4	3.64	9.85	96.73
LVGEM Zoll Yuexi Shopping Mall	Suzhou	Shopping mall	2018	12,215.79	104.9	118.5	2.8	4.78	5.40	79.93
Dongguan LVGEM Zoll Shopping Mall	Dongguan	Shopping mall	2019	59,056.04	363.2	364.2	–	NA	NA	NA
Sub-total				338,087.10	2,581,3	5,643.8	84.1			
NEO										
Shenzhen NEO Urban Commercial Complex Tower A[1]	Shenzhen	Office units, commercial units, and car parks	2011	120,094.92	1,144.9	5,723.2	119.6	4.23	21.12	81.26
Shenzhen NEO Urban Commercial Complex Tower B&C[1]	Shenzhen	Office units, commercial units, and car parks	2011	26,097.10	138.1	814.1	20.1	4.99	29.43	100.00
Hong Kong LVGEM NEO	Hong Kong	Office units, commercial units, and car parks	2019	55,390.18	8,562.5	9,150.4	27.8	0.61	0.66	~50.00
Sub-total				201,582.20	9,845.5	15,687.7	167.5			
Other		Industrial park, street shop and apartment		138,615.68	1,009.9	2,478.5	65.8	5.37	13.17	NA
Total				678,284.98	13,436.7	23,810.0	317.4			

Notes:

(1) This is a part of the Shenzhen NEO Urban Commercial Complex.

(2) As appraised by property valuer Jones Lang LaSalle.

(3) Calculated as rental income for the period, annualized then divided by fair market value as of June 30, 2020.

(4) Calculated as rental income for the period, annualized then divided by original cost.

OUR "NEO" AND "ZOLL" BRANDS

We own and operate commercial properties under two key brand names: "NEO" and "Zoll". These commercial properties include Zoll Centers, NEO Urban Commercial Complexes and other retail space and have a combined GFA of 539,669 sq.m.

Our "NEO" brand is associated with large urban commercial complexes. We currently operate the Shenzhen NEO Urban Commercial Complex, located in the western region of the central Futian District of Shenzhen, which comprises of tenants from several Fortune Global 500 companies. It has been named one of Shenzhen's top 10 landmark buildings, significantly enhancing the value of the Group's brand.

Our "Zoll" brand represents community lifestyle, which integrates residential properties with complementary commercial facilities to meet the shopping, entertainment, social, health and education-related needs of the community residents and residents from neighboring communities. Our Chanson Zoll Center project was selected as the Best Community Commercial Project (最佳社區商業項目) in 2012 by winshang.com (贏商網) and United 21 Century China Commercial Property Academy (聯合21世紀中國商業地產研究院) and the Best Community Commercial Project (最佳社區商業項目) in 2013 by Guardian Property New Media (觀點地產新媒體). In 2016 it was further recognized as the most popular shopping mall in the district by Southern Metropolis Daily and also received the Mall China Golden Mall Awards 2013, 2014 and 2016 Community Shopping Center Award (中購聯中國購物中心2013, 2014和2016年度社 區購物中心大獎) by mallchina.org (中購聯) in 2013, 2014 and 2016, respectively.

We currently operate a NEO Urban Commercial Complex in Kwun Tong, Hong Kong, which was launched to the market in August 2019. In addition, we manage two Zoll shopping malls in Suzhou and one Zoll shopping center in Huazhou. We aim to further expand our "NEO" and "Zoll" brand to other regions.

Projects Under Operation

Shenzhen NEO Urban Commercial Complex (深圳NEO都市商務綜合體)

Shenzhen NEO Urban Commercial Complex is located at the interchange of Shennan Boulevard and Xiangmihu Street, Futian district, Shenzhen. It has a GFA of 252,539 sq.m. It was recognized as "One of the top ten landmarks in Shenzhen". Our key tenants include banks, telecommunications operators, large state-owned enterprises and the local offices of the Global Fortune 500 companies. As of December 31, 2017, 2018, 2019 and June 30, 2020, the occupancy rates of Shenzhen NEO Urban Commercial Complex were 99%, 94%, 83% and 83%, respectively.

Hong Kong LVGEM NEO (香港綠景NEO大厦)

Hong Kong LVGEM NEO is a grade-A commercial building located in No.123 Hoi Bun Road, KwunTong, Hong Kong. It is a 19-storey building with 270-degree sea view of Victoria Harbor benefiting from the excellent location and accessible transportation. Hong Kong LVGEM NEO is positioned as a fin-tech center converging artificial intelligence, finance, culture and scenery. It has a GFA of 55,390 sq.m. The project was completed and officially launched to the market in the second half of 2019. At present, a number of anchor tenants' lease negotiations is on-going. The signed tenants include insurance companies, financial institutions, technology firms and virtual bank and the current occupancy rate reached approximately 50%.

LVGEM Zoll Chanson Shopping Mall (綠景佐羚香頌購物中心)

LVGEM Zoll Chanson Shopping Mall commenced operations in May 2013 and is located at the junction of Bulong Road and Minzhi Road of Longhua New District, Shenzhen. It has a GFA of 36,887 sq.m. It is a two-story community center with a one-level basement and was our first Zoll Center. It was developed in

conjunction with LVGEM Chanson Garden which includes five residential buildings. LVGEM Zoll Chanson Shopping Mall provides comprehensive shopping, dining, entertainment and physical fitness experiences to its neighborhood residential communities, and, in particular, targets middle-income residents of the Longhua New District. Chanson Zoll Center is home to a wide variety of domestic and international brands. Examples of its anchor tenants include Uniqlo, China Resources Vanguard, Dadi Cinema, Molly Fantasy, Starfish, Starbucks and Burger King. In 2017, 2018, 2019 and the six months ended June 30, 2020 the occupancy rate was 92%, 97%, 99% and 91%, respectively.

LVGEM Zoll 1866 Shopping Mall (綠景1866佐怜薈)

LVGEM Zoll 1866 Shopping Mall commenced operations in May 2014 and is located in Longhua New District, Shenzhen. It was developed in conjunction with our LVGEM 1866 Garden which includes 13 residential buildings. It has a GFA of 54,361 sq.m., and provides comprehensive shopping, dining and entertainment options and sports facilities. It has over 20 anchor tenants, which include financial companies, restaurants, children education centers and health and leisure entertainment centers. Examples of its anchor tenants include Decathlon, China Resources Vanguard, Starbucks, Catic Wellness, China Merchants Bank, Bank of Communications and China Everbright Bank. In 2017, 2018, 2019 and the six months ended June 30, 2020 the occupancy rate was 98%, 98%, 99% and 99%.

LVGEM Zoll Hongwan Shopping Mall (綠景佐怜虹灣購物中心)

LVGEM Zoll Hongwan Shopping Mall is located in Futian, Shenzhen and commenced operations in January 2017. It was developed in conjunction with LVGEM Hongwan Garden, which consists of five high-rise residential buildings and two apartment buildings. It has an GFA of 51,232 sq.m. As of June 30, 2020, it had reached an occupancy rate of 97%.

LVGEM Zoll International Garden Shopping Mall（Zone A）(綠景佐怜國際花城購物中心-A區)

LVGEM Zoll International Garden Shopping Mall (Zone A) commenced operations in Feb 2018 and is located in Southwest of Juzhou Park, Hexi District, Huazhou City, Guangdong Province. It was developed in conjunction with LVGEM International Garden which includes a large number of residential properties. It has a GFA of 22,166 sq.m. The lifestyle shopping center provides comprehensive shopping, dining and entertainment facilities and is operated under the concept of experiential consumption. The shopping Centre will exert the influence of Zoll on the western region of Guangdong Province. Tenants include well-known brands such as Shenzhen International Cineplex, Minghu Supermarket, Banquet Bar, M-show music themed KTV, Koala Adventure and Sorcery Children Paradise, etc. As of June 30, 2020, the occupancy rate was 92%.

LVGEM Zoll Jinhua Shopping Mall (綠景佐怜錦華購物中心)

LVGEM Zoll Jinhua Shopping Mall commenced operation in December, 1994 and is located in No. 100 Shishan Road, High-tech District, Suzhou City, Jiangsu Province. It has a GFA of 15,504 sq.m. The shopping center aimed to improve the ancillary services of commercial area to the community, applying the elements of convenience, experience and fashion to form a three-space structure of family entertainment, affection sharing and community socializing. Moreover, it endeavored to facilitate the urban residents to enhance the quality of life and create a modem lifestyle. The anchor tenants of the shopping center include Starbucks, 85°C, Fushikang Foot-Massage, Xiang Japanese Cuisine, Blue Marlin Bar & Restaurant, Sofia Dental Clinic, Ma Ji Sheng Hotpot, Impulse Total Fitness, and Xiemei Medical cosmetology. As of June 30, 2020, the occupancy rate was 97%.

LVGEM Zoll Yuexi Shopping Mall (綠景佐羚越溪購物中心)

LVGEM Zoll Yuexi Shopping Mall commenced operation in November, 2018 and is located in the core area of Yuexi Development Zone, Wuzhong District, Suzhou. It has a GFA of 12,216 sq.m. and is a community-based shopping mall, featuring mainly catering services together with other commercial businesses. The shopping mall intended to satisfy the needs of the basic consumption and improve the quality of lifestyle. The anchor tenants include Starbucks, Burger King, Papa John's, YuanzuCake, Suning.com, China Merchants Bank, Montessori Early Childhood, Talang Internet Cafe, WuyueOral, Hexiangji, and HeyiYoga. As of June 30, 2020, the occupancy rate was 80%.

Projects expected to be in Operation

The table below sets forth details of the projects expected to be in operation.

Project name	Location	Expected opening date	Total GFA (sq.m.)	Type
LVGEM Zoll Mangrove Bay No.1 Shopping Mall	Shenzhen	NA	20,505	Zoll
Dongguan LVGEM Zoll Shopping Mall	Dongguan	NA	59,056	Zoll

Property Lease and Tenants (Shenzhen NEO Urban Commercial Complex)

Lease

In general, we enter into lease agreements for our Shenzhen NEO Urban Commercial Complex with terms that range from three to five years. Long-term lease agreements of up to ten years are normally entered into with national banks or large corporations. Rental fees are usually fixed during a preliminary period with predetermined periodic rental increases in the remaining lease term.

We determine the lease terms with reference to prevailing rental rates and the terms and conditions of comparable properties. The lease agreements we enter into with tenants typically specify the rental fee, security deposit, the tenant's ability to renovate the leased property as well as the requirement to pay property management and utility fees. The tenants are usually required provide a security deposit that amounts to one to three months' rent. We are entitled to retain such security deposit if a tenant terminates the lease without cause before the expiry of the lease term.

Under a typical lease agreement, the tenant is also required to pay property management fees to the property management company of Shenzhen NEO Urban Commercial Complex. Pursuant to the lease agreement, a tenant enters into a separate property management service agreement with the property management company which stipulates the management fee, utility fee and other relevant fees. We provide our tenants with property management services primarily through our wholly owned subsidiaries. In addition, we charge certain tenants with promotional fees, site use fees and advertising space use fees.

In general, we may terminate the lease agreement with a tenant under circumstances such as: (i) the tenant has defaulted on the rental payment or property management fee for more than 30 days; (ii) the tenant has renovated the leased property or changed the use of the leased property without our consent; (iii) the tenant has breached the other terms in the leased agreement and failed to rectify within the timeframe specified by us. On the other hand, a tenant may terminate the lease agreement under circumstances including, but not limited

to: (i) we have failed to deliver the leased property on time; and (ii) the leased property delivered by us has material defects which result in the impossibility to carry out the lease purpose, and we have failed to take reasonable measures to repair such defects within the prescribed period.

Tenants

As of June 30, 2020, we served a large and diverse tenant base consisting of approximately 130 individual leases. Examples of major tenants of the NEO Commercial Complex include China Mobile, ICBC, China Petroleum, Bank of Shanghai, SPD Bank, Baidu, Manulife-Sinochem life, AVIC International and Guotai Junan Securities. The majority of such major tenants have established long-term relationships with us of three to ten years.

Property Lease and Tenants (Zoll Centers)

Lease

In general, we enter into lease agreements for our Zoll Centers with terms that range from one to fifteen years. Long-term lease agreements are normally entered into with well-known international brands, chain stores and anchor stores. For instance, the lease term of the agreement between us and China Resources Vanguard, a well-known supermarket chain in China, is 15 years. We believe that the long-term leases with such tenants provide us with stable rental revenue and may help enhance the positioning of the Zoll Centers. We usually enter into short-term lease agreements with new or less well-known brands for a term of one year, such that we may adjust our tenants based on prevailing market conditions from time to time.

In a lease agreement, we generally require the tenant to provide a security deposit that amounts to one to three months' rent. We are entitled to retain such security deposit if the tenant terminates the lease without cause before the expiry of the lease term.

Under a typical lease agreement, the tenant is also required to pay property management fees to the property management company of the Zoll Center. Pursuant to the lease agreement, a tenant enters into a separate property management service agreement with the property management company which stipulates the management fee, utility fee and other relevant fees. We provide our tenants with property management services primarily through our wholly owned subsidiaries. In addition, we charge certain tenants with promotional fees, site use fees and advertising space use fees.

In general, we may terminate the lease agreement with a tenant under circumstances such as: (i) the tenant has defaulted on the rental payment or property management fee for more than 30 days; (ii) the tenant has renovated the leased property or changed the use of the leased property without our consent; (iii) the tenant has breached the other terms in the leased agreement and failed to rectify within the timeframe specified by us. On the other hand, the tenant may terminate the lease agreement under circumstances including, but not limited to, the following: (i) we have failed to deliver the leased property on time; and (ii) the leased property delivered by us has material defects which result in the impossibility to carry out the lease purpose, and we have failed to take reasonable measures to repair such defects within the prescribed period.

Tenants

As of June 30, 2020, the Zoll Centers served a large and diverse tenant base consisting of approximately 400 individual leases. The Zoll Centers are home to many domestically and internationally renowned retailers, fast-food chains and cinema operators, which we believe help enhance the positioning and retail offering of the Zoll Centers, attract higher visitor traffic and improve the overall rental potential of the Zoll Centers. Examples of major tenants of the Zoll Centers include China Resources Vanguard, Bank of Shanghai, Bank of

Communications, China Everbright Bank, Starbucks, Uniqlo, Guangdong Nanyue Bank, Decathlon and Watsons. The majority of such major tenants have established long-term relationships with us of one to 15 years.

COMPREHENSIVE SERVICES

Property Management

We provide comprehensive services to purchasers and tenants of our residential and commercial properties. These comprehensive services include property management services, hotel operations and others. We provide comprehensive property management services for most of our property development projects through our wholly-owned subsidiaries, namely Shenzhen LVGEM Jiyuan Property Management Service Co., Ltd., Shenzhen LVGEM Property Management Co., Ltd. and Huazhou LVGEM Property Management Co., Ltd. Our property management services include security services, property maintenance and management of ancillary facilities. As of June 30, 2020, we provided property management services to the residents and tenants of 25 properties, including commercial and residential properties, with an aggregate GFA of approximately 2.7 million sq.m. Except for three properties, all of our managed properties were developed by us. Shenzhen LVGEM Property Management Co., Ltd. possesses ISO9001:2008 certification for its quality system of property management services and the level A property management qualification.

Hotel

LVGEM Hotel

We also operate and manage our LVGEM Hotel. LVGEM Hotel is a business hotel located at the interchange of West Xinzhou Road and Xinzhou 6th Road, Futian, Shenzhen. The hotel has a total GFA of 25,751 sq.m. It has over 330 rooms and complementary facilities, including two multi-functional rooms, one banquet hall and a video conference room. As of June 30, 2020, the average occupancy rate for the hotel was approximately 45%. In 2018, LVGEM Hotel was awarded "2018 Top 16 Brand Hotels in Shenzhen" by the Shenzhen Tourism Association. In 2017, LVGEM Hotel was awarded "The Most Popular Hotel" by the Shenzhen Tourism Association and "Top 20 Local Brand Hotel of Shenzhen in 2016".

Vanllee Hotel

We acquired Vanllee Hotel, located in Covina, California, United States at an auction in 2017. It occupies a site area of 22,652 sq.m., and features 258 rooms and over 9,000 sq.ft. of event space. It is currently in operation and undergoing internal renovation in phases.

RISK MANAGEMENT AND INTERNAL CONTROL

We recognize that risk management is critical to the success of any property developer and operator.

In order to meet these challenges, we have established the following structures and measures to manage our risks:

- *Code of conduct:* Our code of conduct explicitly communicates to our employees the values, acceptable criteria for decision-making and the standards on employees' behaviours;

- *Asset management:* we have adopted a set of rules and policies to govern our asset investment and management aspects to ensure a healthy financial system and to avoid internal abuse. These rules and policies cover areas including payment settlement, proceeds and accounts management, provision of guarantees, cash management and fixed asset investment and management;

- *Anti-corruption:* our internal control and corporate governance policies provide the tools and resources necessary to enable, monitor and enforce full compliance with relevant anti-bribery and anti-corruption laws. Further, we welcome the public to report any unethical professional conducts or fraudulent activities through its customer hotline; and

- *Compliance with applicable laws and regulations:* our internal control and corporate governance policies aim to ensure compliance with applicable laws and regulations, including, among others, aspects related to corporate governance, project management, tendering process management, labor safety, connected transactions and sales transactions with employees and senior management. In addition, where necessary, we also engage professional advisors to advise it on matters relating to ongoing compliance with applicable laws and regulations.

Additionally, we focus on five areas of internal control:

- *Environment control:* cultivating full risk management awareness and knowledge to our employees, continuing to improve on our corporate governance and structure, in particular by ensuring appropriate supervision and authorization for each business unit, and continuing to improve our systems and standardize business processes that would minimize our risks;

- *Risk assessment:* identifying and analyzing risks associated with operations and internal control, confirming risk management objectives and developing risk management strategies;

- *Activity control:* controlling and identifying risks through business processes, such as identification, confirmation, review, approval and authorization;

- *Information and communication:* establishing an information disclosure system at all levels and departments, which includes daily reporting and disclosure mechanism to ensure the timeliness and effectiveness of information transmission and maintains effective communication with external parties, such as our customers; and

- *Internal supervision:* we regularly review the effectiveness of our internal control systems and execution, and rectify any gaps in internal culture.

COMPETITION

We compete with other real estate developers for residential and commercial property projects and our other businesses, particular those that operate in Shenzhen and other cities in the Pearl River Delta region, where we primarily operate. We believe that the major competitive factors in the residential property market include the geographic location, product design and quality management expertise, financing, access to transportation infrastructure, government support, size of land reserves, scale of the development project, management expertise, number and quality of supporting services and facilities, brand recognition by customers, customer services and support, creditworthiness and price. There is no assurance that we will be able to continue competing effectively in our industry.

PROPERTIES FOR OUR OWN USE

Properties owned and leased by us mainly include offices. As of June 30, 2020, the properties owed and used by us accounted for an aggregate GFA of approximately 4,686 sq.m. and properties that we leased had an aggregate GFA of approximately 620 sq.m.

AWARDS AND RECOGNITION

We have been often recognized by the government and professional institutions for our ability and the quality of our property development projects, including:

Year	Recipient	Honor/Award	Awarding body
2011-2020	LVGEM	Top 10 Shenzhen Real Estate Development Enterprises in terms of Comprehensive Strength	Shenzhen Real Estate Association
2019	LVGEM	2019 Top 10 Shenzhen Property Enterprises with High Credit	Shenzhen Real Estate Association
2018	LVGEM Jinjiang Hotel	2018 Top 16 Brand Hotels in Shenzhen	Shenzhen Tourism Association
2017	LVGEM	Ranked fourth of the Top 13 "Trustworthy" enterprises in Shenzhen's real estate industry	Shenzhen Real Estate Association
2014	LVGEM Hongwan Garden	Twin Gold Award in Planning and Construction	The Architectural Society of China
2016	LVGEM	Excellent property management in the industry	MallChina.org
2015	LVGEM	Commercial property management company award	MallChina.org
2015	Shenzhen NEO Urban Commercial Complex	Civilized and law-abiding leaser	Shenzhen House Tenancy Management Office and Shenzhen House Tenancy Guild
2014	Shenzhen LVGEM Jiyuan Property Management Service Co., Ltd.	2013 Outstanding Member in Innovation and Development	Shenzhen Property Management Association
2014	Zhongcheng Tianyi Garden	National Model for Residential Property Management in 2013	Ministry of Housing and Urban-Rural Development of the People's Republic of China

Year	Recipient	Honor/Award	Awarding body
2014	LVGEM	the China Property Annual Meeting Year Social Responsibility Award in 2014	Southern Metropolis Daily
2013	LVGEM	Annual Brand Award in 2013	Southern Metropolis Daily and Peking University HSBC Business School
2012	Shenzhen LVGEM Real Estate Co., Ltd.	Annual Sales Award in 2012	Southern Metropolis Daily
2012	LVGEM 1866 Garden	Shenzhen Green Building Certification – Bronze Level	Housing and Construction Bureau of Shenzhen
2012	Shenzhen LVGEM Real Estate Co., Ltd.	Sixth among Shenzhen Real Estate Market Leading Enterprises	China Index Academy
2010	Shenzhen NEO Urban Commercial Complex	Top 10 Landmark Architectures in Shenzhen	Shenzhen News

INTELLECTUAL PROPERTY RIGHTS

We rely on a combination of trademarks, service marks, domain name registrations, copyright protection and contractual restrictions to establish and protect our brand name and logos, marketing designs and internet domain names.

We have registered the trademark of "綠景" and "LVGEM" and the associated logo for real estate related services and other goods and services directly or indirectly related to our business operations in Hong Kong. We have also registered the internet domain name "www.lvgem-china.com".

We were granted the right to use all of the Zoll trademarks on a royalty-free basis according to a trademark license agreement entered between our Company and LVGEM Entity Management Group, which is a company wholly-owned by Mr. Wong Hong King and his associates, on October 26, 2015. The trademark license agreement has a term of three years ending on December 31, 2017 and is renewable upon expiry at our option. LVGEM Management Group has undertaken to renew the registration of the Zoll trademarks upon the expiry of their respective terms.

INSURANCE

We maintain a full insurance coverage for our investment properties, including the losses resulting from earthquakes. We carry social insurance for our employees in compliance with the relevant PRC rules and regulations and local practice.

According to the agreements we entered into with the general contractors, the general contractors are responsible for construction quality and safety measures during the construction process, and to maintain casualty insurance for construction workers according to the relevant PRC laws and regulations. We believe our insurance practice is in line with the customary practice in the PRC real estate industry. We closely monitor the quality and safety measures adopted on our construction sites with the construction companies to lower the risks of damages to our property and liabilities that may be attributable to us.

EMPLOYEES

We had 1,856 full-time employees as of June 30, 2020. The following table sets forth a breakdown of our employees by function as of June 30, 2020:

Function	Number of employees	Percentage of total employees
		(%)
Management Team	20	1%
Property Development	529	29%
Commercial Property Operation & Management	83	4%
Property Management	1,036	56%
Hotel Operation & Management	188	10%
Total	1,856	100%

We actively recruit skilled and qualified personnel in the local markets, including graduates from universities as well as employees with relevant working experience. For the senior management team and selected management positions, we may also seek to recruit personnel with international experience. The remuneration package of our employees includes salary, bonuses and other cash subsidies. We also maintain a share option scheme. In accordance with national and local labor and social welfare laws and regulations, we are required to pay monthly social insurance premiums covering pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing reserve funds. We believe the salaries and benefits that our employees receive are competitive with market standards in each geographic location where we conduct business.

We are also committed to the professional and personal development and growth of our employees and provide on-the-job and other training courses and programs to help our employees maintain and develop their skills and professionalism and support them in career development.

ENVIRONMENTAL AND SAFETY MATTERS

We are subject to PRC environmental protection laws and regulations. These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. We are required to submit our environmental impact statement to the government for approval or an environmental impact registration form for record-filing. We should obtain an approval before the commencement of the construction project requiring the preparation of the environmental impact statement. We are committed to complying with these environmental protection laws and regulations. We also actively participate in the environmental assessment process and fully cooperate with accredited environmental assessment organizations.

Pursuant to applicable laws and regulations, depending on the impact of the project on the environment, we shall prepare environmental impact statement for approval, or an environmental impact registration form for record-filing. In addition, we shall, upon completion of a construction project for which an environmental impact statement has been prepared, carry out acceptance check of the supporting environmental facilities being constructed and prepare an acceptance report according to the standards and procedures required by the environmental protection administrative authorities of the State Council, and such supporting environmental protection facilities shall be put into operation simultaneously or use together with the main body of the project. Our construction companies are responsible for ensuring compliance with applicable environmental laws and regulations during the construction process. We also encourage our construction companies to use equipment and facilities, and to adopt or develop new technologies, which are environmentally friendly. Under PRC laws and regulations, most of the potential liabilities to the workers and visitors of our construction sites rest with the construction contractors, including our own construction company and the construction companies we engage. 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. Under the Environmental and Hygienic Standards of Construction Work, a contractor is required to adopt effective occupational injury control measures, to provide workers with necessary protective devices, and to offer regular physical examinations and training to workers who are exposed to the risk of occupational injuries. See "Regulation – Labor Protection."

LEGAL PROCEEDINGS

We are currently not a party to, and we are not aware of any threat of, any legal, arbitral or administrative proceedings, which is reasonably likely to have a material and adverse effect on our business, financial conditions or results of operations. We may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of our business.

REGULATION

SUMMARY OF PRINCIPAL PRC LEGAL AND REGULATORY PROVISIONS

Set out below is a summary of certain aspects of PRC legal and regulatory provisions relating to our operations and business. These include laws and regulations relating to:

- Establishment of a Real Estate Development Enterprise
- Qualification of a Real Estate Developer
- Development of a Real Estate Project
- Land for Property Development
- Sale of Commodity Properties
- Transfer of Real Estate
- Leases of Building
- Mortgages of Real Estate
- Real Estate Management
- Insurance
- Measures on Stabilizing Property Prices
- PRC Taxation
- Foreign Currency Exchange
- Labor Protection

ESTABLISHMENT OF A REAL ESTATE DEVELOPMENT ENTERPRISE

According to the Law on Administration of Urban Real Estate of the People's Republic of China (the "Urban Real Estate Law") (中華人民共和國城市房地產管理法) promulgated by the Standing Committee of the National People's Congress, effective on January 1, 1995, as amended on August 30, 2007 and on August 27, 2009 and August 2019 (effective in 2020), a real estate developer is defined as an enterprise which engages in the development and operation of real estate for the purpose of making profits. Under the Regulation on Administration of Development of Urban Real Estate (the "Development Regulation") (城市房地產開發經營管理條例) promulgated by the State Council on July 20, 1998, as amended on January 8, 2011, March 19, 2018, March 24, 2019, and March 27, 2020, an enterprise which is to engage in development of real estate must satisfy the following requirements:

- its registered capital must be RMB1 million or more; and

- it must have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom must hold the relevant qualification certificate. The authorities at the provincial level, autonomous region level or municipalities under the direct administration of the central PRC government may impose more stringent requirements regarding the registered capital and professional qualifications of real estate enterprises

The local government of a province, autonomous region or municipality directly under the PRC central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

To establish a real estate development enterprise, the developer must apply for registration with the administration for industry and commerce. The developer must also report its establishment to the real estate development authority in the location of its registration, within 30 days of the receipt of its business license. Where a foreign-invested enterprise is to be established to engage in the development and operation of real estate, it must also comply with the relevant requirements under the PRC laws and administrative regulations regarding foreign invested enterprises.

Under the Catalog of Guidance on Industries for Foreign Investment (the "Catalog of Guidance") (外商投資產業指導目錄) promulgated by MOFCOM and NDRC on March 10, 2015, the construction of villa falls within the category of industries in which foreign investment is prohibited and other real estate development falls within the category of industries in which foreign investment is permitted. The Catalog of Guidance was amended on June 28, 2017 and become effective on July 28, 2017, according to which the construction of villa is removed from the category of industries in which foreign investment is prohibited and real estate development falls within the category of industries in which foreign investment is permitted. Fields not included in the Special Administrative Measures for Foreign Investment Access (Negative List for Foreign Investment Access) of the Catalog of Guidance shall be managed according to the principle of equal treatment of domestic and foreign investment.

In September 2016, the National People's Congress Standing Committee published the Decision on Revising Four Laws including the Wholly Foreign-owned Enterprise Law of the People's Republic of China (全國人民代表大會常務委員會關於修改《中華人民共和國外資企業法》等四部法律的決定) in which the approval procedure for foreign investments has been amended so that foreign investments in business sectors not subject to special entry management measures will only be required to complete a filing instead of the existing requirements to apply for approval.

Pursuant to the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (外商投資企業設立及變更備案管理暫行辦法) promulgated by MOFCOM on October 8, 2016 and amended on July 30, 2017 and on June 29, 2018, establishment and changes of foreign investment enterprises not subject to the approval under the special entry management measures shall be filed with the relevant commerce authorities.

Except for the industries listed in the Special Administrative Measures (Negative List) for Foreign Investment Access (Edition 2018) (the "Negative List (Edition 2018)") (外商投資准入特別管理措施(負面清單) (2018年版)) which was promulgated by MOFCOM and NDRC on June 28, 2018 and became effective on July 28, 2018, foreign investments in business sectors are therefore no longer subject to special administrative measures that require application for approval, instead, only a filing is required. The real estate development does not fall within the Negative List (Edition 2018). On June 30, 2019, MOFCOM and the NDRC jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2019 Version) (外商投資准入特別管理措施(負面清單)(2019年版)) which replaced the Negative List (Edition 2018) effective from July 30, 2019. On June 23, 2020, MOFCOM and the NDRC jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2020 Version) (外商投資准入特別管理措施(負面清單)(2020年版)) which replaced the Negative List (2019 Version) effective from July 23, 2020.

On March 15, 2019, the National People's Congress of the PRC adopted the Foreign Investment Law of the PRC (中華人民共和國外商投資法), or the Foreign Investment Law, with a view toward unifying and streamlining the foreign investment framework into China which became effective 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 include:

- establishment of a foreign invested enterprise in China, independently or jointly with any other investors;
- 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 investors; and
- 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 are required to follow the corporate governance rules under the PRC Company Law. However, for foreign invested enterprises formed prior to the adoption of the Foreign Investment Law, the Foreign Investment Law allows for a five-year transition period to bring the corporate governance of such foreign invested enterprises in line with the PRC Company Law.

On December 30, 2019, the MOFCOM and State Administration for Market Regulation promulgated the Measures for Foreign Investment Information Reporting (外商投資信息報告辦法), which became effective on January 1, 2020. Where foreign investors carry out investment activities in the PRC directly or indirectly, the foreign investors or foreign-invested enterprises shall submit investment information to competent commerce departments in accordance with the Measures for Foreign Investment Information Reporting, which replaces the Provisional Administrative Measures on Establishment and Modifications (Filing) for Foreign Investment Enterprises (外商投資企業設立及變更備案管理暫行辦法).

In response to the global financial crisis and in an effort to expand domestic demand, the State Council issued the Notice for Adjusting the Proportion of Capital Fund for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知) on May 25, 2009. Under the notice, the minimum capital ratio for protected housing projects and ordinary commodity housing projects is adjusted from 35% to 20%, and the minimum capital ratio for other real estate development projects is adjusted from 35% to 30%. On September 9, 2015, the State Council promulgated the Notice on Adjusting and Improving the Capital Fund Principle for Fixed Assets Investment (關於調整和完善固定資產投資項目資本金制度的通知), according to which the minimum capital ratio for other real estate development projects is adjusted from 30% to 25%.

On July 11, 2006, the Ministry of Construction, MOFCOM, NDRC, PBOC, SAIC and SAFE promulgated the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market (關於規範房地產市場外資准入和管理的意見) (the "171 document").

According to the 171 document, a foreign investor must comply with the following requirements in order to invest in the real estate market in China:

- A foreign entity or individual purchasing real estate in China other than for self-use shall, subject to the principle of commercial existence, apply for the establishment of a foreign- invested enterprise pursuant to the regulations relevant to foreign investment in real estate, and conduct relevant operations within the authorized business scope after obtaining approvals from the relevant government authorities and upon completion of the relevant registrations;

- If the total investment amount of a foreign-invested real estate development enterprise exceeds or equals to US$10 million, the registered capital shall not be less than 50% of the total investment amount of the enterprise. If the total investment amount is less than US$10 million, the current rules on registered capital shall apply;

- A transfer of projects of or shares in a foreign-invested real estate development enterprise, and the acquisition of a domestic real estate development enterprise by foreign investors shall be approved by the commerce authorities in strict compliance with the relevant laws, regulations and policies. The investor should submit: (a) a letter of guarantee pledging to abide by the land grant contract, the construction land planning permit and the construction work planning permit; (b) the land-use rights certificate; (c) the certification of a change of registration issued by the relevant construction administration authorities; and (d) the certification of tax payment issued by the relevant tax authorities; and

- Foreign investors acquiring a domestic real estate enterprise by way of equity transfer or other means, or acquiring domestic investors' equity interest in an equity joint venture, shall make proper arrangements for the real estate enterprise's employees and bank loan repayment. The foreign investors shall pay the transfer price in a lump sum and with their own capital. Foreign investors with unfavorable records are prohibited from involvement in such real estate activities in China.

On August 14, 2006, the General Office of MOFCOM issued a Notice on the Implementation of the Opinions on Regulating the Entry and Administration of Foreign Investment into the Real Estate Market (關於貫徹落實《關於規範房地產市場外資准入和管理的意見》有關問題的通知).

The notice requires that, the registered capital of a foreign invested real estate enterprise, or FIREE, shall not be less than 50% of its total investment if its total investment exceeds US$3.0 million, and the registered capital of a FIREE shall not be less than 70% of its total investment if its total investment is US$3.0 million or less.

On August 19, 2015, the Ministry of Housing and Urban-Rural Development, MOFCOM, NDRC, PBOC, SAIC and SAFE promulgated the Notice on Adjusting the Policies Concerning the Entry and Administration of Foreign Investment in the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知), to adjust certain policies in 171 document, including:

- The ratio of registered capital to total investment of foreign-invested real estate enterprises should be governed by the relevant provisions of the Interim Provisions of the State Administration for Industry and Commerce on the Ratio of the Registered Capital to the Total Investment of a Sino-Foreign Equity Joint Venture Enterprise (國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定);

- The requirement on full payment of registered capital of the foreign-invested real estate enterprises before applying for onshore or offshore loans or foreign exchange settlement for foreign debt is cancelled; and

- The foreign-invested real estate enterprises may process relevant foreign exchange registration for foreign direct investment directly with the banks.

On September 1, 2006, SAFE and the Ministry of Construction promulgated the Notice on Regulating the Administration of Foreign Exchange in Real Estate Market (關於規範房地產市場外匯管理有關問題的通知), which sets forth the specific regulations regarding to the procedure of purchasing real estate by foreign enterprises and individuals. The notice further requests that where a FIREE fails to pay the registered capital in full amount or fails to acquire a land-use rights certificate or to make its project development capital reach 35% of the total investments of the project, it shall not borrow any foreign debt, and the foreign exchange bureau shall not accept the registration of its foreign debt or approve the conversion of foreign debt into RMB. On May 4, 2015, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Abolishing and Revising Regulatory Documents Relating to Reform of Registered Capital Registration System (國家外匯管理局關於廢止和修改涉及註冊資本登記制度改革相關規範性文件的通知), which amended the aforesaid notice to cancel the requirement on full payment of the registered capital by a FIREE to borrow foreign debt.

When a foreign enterprise or individual merges a domestic real estate enterprise by way of equity transfer or by any other means or takes over the equity shares from the Chinese shareholder in a joint venture, if it/he fails to pay the transfer price in a lump sum with its/his own fund, the foreign exchange bureau shall not accept the registration or change registration of its/his foreign exchange.

On May 23, 2007, MOFCOM and SAFE issued the Notice on Further Strengthening and Regulating the Approval and Administration of Foreign Direct Investments in the Real Estate Industry (the "No. 50 Notice") (關於進一步加強、規範外商直接投資房地產業審批和監管的通知), which was amended on October 28, 2015. Under the Notice, local commercial authorities should reinforce the approval and supervision process over foreign investment in real estate enterprises, and strictly control foreign fund from investing in high quality real estate development projects. For establishment of a foreign invested real estate enterprise, land-use rights, house or other construction ownership right should be obtained, or at least has entered into pre-contract purchase agreement with the relevant land administrative authorities, land developers, or the owners of the house or other constructions, otherwise the establishment will not be approved by the authorities. For existing foreign invested company who intends to engage in real estate development or operation business or intends to engage in the operation or development of new real estate projects, they should undertake relevant procedures to expand business scope or enlarge the operation scale with the approval authority.

No. 50 Notice strictly controls the acquisition or merger of domestic real estate enterprises by means of round trip investment (includes the same de facto controller). It also prohibits Chinese or foreign investors in foreign-invested real estate joint ventures to reach any fixed return related term, or any term to the same effect, for either party.

The local MOFCOM administrative authority should make a record to MOFCOM after a foreign-invested real estate company is approved to establish. The local SAFE administrative authority and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for capital projects of FIREEs who fail to complete the record with the MOFCOM.

SAFE issued the Circular Regarding the Publication of the List of the First Batch of Foreign-Invested Property Development Projects that Have Filed with MOFCOM ("Circular No. 130") (關於下發第一批通過商務部備案的外商投資房地產項目名單的通知) on July 10, 2007, further regulating foreign investment in real estate sector in China. According to Circular No. 130, on or after June 1, 2007, real estate enterprises with foreign investment as filed with MOFCOM (including due to establishment and capital increase) will not be permitted to borrow money from overseas, including shareholder loans and foreign commercial loans, or will not be approved to settle foreign exchange of foreign debt. Further, for those which obtain foreign investment

approval certificates on or after June 1, 2007 but fail to file with MOFCOM, neither foreign exchange registration nor foreign exchange alteration registration will be effected with SAFE or its branches, and as a result, foreign exchange under capital projects will not be settled or purchased.

The Circular No. 130 was abolished on May 13, 2013 by the Notice on Distributing the Provisions on Foreign Exchange Administration over Direct Investment Made by Foreign Investors in China and its Supporting Documents (國家外匯管理局關於印發《外國投資者境內直接投資外匯管理規定》及配套文件的通知) ("Notice No. 21") which was promulgated by SAFE on May 10, 2013 and amended on October 2018. However, the restriction measures on the foreign debt of foreign-invested real estate enterprises stipulated in the Circular No. 130 have been reflected in the Measures for the Administration of Foreign Debt Registration (外債登記管理辦法) ("Notice No. 19") issued by SAFE on April 28, 2013, amended on May 4, 2015, April 26, 2016 and June 9, 2016.

On November 22, 2010, the General Office of MOFCOM issued the Notice on Strengthening Management to Registration of Foreign Investment in the Real Estate Sector (關於加強外商投資房地產業審批備案管理的通知). Foreign invested real estate enterprises shall not generate revenues through purchasing and selling completed real estate properties and/or real estate properties under construction. Local commerce administration authorities shall not accept registration of investment companies involving development and management of real estate.

QUALIFICATIONS OF A REAL ESTATE DEVELOPER

Under the Provisions on Administration of Qualifications of Real Estate Developers (the "Provisions on Administration of Qualifications") (房地產開發企業資質管理規定) promulgated by the Ministry of Construction on March 29, 2000; and amended on May 4, 2015 and December 22, 2018, a real estate developer must apply for registration of its qualifications according to such Provisions on Administration of Qualifications. An enterprise may not engage in property development without a qualification classification certificate for real estate development. The Ministry of Construction oversees the qualifications of real estate developers with national operations, and local real estate development authorities at or above the county level oversee the qualifications of local real estate developers. In accordance with the Provisions on Administration of Qualifications, real estate developers are classified into four classes.

- Class 1 qualifications are subject to preliminary examination by the construction authorities at the provincial level and final approval of the Ministry of Construction. A class 1 real estate developer is not restricted as to the scale of its real estate projects and may undertake a real estate development anywhere in the country; and

- Approval measures of Class 2 or lower qualifications are formulated by the construction authorities at the provincial level. A real estate developer of class 2 or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scale is subject to confirmation by the construction authorities at the provincial level.

Under the Provisions on Administration of Qualifications, the real estate development authorities will examine applications for registration of qualifications submitted by real estate developers by considering the professional personnel in their employ, financial condition and operating results. A real estate developer that passes the qualification examination will be issued a qualification certificate of the relevant class by the qualification examination authority. A developer of any qualification classification may only engage in the development and operation of real estate within its approved scope of business and may not engage in business which is limited to another classification.

Pursuant to the Provisions on the Administration of Qualifications, the qualifications of each class of real estate developments are as follows:

- **Class 1 qualification:** (1) over five years of operating experience in real estate development is required; (2) in the past three years, the cumulative GFA completed shall be not less than 300,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for five consecutive years; (4) GFA of over 150,000 sq.m. of building construction has been completed or the required capital investment for developing corresponding GFA has been invested in the previous year; (5) the professional management team shall consist of no less than 40 persons with titles and majoring in architecture, construction, finance, real estate and economics, while the number of management staff with professional titles of intermediate level or above shall be no less than 20 persons and there shall be no less than four accountants holding professional qualification certificates; (6) the person-in-charge of, among others, engineering technology, finance and statistics shall hold professional titles of the intermediate level or above; (7) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (8) there shall not be any occurrence of any major accident relating to construction quality;

- **Class 2 qualification:** (1) over three years of operating experience in real estate development is required; (2) in the past three years, the cumulative GFA completed shall be not less than 150,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for three consecutive years; (4) GFA of over 100,000 sq.m. of building construction has been completed or the required capital investment for developing corresponding GFA has been invested in the previous year; (5) the professional management team shall consist of no less than 20 persons with titles and majoring in architecture, construction, finance, real estate and economics, while the number of management staff with professional titles of intermediate level or above shall be no less than 10 persons and there shall be no less than three accountants holding professional qualification certificates; (6) the person-in-charge of, among others, engineering technology, finance and statistics shall hold professional titles of the intermediate level or above; (7) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (8) there shall not be any occurrence of any major accident relating to construction quality;

- **Class 3 qualification:** (1) over two years of operating experience in real estate development is required; (2) the cumulative GFA completed shall be not less than 50,000 sq.m. or the required capital investment for developing corresponding GFA has been invested; (3) the passing rate of quality of construction work is 100% for two consecutive years; (4) the professional management team shall consist of no less than 10 persons with titles and majoring in architecture, construction, finance, real estate and economics, and the number of management staff with professional titles of intermediate level or above shall be no less than five persons and there shall be no less than two accountants holding professional qualification certificates; (5) the person-in-charge of, among others, engineering technology and finance shall hold professional titles of the intermediate level or above and the person in charge of other departments, including statistics, shall hold professional titles of the primary level or above; (6) there shall be a proper quality control system in place, and in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (7) there shall not be any occurrence of any major accident relating to construction quality; and

- **Class 4 qualification:** (1) over one year of operating experience in real estate development is required; (2) the passing rate of quality of construction work completed shall be 100%; (3) the professional management team shall consist of no less than five persons with titles and majoring in architecture, construction, finance, real estate and economics, and there shall be no less than two accountants holding professional qualification certificates; (4) the person-in-charge of engineering

technology shall hold professional titles of the intermediate level or above and the person-in-charge for finance shall hold professional titles of the primary level or above, and professional statistician(s) shall be appointed; (5) in respect of the sale of commodity residential property, the systems of Residential Quality Guarantee and Residential User Manual shall be implemented; and (6) there shall not be any occurrence of any major accident relating to construction quality.

In addition, pursuant to the Provisions on Administration of Qualifications, a newly-established real estate developer shall make application with the competent authorities for an interim qualification certificate within 30 days from the date of the business license. A developer applying for an interim qualification certificate shall fulfill the requirements of class 4 qualification or above. The validity period of the certificate is one year. Regulatory authorities of real estate development may extend the validity of the interim qualification certificate depending on the operation of the developer, provided that the extension shall not exceed two years. In the event that no development project has been carried out within one year since the issuance date of the interim qualification certificate, the validity of the interim qualification certificate shall not be extended.

No entity or individual may alter, lease, lend, transfer or sell its/his qualification certificate. In case of merger, division or any change of name, legal representative or main personnel in charge of management and technologies, enterprises shall re-apply for qualification grade or apply for change formalities with the original examination and approval authorities.

The qualification of a property developer should be subject to annual inspection. The Ministry of Construction or its entrusted institution is responsible for carrying out the annual inspection of real estate developers with Class 1 qualification. The construction authorities at the provincial level formulate annual inspection measures for real estate developers with Class 2 or lower qualifications.

DEVELOPMENT OF A REAL ESTATE PROJECT

In October 2004, the NDRC issued the Interim Provisions on Approving Foreign Investment Projects (外商投資項目核准暫行管理辦法), according to which, approval of the NDRC or its branches shall be required for foreign investment projects. The Administrative Measures for Approval and Record-filing of Foreign Investment Projects (外商投資項目核准和備案管理辦法), which supersedes the Interim Provisions on Approving Foreign Investment Projects, was promulgated by the NDRC on May 17, 2014 and was amended on December 27, 2014.

According to the Administrative Measures for Approval and Record-filing of Foreign Investment Projects and the Notice of the State Council on Promulgating the Catalog of Investment Projects Approved by the Government (2016 Version) (the "Catalog") (國務院關於發佈政府核准的投資項目目錄 (2016本)的通知), which was promulgated and effective on December 12, 2016, two methods are developed for the management of foreign investment projects, namely, approval and record-filing; the investment projects specified in the Catalog shall be approved by the NDRC or other competent authorities; the investment projects other than those specified in the Catalog shall be filed with the competent investment department of the local governments.

Under the Interim Regulation Concerning the Grant and Assignment of the Right to Use State-owned Urban Land (the "Interim Regulation on Grant and Assignment") (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) promulgated by the State Council on May 19, 1990, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the state as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the Urban Real Estate Law and the Interim Regulation on Grant and Assignment, the land administration authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use

rights. The land user must pay the land premium as provided by the land grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land-use rights certificate which evidences the acquisition of land use rights. The Urban Real Estate Law and the Development Regulation provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC government pursuant to the PRC laws or the stipulations of the State Council. Government-allocated land is not allowed to be transferred unless the transfer is approved by the relevant PRC government authorities and the land premium as determined by the relevant PRC government authorities has been paid.

At the stages of examination, approval and record-filing of any construction project, the construction or the developer entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the Measures for Administration of Examination and Approval for Construction Land (建設用地審查報批管理辦法) promulgated by the Ministry of Land and Resources on March 2, 1999, as amended on November 30, 2010 and on November 29, 2016, and the Measures for Administration of Preliminary Examination of Construction Project Land promulgated by the Ministry of Land and Resources (建設項目用地預審管理辦法) in July 2001, as amended in October 2004, November 2008 and November 2016. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land grant contract with the land user and issue an approval for the construction land to the construction entity or the developer.

According to the Urban Real Estate Law, a land user who obtains land use rights under the grant system must develop the land according to the land usage as indicated in the land grant contract and must commence the development within the time frame agreed to under the land grant contract.

According to the Regulation on Idle Land Administration (閒置土地處置辦法) promulgated by the Ministry of Land and Resources on April 28, 1999, as amended on June 1, 2012, it shall be idle land which the land user fails to commence developing after one year from the construction commencement date stipulated in the state-owned construction land grant contract or in the approval of premium-free allocation. The land may also be treated as idle land and may be subject to land idle fee or forfeiture, if the developed land area is less than one-third of the total land area under the land grant contract or the sum already expended on the development of the land is less than one-fourth of the total investment of the project, and the suspension of development of the land has lasted for one year or more.

According to the Regulation on Idle Land Administration, if the land user fails to commence developing the land after one year from the construction commencement date, then the local land administration authority, with approval by the local government, shall charge the land user a "land idle fee" of 20% of the land premium, which is not permitted to be disbursed from the cost. If the land user fails to commence development of the relevant land after two years from the deadline, with approval by the local government, the land user's land-use rights shall be forfeited by local land administration authority without compensation. 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. Where the land user reserves or speculates lands on purpose by violating laws or regulations, or breaching contractual obligations or land allotment letter, the local land administration authority shall not accept its new land-use application or registration of transfer, lease, charge and change of its idle land. Relevant local land-use administration departments shall inform finance administration departments of the information of idle land.

On January 3, 2008, the State Council issued a Notice on Promoting Economization of Land Use (關於促進節約集約用地的通知), which urges the full and effective use of existing construction land. The notice also emphasizes the strict enforcement of the current rules on idle land. If a piece of land has been idled for

two years or more, it must be taken back free of charge in accordance with laws and regulations, and rearranged for any other uses; if the land does not meet the statutory conditions for being taken back, it must be timely dealt with and fully used through changing usage, replacement by parity value, temporary usage or incorporation into government reserves. If a piece of land has been idled for one year or more but less than two years, an idle land fee must be collected at a price of 20% of the transfer or allotment price. Financial institutions shall not grant loans to illegal land-use projects and such projects shall not be approved for public listing.

Under the Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the Ministry of Construction on December 4, 1992, as amended on January 26, 2011, the grantee under a land grant contract, i.e. a real estate developer, must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organize the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to relevant reporting and approval procedures required under the Law of the People's Republic of China on Urban and Rural Planning (中華人民共和國城鄉規劃法) promulgated by the Standing Committee of the National People's Congress on October 28, 2007, effective from January 1, 2008 and amended on April 24, 2015 and April 23, 2019, and local statutes on municipal planning. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority. According to the Law of the People's Republic of China on Urban and Rural Planning, a construction entity shall return the land or compensate relevant parties if it gets the approval of land-use right without a permit for construction works planning. Such land-use right approval shall be forfeited by the relevant authority. If a construction entity starts a project construction without obtaining a planning permit or violates the provisions of the planning permit, it will be punished by local planning administration authorities by way of stopping construction, imposing a fine based on construction costs or removing the completed construction.

In accordance with the Shenzhen Urban Planning Standards and Guidelines (深圳市城市規劃標準與準則) promulgated by the People's Government of Shenzhen on March 25, 2004 and implemented on April 1, 2004, the residential district, residential quarter and residential cluster shall be equipped with commercial facilities commensurate with the size of its resident population. On January 1, 2014, the People's Government of Shenzhen promulgated the new Shenzhen Urban Planning Standards and Guidelines and amended this regulation on December 28, 2018 and October 16, 2019, which stated that the residential land could be equipped with commercial facilities and other auxiliary facilities. According to the Administrative Regulation of Shenzhen Municipality on the Planning and Construction of Parking-Lots and the Parking of Motor Vehicles (深圳市停車場規劃建設和機動車停放管理條例) promulgated by the Standing Committee of the Shenzhen Municipal People's Congress on October 20, 2003, as amended on July 29, 2004 and September 25, 2019, which required that the newly constructed, reconstructed or expanded buildings shall be equipped with parking-lot according to the standards. It also stated that the management unit of parking-lot may apply for the Shenzhen Operational Car Parking Permits to establish an operational car parking and provide compensated parking services.

In accordance with the Regulations for the Administration of Demolishment and Relocation of Urban Housing (城市房屋拆遷管理條例) promulgated by the State Council in June 2001, where a house is to be demolished, the demolisher shall conclude an agreement for compensation and resettlement on demolition and relocation with the relocate and the lessee of the house (if any). The demolisher shall give subsidies for removal to the relocate or the lessee of the house, and during the transition period, the demolisher shall give subsidies for temporary resettlement or provide houses for transitional use.

The Regulations for the Administration of Demolishment and Removal of Urban Housing was abolished on January 21, 2011 by the Regulation on the Expropriation of Buildings on State-owned Land and Compensation (國有土地上房屋徵收與補償條例) which was promulgated by the State Council on January

21, 2011. According to the Regulation on the Expropriation of Buildings on State-owned Land and Compensation, local government shall decide expropriation of buildings based on public interests. Construction entities shall be prohibited from participating in relocation activities.

When the site has been properly prepared and is ready for the commencement of construction works, the developer must apply for a permit for commencement of works from the construction authorities at or above the county level according to the Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the Ministry of Construction on October 15, 1999, as amended on July 4, 2001. The Measures for Administration of Granting Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the Ministry of Housing and Urban-Rural Development in June 2014 as amended on September 28, 2018, supersedes the Measures on Construction Permission and has the similar requirements.

The development of a real estate project must comply with various laws and legal requirements on construction quality, safety standards and technical guidance on architecture, design and construction work, as well as provisions of the relevant contracts. On January 30, 2000, the State Council promulgated and implemented the Regulation on the Quality Management of Construction Projects (建設工程質量管理條例), and amended this regulation on October 7, 2017 and April 23, 2019, which sets out the respective quality responsibilities and liabilities for developers, construction companies, exploration companies, design companies and construction supervision companies. After completion of construction works for a project, the real estate developer must organize an acceptance examination by relevant government authorities and experts according to the Development Regulation and the Interim Provisions on Inspection Upon Completion of Buildings and Municipal Infrastructure (房屋建築工程和市政基礎設施工程竣工驗收暫行規定) promulgated by the Ministry of Construction on June 30, 2000. The Provisions on Inspection 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, supersedes the Acceptance Examination Measures and has the similar requirements. The developer must also report details of the acceptance examination according to the 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 on April 4, 2000, as amended on October 19, 2009. A real estate development project may not be delivered until and unless it has satisfactorily passed the necessary acceptance examination. Where a property project is developed in phases, an acceptance examination may be carried out for each completed phase.

There are several laws and regulations regulating environment protection in the real estate industry in the PRC, including Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise (中華人民共和國環境噪聲污染防治法), Law of the People's Republic of China on Appraising of Environment Impacts (中華人民共和國環境影響評價法), Regulation of Environment Protection in Construction Projects (建設項目環境保護管理條例), Law on the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China (中華人民共和國固體廢物污染環境防治法) and Decision of the State Council on Several Issues Concerning Environmental Protection (國務院關於環境保護若干問題的決定). Pursuant to these laws and regulations, depending on the impact of the project on the environment, the developers shall prepare environmental impact statement for approval, or an environmental impact registration form for record-filing. The developers should obtain an approval before the commencement of the construction project requiring the preparation of the environmental impact statement. In addition, the developers shall, upon completion of a construction project for which an environmental impact statement has been prepared, carry out acceptance check of the supporting environmental facilities being constructed and prepare an acceptance report according to the standards and procedures required by the environmental protection administrative authorities of the State Council, and such supporting environmental protection facilities shall be put into operation simultaneously or use together with the main body of the project.

There are several laws and regulations in the PRC regarding to the civil air defense project construction, including Law of the People's Republic of China on National Defense (中華人民共和國國防法), Civil Air Defense Law of the People's Republic of China (中華人民共和國人民防空法), Property Law of the People's Republic of China (中華人民共和國物權法) and Measures of the Development and Utilization of Civil Air Defense Construction during the peacetime (人民防空工程平時開發利用管理辦法). According to such laws and regulations, basements that will be used for air defense in time of war shall be constructed in new buildings of cities for civil use. If any construction project cannot have basements due to any geological reason, fees for substitute site construction shall be paid. Investors of air defense construction shall be entitle to any benefits generated from its usage and shall manage such construction in the peacetime. Civil use of air defense construction shall be registered in relevant air defense authority.

Several laws and regulations specific fire protection in real estate development, including Fire Protection Law of the People's Republic of China (中華人民共和國消防法) and Interim Provisions on Administration of Fire Protection Design Review and Acceptance of Construction Projects (建設工程消防設計審查驗收管理暫行規定). According to such laws and regulations, a real estate project shall get approval from or filing with relevant housing and urban-rural development authority for fire protection design before the construction is started and subject to a fire protection as-built acceptance inspection.

LAND FOR PROPERTY DEVELOPMENT

In April 1988, the National People's Congress amended the Constitution of the People's Republic of China (中華人民共和國憲法) to permit the transfer of land-use rights for value. And in December 1988, the Standing Committee of the National People's Congress amended the Land Administration Law (中華人民共和國土地管理法) to permit the transfer of land-use rights for value.

On May 19, 1990, the State Council issued the Interim Regulation on Grant and Assignment of Right to the Use of State-owned land in Urban Areas (城鎮國有土地使用權出讓和轉讓暫行條例), which prescribes different maximum terms of granted land-use rights for different uses of land as follows: (i) land for commerce, tourism and entertainment: 40 years; (ii) land for residence: 70 years; (iii) land for industry: 50 years; (iv) land for education, science, technology, culture, public health and sports: 50 years; and (v) land for comprehensive utilization or other purposes: 50 years. The State may not resume possession of lawfully granted land-use rights prior to expiration of the term of grant. If the public interest requires the resumption of possession by the State under special circumstances during the term of grant, compensation must be paid by the State. Subject to compliance with the terms of the land grant contract, a holder of land-use rights may exercise substantially the same rights as a land owner during the grant term, including holding, leasing, transferring, mortgaging and developing the land for sale or lease. Upon paying in full the land grant fee pursuant to the terms of the contract, the grantee may apply to the relevant land reserves bureau for issuance of the land-use rights certificate. Upon expiration of the term of grant, renewal is possible subject to the execution of a new contract for the grant of land-use rights and payment of a new land grant fee. If the term of the grant is not renewed, the land-use rights and ownership of any buildings on the land will revert to the State without compensation.

Individuals and entities may acquire land-use rights in different ways, two of which are most important, i.e. land transfers from land users who have already obtained land-use rights and land grants from local land authorities.

Real estate development companies may acquire land-use rights from land users that have already obtained the land-use rights by entering into a land assignment contract or by way of capital contribution. Under the Land Administration Law, any change to be lawfully made in land-use rights shall be registered.

As to the land grants, on May 9, 2002, the Ministry of Land and Resources promulgated the Rules Regarding the Grant of State-Owned Construction Land-Use Rights By Way of Tender, Auction and Listing-For-Sale (the "Rules") (招標拍賣掛牌出讓國有建設用地使用權規定), which was implemented on July 1, 2002 and was amended on September 28, 2007. Pursuant to the Rules, all land for commercial use, tourism, entertainment and commodity residential housing must be granted by way of tender, auction or listing for sale.

On June 11, 2003, the Ministry of Land and Resources promulgated the Regulation on Grant of State-owned Land Use Rights by Agreements (協議出讓國有土地使用權規定), which provided that, other than through public tender, auction and listing-for-sale according to laws, land use rights may be granted via transfer agreements, and the land premium for the transfer agreements of the state-owned land use right shall not be lower than the lowest price specified by the regulations.

On September 24, 2003, the Ministry of Land and Resources promulgated the Notice on Strengthening the Land Supply Management and Facilitating the Continuous and Healthy Development of Property Market (關於加強土地供應管理促進房地產市場持續健康發展的通知), as amended on December 3, 2010, which provides that land supply for luxury commodity housing shall be strictly controlled.

According to the Opinions on Certain Issues Relating to Voluntary Examination and Rectifying of Land Market (關於進一步治理整頓土地市場秩序中自查自糾若干問題的處理意見) promulgated by Ministry of Land and Resources on October 13, 2003, land must be restored to its original use if the development of such land fails to comply with the overall land-use requirements, unless such land has been developed for construction and restoration is impossible to achieve, in which case the overall land-use requirements shall be modified so the respective amount of basic farmland, cultivated land and land for building will remain unchanged. Similarly, restoration of land to farmland or to its original use is required when a land development project lacks construction feasibility or is short of project funding, even though a proper approval is in place. Idle land that has been supplied for construction purposes shall be disposed of according to relevant stipulation governing idle land. However, exceptions are allowed when pre-approval has been granted by local authorities, or if a project development contract has been executed and between local authorities and developers prior to July 1, 2002. On March 18, 2004, the Ministry of Land and Resources together with the Ministry of Supervision promulgated the Notice of Enforcing and Supervising the Transfer of Operative Land-Use Rights Through Tenders, Bidding and Public Auction (關於繼續開展經營性土地使用權招標拍賣掛牌出讓情況執法監察工作的通知), which expressively required that after August 31, 2004, no transfer of land-use rights will be allowed in the form of agreement.

On October 22, 2009, the People's Government of Shenzhen promulgated the Measures on City Renewal (深圳市城市更新辦法), as amended on November 12, 2016, stating that implementation entities of the renewal projects with type of demolishment and reconstruction, shall enter into supplemental land grant contracts or land grant contracts with Shenzhen Planning and Land Resources Bureau after obtaining planning permit for such renewal projects.

On December 29, 2016, the General Office of the People's Government of Shenzhen promulgated the Notice on Strengthening and Improving the Interim Measure of Urban Renewal Implementation (關於加強和改進城市更新實施工作暫行措施的通知), stating that each district government shall regularly clean up the urban renewal plan, and the project with one of the following situations may be removed from the renewal plan according to the procedure: 1. the verification of the land and buildings information and the approval of the urban renewal unit planning have not been completed within 1 year from the date of the announcement of the urban renewal plan; 2. the implementation entity has not been confirmed for the first phase of the project within 2 years from the approval date of the urban renewal unit planning; 3. the land grant procedures has not been completed within 1 year from the date of implementation entity confirmation.

On June 6, 2019, Shenzhen Municipal Bureau of Planning and Natural Resources promulgated the Notice on Several Measures of Deeply Promoting the Urban Renewal and Facilitating the Urban High Quality Development(關於印發《關於深入推進城市更新工作促進城市高質量發展的若干措施》的通知), stating that the service and supervision of renewal of village in the city shall be strengthened. Regarding to the village in the city to be renovated, the district collective asset management department, together with the district urban renewal organization, shall further standardize the collective asset management and prohibit the real estate developer from entering and being stationed in the village in the city privately.

On November 18, 2009, the Ministry of Finance, Ministry of Land and Resources, PBOC, the Ministry of Supervision of the PRC and the National Audit Office of the PRC jointly issued a Notice on Further Strengthen the Management of Revenue and Expenditure from Land Granting (關於進一步加強土地出讓收支管理的通知), to require a minimum down payment of 50% of the land premium relating to land purchases from the PRC government. The notice also provides that the installment period stipulated in the relevant land grant contracts may not exceed one year, provided that, for special projects, upon collective approval by the relevant government authorities, the installment period stipulated in the relevant land grant contracts can be two years. Developers will not be permitted to buy new land if they fail to pay off such land premium in time. The new rules also forbid local governments from giving discounts to developers or allowing developers to delay payments except as stipulated by the State Council.

On March 8, 2010, the Ministry of Land and Resource of the PRC issued the Notice on Several Issues concerning the Reinforcement on Provision and Supervision over the Land-Use for Property Development (關於加強房地產用地供應和監管有關問題的通知), which shortens the time for payment of the land price by successful bidder of land. On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rise of Housing Prices in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), according to which, when real estate development enterprises participate in the auction, development and construction of land, their shareholders shall not provide loans, lending, guarantee or other relevant financing activities to them in violation of regulations.

On September 21, 2010, the Ministry of Land and Resources and the Ministry of Construction issued the Notice on Further Strengthening the Control of Land Transfer (關於進一步加強房地產用地和建設管理調控的通知) regarding land authorities to prohibit real estate developers and their controlling shareholders who have engaged in illegal activities (such as obtaining land-use rights through fraudulent means, transferring land-use rights improperly, holding land which has been idled for more than one year due to the fault of the developer or the controlling shareholders) from participating in land bidding process until the illegal activities have been rectified.

On January 26, 2011, the State Council issued the Notice on Issues Relating to Further Regulating the Control of Property Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) which specifies that if a real estate developer fails to obtain the construction permits or fails to commence the construction within two years from the designation of land for real estate development, the granted land-use rights will be forfeited and an idle land penalty will be imposed. A real estate developer is further restricted from transferring land and real estate development projects if the amount of real estate development investment (excluding the land grant fee) incurred is less than 25% of the total investment amount in respect of the subject project. The Ministry of Land and Resources issued the Notice of Diligently Carrying Out Real Estate Land-Use Management and Regulation (關於做好2012年房地產用地管理和調控重點工作的通知) on February 15, 2012, requiring land users to submit written reports to land and resources departments at the time of or prior to project commencement and completion.

On April 1, 2017, the MOHURD and the Ministry of Natural 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) which provides, among others, that cities and counties that have more than one million inhabitants are required to make three-year (2017-2019) and a five-year

(2017-2021) plans for housing land supply, and make the plans public by the end of June 2017. The circular further requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course depending on the period of the inventory cycle of commodity housing. Where such period is longer than 36 months, no more land is to be supplied. Land supply shall be reduced in size if the said period is over 18 months but shorter than 36 months and more land shall be provided in the case of a period of longer than six months but shorter than 12 months. However, if the current inventory could be sold in less than six months, land shall be supplied in a significant scale at a fast pace. In addition, the circular stipulates that local authorities are required to adopt the examination system of land acquisition capital to insure the property developers acquiring land with internal funds and the property developers will be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit.

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 on April 4, 2001, sale of commodity properties can include both sales before the completion of the properties (the "pre-sale") and sales after the completion of the properties (the "post-completion sale"). Commodity buildings may be put to post-completion sale after they have passed the clearance examination and satisfied the various preconditions for such sale. Before the post-completion sale of a commodity building, the developer must, among other things, submit the real estate development project manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority for its record.

Any pre-sale of commodity buildings must be conducted in accordance with the Measures for Administration of Pre-sale of Urban Commodity Buildings (the "Pre-sale Measures") (城市商品房預售管理辦法) promulgated by the Ministry of Construction in November 1994, as amended in August 2001 and in July 2004, and the Development Regulation. The Pre-sale Measures provide that any pre-sale of commodity buildings is subject to specified procedures. According to the Development Regulation and the Pre-sale Measures, a pre-sale permit must be in place before a commodity building may be put to pre-sale. Specifically, a developer intending to sell a commodity building before its completion must apply to the real estate development authority for a permit for pre-sale. A commodity building may be sold before completion only if:

- the purchase price has been paid in full for the grant of the land-use rights involved and a land-use rights certificate has been properly obtained;

- a permit for construction works planning and a permit for commencement of works have been properly obtained;

- the funds invested in the development of the commodity buildings put to pre-sale represent 25% or more of the total investment in the project and the progress of works and the completion and delivery dates have been properly ascertained;

- a permit for pre-sale of commodity buildings has been obtained through pre-sale registration; and

- the proceeds of pre-sale of commodity buildings must be used to the relevant project construction.

According to the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法), the real estate developer shall not sell commodity properties by means of rebated sale or any such means in disguised forms. The real estate developer may not sell uncompleted commodity properties by the after-sale lease guarantee or by any such means in disguised forms.

According to the Notice on Promoting the Stable and Sound Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知) promulgated by the General Office of the State Council on January 7, 2010, local governments shall decide the minimum scale of pre-sales rationally based on local practice and may not issue separate pre-sale permits by floor or unit.

On April 13, 2010, the MOHURD issued the Notice on Further Regulating the Real Estate Market and Improving the Commodity Housing Pre-sale System (關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知), which set forth certain measures to enhance the regulation of pre-sales of commodity housing. Real estate developers are strictly prohibited from pre-selling commodity housing without obtaining pre-sale permits. Within 10 days after obtaining the relevant pre-sale permits, real estate developers are required to make a public announcement on all information relating to the units available for pre-sale and the price of each unit.

As to the post-completion sale, commodity properties may be put up for post-completion sale only when the preconditions for such sale have been satisfied. Under the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法), the sale of commodity properties after the completion shall meet the following conditions:

- the real estate developer has a business license and a qualification certificate for real estate development;

- the land-use right certificates or approval documents of land using have been obtained;

- the construction planning permit and the construction commencement permit have been obtained;

- the commodity properties have been completed, inspected and accepted;

- the relocation of the residents has been completed;

- the supplementary essential facilities such as the supply of water, electricity, heating and gas, and communications are ready for use, and other public facilities are ready for use or the schedule of construction and delivery date of such facilities have been specified; and

- the property management plan has been confirmed

The Provision on Sales of Commodity Properties at Clearly Marked Price (商品房銷售明碼標價規定) was promulgated by the NDRC on March 16, 2011. According to the provision, any real estate developer or real estate agency ("real estate operators") is required to mark the selling price explicitly and clearly for both newly-build and second-hand commodity properties. The provision requires real estate operators to clearly

indicate the prices and relevant fees of commodity properties, as well as other factors affecting the prices of commodity properties to the public. With respect to the real estate operators that have received property pre-sale permit or have completed the filing procedures for the sales of completed properties, real estate operators shall announce all the commodity properties available for sale in a lump within the specified time limit. Furthermore, with regard to a property that has been sold out, real estate operators are obliged to disclose such information and to disclose the actual transaction price. Real estate operators cannot sell commodity properties with price higher than the explicit marked price or charge any other fees which has not been explicitly marked. Moreover, real estate operators may neither mislead purchasers with false or irregular price marking, nor engage in price fraud by using false or misleading price marking methods.

TRANSFER OF REAL ESTATE

According to the Urban Real Estate Law and the Provisions 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 on August 7, 1995, as amended on August 15, 2001, a real estate owner may sell, bequeath or otherwise legally transfer real estate to another person or legal entity. When transferring a building, the ownership of the building and the land-use rights to the site on which the building is situated are transferred together. The parties to a transfer must 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 real estate within 90 days of the execution of the transfer contract.

Where the land-use rights were originally obtained by grant, the real property may only be transferred on the condition that:

- the land premium has been paid in full for the grant of the land-use rights as provided by the land grant contract and a land-use right certificate has been properly obtained; 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 made available, and the site has been leveled and made ready for industrial or other construction purposes; or

- in case of where the real property has been completed in construction, the property ownership certificate shall have been obtained.

If the land-use rights were originally obtained by grant, the term of the land-use rights after transfer of the real estate will be the remaining portion of the original term provided in the land grant contract after deducting the time that has been used by the former land users. In the event that the assignee intends to change the use of the land provided in the original grant contract, consent must first be obtained from the original land-use rights grantor and the planning administration authority at the relevant city or county and an agreement to amend the land grant contract or a new land grant contract must be signed in order to, inter alia, change the use of the land and adjust the land premium accordingly.

If the land-use rights were originally obtained by allocation, such allocation may be changed to land-use rights grant if approved by the government vested with the necessary approval power as required by the State Council. After the government authorities vested with the necessary approval power approve such change, the grantee must complete the formalities for the grant of the land-use rights and pay the land premium according to the relevant statutes.

LEASES OF BUILDINGS

The National People's Congress promulgated the Contract Law of the People's Republic of China (中華人民共和國合同法) (the "Contract Law") on March 15, 1999, which takes effect from October 1, 1999. The Contract Law defines a leasing contract as a contract whereby the lesser delivers to the lessee the lease item for it to use or accrue benefit from, and the lessee pays the rent.

The lease term may not exceed 20 years. If the lease term exceeds 20 years, the portion of the lease term beyond the initial twenty year period is invalid. At the end of the lease term, the parties may renew the lease, provided that the renewed term may not exceed 20 years commencing on the date of renewal. Where the lease term is six months or longer, the lease shall be in writing. If the parties fail to adopt a writing form, the lease is deemed an indefinite lease.

Under the Urban Real Estate Law and the Measures for Administration of Leases of Commodity Buildings (商品房屋租賃管理辦法) promulgated by the MOHURD on December 1, 2010, being effective from February 1, 2011, parties to a lease of a building must enter into a lease contract. China has adopted a system to register the leases of real properties. When a lease contract is signed, amended or terminated, the parties must register the details with the real estate administration authority at the city or county in which the building is situated.

MORTGAGES OF REAL ESTATE

Under the Property Law of the People's Republic of China (中華人民共和國物權法), the Urban Real Estate Law, the Security Law of the People's Republic of China (中華人民共和國擔保法) promulgated by the Standing Committee of the National People's Congress on June 30, 1995, and the Measures for Administration of Mortgages of Urban Real Estate (城市房地產抵押管理辦法) promulgated by the Ministry of Construction on May 9, 1997, as amended on August 15, 2001, when a mortgage is created on the ownership of a building legally obtained, a mortgage must be simultaneously created on the land-use rights of the land on which the building is situated. When a mortgage is created on land obtained by way of grant, a mortgage must be simultaneously created on the ownership of the building which is on the land. The mortgagor and the mortgagee must sign a mortgage contract in writing. China has adopted a system to register mortgages of real estate. Within 30 days after a real estate mortgage contract has been signed, the parties to the mortgage must register the mortgage with the real estate administration authority at the location where the real estate is situated. If a mortgage is created on the real estate in respect of which a property ownership certificate has been obtained legally, the registration authority will, when registering the mortgage, make an entry under "third party rights" on the original property ownership certificate and then issue a certificate of third party rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or on works in progress, the registration authority will, when registering the mortgage, record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved will re-register the mortgage of the real property after issuance of the certificates evidencing the rights and ownership to the real estate.

PBOC issued a Circular on Further Strengthening the Management of Loans for Property Business (關於進一步加強房地產信貸業務管理的通知) on June 5, 2003 to tighten the requirements for banks to provide loans for the real property business as follows:

- Property development loans may be granted to property developers who are qualified for property development, rank high in credibility and have no overdue payment for construction. Such loans shall be given in full support of residential housing projects which conform to the purchasing capacity of families with medium-to-low income, and shall be property restricted where projects involve building properties of large size and/or cover large area, such as luxury commodity houses

and villas. For property developers with commodity properties of high vacancy rate and debt ratio, strict approval procedures must be applied for their new property development loans and their activities must also be subject to close monitoring;

- Commercial banks may not grant loans to property developers without a "land-use rights certificate," "construction land planning permit," "construction work planning permit" and "construction work commencement permit.";

- While property developers apply for bank loans, their own capital, i.e. owner's equity, shall not be less than 30% of the total investment required for the project. Commercial banks are prohibited from lending to property developers solely for the payment of land premiums. A loan for real estate development made by a commercial bank may only be used for a local real estate development project, and shall not be used in a cross-region way;

- Commercial banks may only provide housing loans to individual buyers when the main structural buildings have been topped out. When a borrower applies for individual home loans for his first residential unit, the down-payment by the borrower remains to be 20%. In respect of his loan application for additional purchase of residential unit(s), the percentage of the down-payment by the borrower should be approximately increased;

- When a borrower applies for a mortgage loan for an individual commercial use building, the mortgage ratio may not be more than 60%. In addition, the term of loan may not be more than 10 years and the commodity building must be duly completed and accepted after the relevant governmental inspection; and

- The down-payment requirement was subsequently increased to 30% of the property price for residential units with a unit floor area (套型建築面積) of 90 sq.m. or more, effective on June 1, 2006. See "— Measures on Stabilizing Property Prices" below.

In a Circular on Facilitating the Continuous and 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 on August 12, 2003, a series of measures were adopted by the government to control the property market. They included, among others, strengthening the construction and management of low-cost affordable houses, increasing the supply of ordinary commodity residential houses and controlling the construction of high quality commodity houses. Besides, the government also staged a series of measures on the lending for residential development.

They included, among others, strengthen efforts in housing provident fund collection and the granting of loans, improving the guarantee mechanism of individual home loans and strengthening the monitoring over property loans. It is expected that the circular will have a positive effect on the development of the PRC property market in the long run by facilitating a continuously healthy growth of the property market in China.

Pursuant to the Guidance on Risk Management of Property Loans Granted by Commercial Banks (商業銀行房地產貸款風險管理指引) issued by CBRC on August 30, 2004, commercial banks may not provide any loan in any form for a project without the land-use rights certificate, construction land-use planning permit, construction work planning permit and construction work commencement permit. Any property developer applying for property development loans must have invested at least 35% of capital required for the development and a commercial bank should maintain a strict project approval mechanism for processing applications for property development loans.

Under the Notice of the PBOC on Adjusting the Housing Credit Policies of Commercial Banks and Deposit Interest Rate of the Excess Part of the Reserve (中國人民銀行關於調整商業銀行住房信貸政策和超額準備金存款利率的通知) issued by PBOC on March 16, 2005 and effective from March 17, 2005, the minimum amount of down payment for an individual residence shall be increased from 20% to 30% of the purchase price for properties in cities where the property market is considered to be overheating.

On May 24, 2006, the General Office of the State Council issued an opinion developed by the Ministry of Construction (and relevant departments) on Adjustment of Housing Supply Structure and Stabilization of Property Prices (關於調整住房供應結構穩定住房價格的意見). According to the opinion, in order to curtail the rapid rise in property prices, from June 1, 2006, the minimum amount of down payment for individual housing shall not be less than 30%. However, considering the housing needs of low-and middle-income earners, the minimum down payment for self-occupied housing with a GFA of less than 90 sq.m. per unit remains unchanged, and shall not be less than 20%.

On September 27, 2007, PBOC and CBRC jointly issued the Notice on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的通知) to further regulate the management of credit loans for commercial real estate. These measures include:

- prohibiting commercial banks from lending to projects with an internal capital ratio (owners' equity) of less than 35%, or without a land-use rights certificate, construction land-use planning permit, construction planning permit and a construction permit;

- prohibiting commercial banks from lending to property developers solely for the payment of land premiums;

- for commodity properties that has been vacant for three years, a commercial bank shall not accept them as collateral for a loan. In principle, a loan for real estate development made by a commercial bank may only be used for a local real estate development project, and shall not be used in a project of different location. For a loan, the use of which is really needed in a non-local real estate development project and for which the relevant risk control measures have been implemented, a commercial bank shall report on it to the regulatory authority for archival purposes before the loan is made;

- requiring banks to support funding needs of borrower purchasing their first small and medium self-occupied flat, and to grant loans only to individuals who have purchased flats the main structure of which have been topped out;

- the minimum down payment for a first unit of self-occupied flat with a GFA of less than 90 sq.m. per unit shall not be less than 20%. The minimum amount of down payment for a first unit of self-occupied flat with a GFA of over 90 sq.m. per unit shall not be less than 30%. The minimum down payment for the second unit or more payable by an individual who has obtained a mortgage to purchase the first flat shall not be less than 40%, the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC, and the minimum amount of down payment and interest rate shall significantly increase with the number of flats purchased; and

- commercial properties purchase by loans shall have been completed and passed completion acceptance inspection; and for commercial properties, the minimum down payment shall not be less than 50%, the loan term shall not exceed 10 years and the loan interest rate shall not be less than 1.1 times the prevailing basis rate issued by PBOC. For combined commercial and residential properties, the minimum down payment shall not be less than 45% and the term and interest rate shall be determined according to the administrative regulations of commercial property loans.

According to the Supplementary Notice of the PBOC and CBRC on Strengthening the Administration of Commercial Real Estate Credit Loans (關於加強商業性房地產信貸管理的補充通知) issued on December 5, 2007, the number of loans granted to a borrower shall be determined on the basis of loans granted to the borrower's family (including the borrower, his/her spouse and his/her underage children).

According to the requirement under a notice issued by PBOC and CBRC on Promoting Economical and Intensive Utilization of Land Through Financing (關於金融促進節約集約用地的通知) on July 29, 2008, when the land and resource authority confirms that a developer has only developed less than 1/3 of the whole area or has only invested less than 1/4 of the total investment after the lapse of one full year from the date of commencing the construction of a real estate project as stipulated in the land transfer contract, a financial institution shall be prudent in granting loans to it and rigidly control extended loans or rolling credits to it. When the land and resource authority confirms that the construction use land for a real estate project has been idled for two years or longer, it is prohibited to grant any loan a real estate development for the given project or other loans with the construction use land of such project as collateral (including the asset protection business).

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans (關於擴大商業性個人住房貸 款利率下浮幅度等有關問題的通知), which provides that, effective from October 27, 2008, the float-down range for interest rate for individual residential mortgage loans is expanded and the ratio of down payments is adjusted. As a result, the minimum interest rate for individual residential mortgage loans is 70% of the benchmark loan interest rate and the minimum down payment ratio is adjusted to 20%.

On December 20, 2008, the General Office of the State Council issued the Opinion on Promoting the Healthy Development of Real Estate Market (國務院辦公廳關於促進房地產市場健康發展的若干意見). The opinion provides that in order to expand domestic demand and encourage purchase of ordinary residential housing, residents who purchase ordinary self occupied housing for the first-time by borrowing a mortgage loan shall enjoy preferential policies in relation to loan interest rates and down payment. For residents who have already borrowed a mortgage loan and purchased self-occupied housing for the first-time, if the GFA per person of that first housing is lower than the local average, such residents may still enjoy the preferential policies in relation to loan interest rates and down payment when they purchase a second self occupied house. For any other application on mortgage loans for purchasing a second or subsequent housing unit, the interest rate shall be determined by the commercial banks based on the benchmark interest rate and the banks' risk assessments.

On January 7, 2010, the General Office of the State Council issued the Notice on Promoting the Steady and Healthy Development of the Real Estate Market (關於促進房地產市場平穩健康發展的通知), provides that the families (including the debtors, their spouses and their juvenile children) who have bought a residential house by the loans and are applying for loans to buy a second residential house or more residential houses, the down payments of the loans should not be lower than 40%.

On April 17, 2010, the State Council issued the Notice on Resolutely Curbing the Rise of Housing Prices in Certain Cities (關於堅決遏制部分城市房價過快上漲的通知), which increases (i) the amount of down payment to 30% of the property price for the purchase of the first property over 90 sq.m.; (ii) the amount of down payment to 50% of the property price for the purchase of the second property and the mortgage interest rate to be no less than 1.1 times the benchmark rate in China and (iii) the amount of down payment and the mortgage interest rate for additional properties significantly as determined by the banks in accordance with their risk management policies.

According to the Notice on Issues concerning the Improvement of Differential Housing Credit Policies (關於完善差別化住房信貸政策有關問題的通知) jointly issued by of the PBOC and CBRC on September 29, 2010, all commercial banks shall suspend granting housing loans to families for purchasing the third or more housing units; commercial banks shall also suspend the granting of housing loans to non-local residents who cannot provide local tax payment proof or proof of social insurance payment for one year or longer.

For the purchase of commodity housing with loans, the down payment shall be adjusted to more than 30% of the total price. For the real estate developers which leave any land idle, change the usage and nature of land, delay the time of initiating project and completion of construction, hold back housing units for future sale, or have other records of violations of laws or regulations, all commercial banks shall suspend granting loans to them for new projects development and suspend the extension of loans.

On January 26, 2011, the General Office of the State Council issued the Notice on Issues Relating to Further Regulating the Control of Property Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知), according to which, the minimum down payment in respect of mortgage loans on purchases of second residential properties by families is increased to 60% of the purchases price and the applicable mortgage rate must be at least 1.1 times of the relevant benchmark lending rate published by the PBOC.

On September 29, 2014, the PBOC and CBRC jointly issued the Notice on Further Improving Housing Financial Services (關於進一步做好住房金融服務工作的通知), according to which, for a family that applies for a loan to purchase the first ordinary owner-occupied residential property, the minimum down payment ratio shall be 30%, and mortgage rate shall be no less than 0.7 times of the relevant benchmark lending rate; where a family, which owns an existing residential house for which the relevant mortgage loan has been paid off, applies for a new loan to purchase another ordinary commodity housing for the purpose of improving living conditions, the relevant financial institutions shall adopt the lending policies of the first owner-occupied property.

The PBOC, Ministry of Housing and Urban-Rural Development and CBRC issued the Notice on Matters Concerning Personal Housing Loan Policies (關於個人住房貸款政策有關問題的通知) on March 30, 2015. According to the Notice, where a household, which already owns one housing property and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment ratio is adjusted to 40%. In case of purchasing ordinary housing properties using housing accumulation fund loans by first-time buyers, the minimum down payment ratio is 20%; where a household, which already owns one housing property and has paid off the relevant housing loan, applies for another housing accumulation fund loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment ratio is 30%.

According to the Notice on the Adjustment to the Down Payment Ratio for Personal Housing Provident Fund Loans (關於調整住房公積金個人住房貸款購房最低首付款比例的通知) promulgated by the Ministry of Housing and Urban-Rural Development, Ministry of Finance and PBOC on August 27, 2015, and effective from September 1, 2015, where a household, which already owns one housing property and has paid off the relevant housing loan, applies for another housing accumulation fund loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment ratio is adjusted from 30% to 20%. Beijing, Shanghai, Guangzhou and Shenzhen may decide on such ratio at their own discretion based on the state's policy and local condition.

On September 24, 2015, the PBOC and the CBRC jointly issued the Notice on Issues concerning the Further Improvement of Differentiation on Housing Credit Policies (關於進一步完善差別化住房信貸政策有關問題的通知), according to which, for the first purchase of ordinary housing with commercial loans, the minimum down payment shall be adjusted to not less than 25% of the purchase price in cities where no purchase restriction policy is adopted.

According to the Notice on Matters concerning the Adjustment of the Personal Housing Loans Policies (關於調整個人住房貸款政策有關問題的通知), issued by the PBOC and CBRC in February, 2016, in cities where no "property purchase control" is implemented, the minimum down payment for all first-time ordinary home households with commercial housing loans shall be 25% in principle, and may be lowered by up to 5% by local governments; where a household, which has already owned a home and has not paid off the relevant housing loan, applies for another commercial housing loan to purchase another ordinary house for the purpose of improving living conditions, the minimum down payment is adjusted to 30%.

REAL ESTATE MANAGEMENT

According to the Regulation on Property Management (物業管理條例) promulgated by the State Council on June 8, 2003 and amended on August 26, 2007, February 6, 2016 and March 19, 2018, an enterprise engaging in property management activities shall have the independent corporation capacity. The competent construction administrative department of the State Council shall, jointly with the relevant departments, establish the mechanism for encouraging honesty and punishing the dishonesty, and enforce the administration of the credit in the property management industry.

INSURANCE

There is no mandatory provision in PRC laws, regulations and government rules which require a property developer to take out insurance policies for its real estate developments.

According to the common practice of the property industry in China, construction companies are usually required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies must pay for the insurance premium at their own costs and take out 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 other kinds of risks associated with the construction and installation works throughout the construction period. The insurance coverage for all these risks will cease immediately after the completion and acceptance upon inspection of construction.

MEASURES ON STABILIZING PROPERTY PRICES

The General Office of the State Council promulgated a Circular on Stabilizing Housing Prices (關於切實穩定住房價格的通知) on March 26, 2005, introducing measures to be taken to restrain the housing price from increasing too fast and to promote a stable development of the real estate market. On April 30, 2005, the Ministry of Construction, NDRC, the Ministry of Finance, the Ministry of Land and resources, PBOC, the State Taxation Bureau and CBRC jointly issued the Opinions on Stabilizing Housing Prices (關於做好穩定住房價格工作的意見) with the following guidance:

- Where the housing price is growing too fast, while the supply of ordinary commodity houses at medium or low prices and low-cost affordable houses is insufficient, the housing construction should mainly involve projects of ordinary commodity houses at medium or low prices and low cost affordable houses. The construction of low-density, high quality houses should be strictly controlled. The relevant local government authorities are authorized to impose conditions on planning and design such as building height, plot ratio and green space and to impose such requirements as sale price, type and GFA as preconditions on land assignment. The local governments are also required to strengthen their supervision of real estate developments in their jurisdictions;

- Where the price of land for residential use and the price for residential housing are growing too fast, the proportion of land supply for residential use to the total land supply should be appropriately raised, and the land supply for the construction of ordinary commodity houses at

medium or low prices and low-cost affordable houses should be especially increased. Land supply for villa construction should continue to be suspended, and land supply for high quality housing property construction should be strictly restricted;

- Commencing from June 1, 2005, a business tax upon transfer of a residential house by an individual within two years from his/her purchase will be levied on the gain from such sale. For an individual to transfer an ordinary residential house after two years from his/her purchase, the business tax will be exempted. For an individual to transfer a property other than an ordinary residential house after two years from his/her purchase, the business tax will be levied on the difference between the price of such sale and the original purchase price;

- Ordinary residential houses with medium or small GFAs and at medium or low prices may be granted preferential treatment such as planning permits, land supply, credit and taxation. Houses enjoying these preferential policies must satisfy the following conditions in principle: the plot ratio is above 1.0, the GFA of one single unit is less than 120 sq.m., and the actual transfer price is lower than 120% of the average transfer price of comparable houses at comparable locations. The local governments at the provincial level may, based on their actual local circumstances, formulate specific standards for ordinary residential houses that may enjoy the preferential policies; and

- Transfer of uncompleted commodity properties by any pre-sale purchaser is forbidden.

In addition, purchasers are required to buy properties in their real names. Any commodity property pre-sale contract must also be filed with the relevant government agencies electronically 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, PBOC, the National Bureau of Statistics, the State Taxation Bureau and 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意見的通知). The Opinions reiterated the existing measures and introduced new measures to further curb fast increase in property prices in large cities and to promote healthy development of the PRC property market. These measures, among the others, include:

- 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 GFA of residential projects approved or constructed on or after June 1, 2006 must consist of units with a unit floor area less than 90 sq.m. per unit (including affordable housing) 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 and certain cities may deviate from such ratio under special circumstances upon approval from the Ministry of Construction;

- prohibiting commercial banks from lending funds to real estate developers with an internal capital ratio, calculated by dividing the internal funds by the total project capital required for the relevant projects, of less than 35%, restricting the extension of loans and the grant 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 their 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 property other than an ordinary residential property after five years from his/her purchase, the business tax will be levied on the difference between the price for such re-sale and the original purchase price.

On December 20, 2008, the General Office of the State Council issued the rules on the Opinion on Promoting the Healthy Development of Real Estate Market (關於促進房地產市場健康發展的若干意見), which provides that in order to expand domestic demand and encourage consumption in ordinary residential housing, a business tax relief policy for real property transfers will be implemented for one year in relation to residential property conveyance. Business tax is exempted for any transfer of ordinary housing purchased and held by individuals for at least two years, as opposed to five years previously; any transfer of ordinary housing purchased by individuals for less than two years is subject to business tax based on the difference between the sale price from such transfer and the original purchase price, as opposed to the full sale price. Any transfer of non-ordinary housing purchased by individuals for at least two years, as opposed to five years previously, is subject to business tax based on the difference between the gain from such transfer and the original purchase price. Any transfer of non-ordinary housing purchased by individuals for less than two years remains subject to business tax based solely on the sale price from such transfer. The above-mentioned policy is tentatively scheduled to be enforced until December 31, 2009.

On October 22, 2008, PBOC promulgated the Notice on Several Issues Regarding the Expansion of Downward Floating Interest Rate for Commercial Individual Housing Loans (關於擴大商業性個人住房貸款利率下浮幅度等有關問題的通知) which provides that, as of October 27, 2008, the float-down range for interest rate for commercial individual housing loans will be expanded and the ratio of down payments will be modified. The minimum interest rate for commercial individual housing loans will be 70% of the benchmark loan interest rate and the minimum down payment ratio will be adjusted to 20%. Related matters are as follows:

- Loan interest rate and down payment ratio granted by the financial institutions to their clients shall be determined based on the following factors: whether or not it is the first time for the borrower to buy the house, whether or not the house is used for self occupancy, whether or not the house type and GFA conform to an ordinary residential house, and other risk factors such as the borrower's credit record and repayment capacity;

- Financial institutions may provide preferential treatments on loan interest rate and down payment ratio to residents for their first purchase of ordinary self-occupied houses and improved ordinary self-occupied houses. For non-self-occupied houses and non-ordinary residential houses, financial institutions may properly raise the loan conditions;

- As to commercial individual housing loans granted, financial institutions shall determine the interest rate for the outstanding portion thereof, in accordance with Section 1 of this notice, on the basis of reasonable assessment of loan risks and according to the original loan contracts. The down payment ratio under the original loan contracts shall remain effective; and

- The policy that the borrower's monthly expenditure on repayment of housing loans shall not exceed 50% of his/her monthly income remains unchanged.

According to the Supplemental Notice on Further Implementing Regulations and Rules of the State Council and Resolutely Curbing the Rise of Housing Prices (關於進一步落實國務院文件精神堅決遏制房價過快上漲的補充通知) promulgated by the General Office of Shenzhen Municipal People's Government on

September 30, 2010, a local residential family shall not purchase more than two houses; and a non-local residential family that is able to provide evidence documents on a consecutive year of local tax payment or social insurance contribution is allowed to purchase one house.

Pursuant to the Circular of the General Office of the State Council on Notice on Issues Relating to Further Regulating the Control of Property Market (國務院辦公廳關於進一步做好房地產市場調控工作有關問題的通知) dated January 26, 2011, generally, municipalities, provincial capitals and cities with high housing prices will implement purchase restrictions for a specified period. In principle, (i) a local residential family that already holds one house or a non-local residential family that is able to provide evidence of local tax or social insurance payment for a required period is limited to purchasing one additional house (including the new commodity residential house or a second hand one); and (ii) a local residential family that holds two or more houses, a non-local residential family that holds one or more houses or a non-local residential family that cannot provide the local payment of tax and/or social insurance for a required period shall be suspended from purchasing any other commodity residential houses.

On February 26, 2013, The State Council General Office of the PRC promulgated the Notice on Further Regulation and Control of Real Estate Market (關於繼續做好房地產市場調控工作的通知), introducing five policy measures to control the real estate market, including: (a) improving the accountability system for stabilization of house prices; (b) strictly controlling over house purchase for speculation; (c) increasing the supply of ordinary residential houses and the land supply of residential houses; (d) accelerating the planning and construction of subsidized housing projects; (e) tightening the market regulations and forecast management; and (f) accelerating the establishment and optimization of the long-term mechanism for the healthy development of the real estate market.

The highlights of the measure for "control over house purchase for speculation" under the notice are as follows:

- Continuous enforcement of stringent restrictions on commodity housing purchases;

- For cities with soaring house prices, the local branches of the PBOC may further increase the proportion of down payments and interest rates for second-home buyers according to the price control targets and policy requirements for newly-constructed commodity housing of the local governments; and

- The taxation department and the housing and urban-rural development department shall work closely together to impose personal income tax on the sales of self-owned houses. A tax rate of 20% on the proceeds from the transfer shall be strictly levied upon verification of the value of the houses based on tax collection and housing registration data.

The notice also stipulated that if the number of small-and medium-sized units of a general commodity housing project accounted for more than 70% of the total units to be constructed, the banking financial institutions shall give priority to the financing need of the development of the project subject to credit conditions. In addition, the local authorities shall strengthen the pre-sale fund management and improve their regulatory systems. For overpriced pre-sale commodity housing projects in breach of the guidance of the housing and urban-rural development department or the regulations on pre-sale fund, the approval and issuance of the pre-sale permits may be suspended.

According to the Measures on Further Promoting the Healthy Development of Real State Market (關於進一步促進我市房地產市場平穩健康發展的若干措施) jointly promulgated by the Shenzhen Planning and Land Resources Bureau, Shenzhen Market and Quality Supervision Commission, Shenzhen Public Security Bureau, Shenzhen Construction Bureau, Shenzhen Local Taxation Bureau, Shenzhen Financial and Development Services Office and Shenzhen Internet and Information Office on October 4, 2016, a local

residential family shall not purchase more than two houses; a local residential single-adult shall not purchase more than one house; and a non-local residential family that is able to provide evidence documents on local tax payment or social insurance contribution of no less than five consecutive years prior to the house purchasing date is allowed to purchase one house.

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 August 10, 2019, the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) (the "CBIRC") published the notice of special inspection on real estate business of banking institution (中國銀保監會辦公廳關於開展2019年銀行機構房地產業務專項檢查的通知) (the "CBIRC Notice"). As stated in the Notice, the CBIRC upheld the concept of "Housing is for living, but not for speculation". To prevent the formation of bubble in the real estate market, the banking institutions with businesses heavily concentrated in real estate will be inspected by the CBIRC regarding their internal control and regulation. The CBIRC will conduct intensive inspection on the potential violation of funds invested into the real estate market through illegal channels. Meanwhile, the CBIRC will put in place the centralisation of management for land development loan and land reserve loan together with the source of funds verification and minimum capital requirement. The new policy will further increase the financing cost and difficulty in obtaining financing for real estate developers.

PRC TAXATION

PRC Deed Tax

Under the Provisional Regulation on the Deed Tax of the People's Republic of China (中華人民共和國契税暫行條例) which took effect on October 1, 1997, amended in March 2019, deed tax applies to entities and individuals that accept the transfer of land-use rights and the ownership of houses within the territory of the PRC.

The transfer of land-use rights and the ownership of houses refer to the following acts:

- Assignment of the right to use state-owned land;
- Transfer of land-use rights, including the transfer by means of sale, gift and exchange, excluding the transfer of the right contract for the management of rural collective land;
- Purchase and sale of houses;
- Gift of houses; and
- Exchange of houses

The transfer of land-use rights and the ownership of houses by the means of the following methods are also deemed to be governed by the above regulation, as stipulated by the Implementation Rule of Provisional Regulation on the Deed Tax (中華人民共和國契税暫行條例細則):

- Using land-use rights and ownership of a house as investment;

- Setting off debt with land-use rights and the ownership of house;

- Obtaining land-use rights and the ownership of a house as a prize; and

- Obtaining land-use rights and the ownership of a house by the way of purchasing in advance.

The rate of deed tax will, within the range of 3-5%, be determined by the PRC government agencies of provincial, autonomous region and municipal level in light of the actual conditions of the underlying properties respective areas and shall be reported to the Ministry of Finance and the State Administration of Taxation.

The deed tax will be reduced or exempted under the following circumstances:

- For the acceptance of land and houses by state agencies, institutions, social organizations and military units for office, teaching, medical service, scientific research and military facilities, the deed tax will be exempted;

- For the initial purchase of state-owned residential houses by urban and township workers and staff members according to the provisions of relevant laws and regulations, the deed tax will be exempted;

- For the purchase of residential houses in replacement of houses damaged or destroyed due to force majeure, the tax will, upon approval, be reduced or exempted according to the circumstances; and

- Any other types of reduction or exemption provided by the Ministry of Finance.

Reduction or exemption of deed tax will not be applicable if the relevant land or house and the change of use is no longer within the above mentioned scope, and an amount of tax equivalent to the tax reduction or exemption should be repaid.

On September 29, 2010, the Ministry of Finance, the Ministry of Construction and the State Administration of Taxation promulgated the Notice on the Adjustment of the Deed Tax and Personal Income Tax Preferential Policies in Real Estate Transactions (關於調整房地產交易環節契稅個人所得稅優惠政策的通知), which provides that deed tax rate is reduced to 1% for first-time individual buyer who purchases an ordinary residential property with a GFA of less than 90 sq.m. as the family's sole property.

On February 17, 2016, the Ministry of Finance, the Ministry of Construction and the State Administration of Taxation promulgated the Notice on the Adjustment of the Deed Tax and Business Tax Preferential Policies in Real Estate Transactions (關於調整房地產交易環節契稅、營業稅優惠政策的通知), which provides that deed tax shall be levied at the reduced rate of 1% on an individual who purchases a house of 90 sq.m. or smaller as the family's sole property. If such a house is larger than 90 sq.m., deed tax shall be levied at the reduced rate of 1.5%. Deed tax shall be levied at the reduced rate of 1% on an individual who purchases a second family home of 90 sq.m. or smaller for the purpose of improving living conditions for the family. If such a house is larger than 90 sq.m., deed tax shall be levied at the reduced rate of 2%.

Enterprise Income Tax

According to the Law of the People's Republic of China on Enterprise Income Tax (the "PRC EIT Law") (中華人民共和國企業所得税法) enacted by the National People's Congress on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, and relevant implementation rules enacted by the State Council on December 6, 2007, both in effect from January 1, 2008 onwards, a uniform income tax rate of 25% will be applied towards PRC enterprises, foreign investment enterprises and foreign enterprises which have set up production and operation facilities in the PRC. The PRC EIT Law also permits enterprises to

continue to enjoy their existing tax incentives, adjusted by certain transitional phase-out rules, under which enterprises that were subject to an EIT rate of 15% prior to January 1, 2008 may continue to enjoy the lower rate and gradually transition to the new EIT rate within five years after the effective date of the PRC EIT Law, that is 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and the new statutory EIT rate of 25% from 2012 onwards. In addition, under the phase-out rules, enterprises established before the promulgation date of the PRC EIT Law and which were granted tax holidays (such as a two-year exemption and three years of reduction by 50% and a five-year exemptions and five years of reduction by 50%) under the then effective tax laws or regulations may continue to enjoy their tax holidays until their expiration.

Under the Regulation on the Implementation of the Enterprises Income Tax Law of the PRC (the "Implementation Rules of EIT Law") (中華人民共和國企業所得税法實施條例), in effect from January 1, 2008 and amended on April 23, 2019, a withholding tax of 10% will be applicable to dividends paid by foreign-invested enterprises to foreign investors, unless otherwise stipulated in tax treaties concluded between Chinese government and other jurisdictions. However, due to Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排) on August 21, 2006, a company incorporated in Hong Kong will be subject to a withholding tax at a rate of 5% on dividends it receives from a company incorporated in the PRC if it holds a 25% interest or more in the PRC company. In addition, the PRC State Administration of Taxation promulgated a tax notice on October 27, 2009, or Circular 601, which provides that tax treaty benefits will be denied to "conduit" or shell companies without business substance, and a beneficial ownership analysis will be used based on a "substance-over-the-form" principle to determine whether or not to grant tax treaty benefits.

According to the implementation rules of EIT Law, if an enterprise incorporated outside the PRC has its "de facto management body" located within the PRC, such an enterprise may be recognized as a PRC tax resident enterprise and subject to EIT at the rate of 25%. According to the PRC EIT Law, dividends received by a qualified PRC tax resident enterprise from another qualified PRC tax resident enterprises are exempted from EIT.

On March 6, 2009, the State Administration of Taxation promulgated the Measures for the Treatment of Enterprise Income Tax on Real Estate Development and Operation Businesses (房地產開發經營業務企業所得税處理辦法), which regulates the revenue, cost of sales, fees deduction, accounting of costs and tax treatment of specific matters of enterprises engaging in the real estate business in the PRC in relation to the imposition of corporate income tax.

Value Added Tax

Any entity or individual engaged in the sale of goods, the provision of specified services or the importation of goods in the PRC is generally required to pay value added tax on the added value derived during the process of manufacture, sale or service provided, according to the Interim Regulation on the Value Added Tax of the PRC (中華人民共和國增值税暫行條例) promulgated by the State Council on December 13, 1993 and amended on November 5, 2008, February 6, 2016 and November 19, 2017 and this regulation's implementing rules. Unless stated otherwise, for taxpayers who are selling goods, providing labor services or leasing services for tangible movable assets or importing goods, the value added tax rate shall be 17%. For taxpayers who are providing services related to transportation, postal services, basic telecommunications, construction, leasing of property, selling any real property, or transfer any land use rights, the value added tax rate shall be 11%.

According to the Notice of the MOF and the SAT on the Adjustment of VAT Tax Rate (財政部、税務總局關於調整增值税税率的通知) promulgated by the MOF and the SAT on April 4, 2018 with effect from May 1, 2018, if the taxpayer has sales or imports goods subject to value added tax and the original value added tax rate is 17% and 11%, the tax rate shall be adjusted to 16% and 10%. On March 20, 2019, the MOF,

SAT and General Administration of Customs promulgated the Announcement of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on the Policy of Deepening the Reform of Value-Added Tax (財政部、税務總局、海關總署關於深化增值税改革有關政策的公告) (implemented on April 1, 2019). Pursuant to this notice, the tax rates of 16% and 10% applicable to any taxpayer's VAT taxable sale or import of goods shall be adjusted to 13% and 9%, respectively.

Land Appreciation Tax

Under the LAT Regulation promulgated by the State Council on December 13, 1993 and revised on January 8, 2011, and its implementation rules, LAT applies to both domestic and foreign investors, irrespective of whether they are corporate entities or individuals. LAT is payable on the appreciation in value representing the balance of the proceeds received on sales, after deducting various prescribed items. LAT is charged at progressive rates ranging from 30% to 60%. Apart from the aforementioned deductions, property developers enjoy an additional deduction, which is equal to 20% of the payment made for acquisition of land-use rights and the costs of land development and the construction of new buildings or related facilities. An exemption from payment of LAT may be available if the taxpayer constructs ordinary residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law. If, however, the appreciation amount exceeds 20% of the sum of allowable deductions, such an exemption is not available and the taxpayer will be liable to LAT on the full appreciation amount, after taking account of the allowable deductions. The allowable deductions include the following items:

- Payment made to acquire land-use rights;
- Costs and expenses related to land development and the construction of the properties;
- Construction costs and charges in the case of newly constructed buildings and facilities or assessed value in the case of old buildings and structures;
- Taxes in connection with the transfer of real estate; and
- Other items stipulated by the Ministry of Finance (including 20% deduction of the first two items mentioned above in relation to property development).

LAT is charged at progressive rates ranging from 30% to 60% of the appreciation value (i.e., the balance as described above).

Appreciation value	**LAT rates**
	(%)
For the portion	
Not exceeding 50% of allowable deductions	30
Over 50% but not more than 100% of allowable deductions	40
Over 100% but not more than 200% of allowable deductions	50
Over 200% of allowable deductions	60

An exemption from payment of LAT may be available if the taxpayer constructs ordinary standard residential apartments and the appreciation amount does not exceed 20% of the sum of deductions allowed under PRC law.

According to the implementation rules of LAT Regulation, a provision of LAT may be made before the completions of construction of the tax payer transfers the proceeds of pre-sale. The provision rate may be determined by Local government subject to the minimum requirement set forth by the State Administrative of Taxation.

Urban Land-use Tax

Pursuant to the Provisional Regulation Governing Land-Use Tax in Cities and Towns of the People's Republic of China (中華人民共和國城鎮土地使用税暫行條例) enacted by the State Council on September 27, 1988 and revised on December 31, 2006, on January 8, 2011, on December 17, 2013 and on March 2, 2019, land-use taxes in respect of urban land is to be levied according to the area of relevant land. The annual tax shall be between RMB0.2 and RMB10 per sq.m. of urban land. According to the Approval on Land-Use Tax Exemption of Foreign Investment Enterprises (關於外商投資企業徵免土地使用税問題的批覆) issued by the State Administration of Taxation on March 27, 1997, land-use fees instead of land-use taxes were to be collected from foreign-invested enterprises. However, the Provisional Regulation Governing Land-Use Tax in Cities and Towns of the People's Republic of China (中華人民共和國城鎮土地使用税暫行條例) was revised by the State Council on December 31, 2006. As of January 1, 2007, land-use taxes are to be collected from foreign-invested enterprise. The annual tax is between RMB0.6 and RMB30.0 per sq.m. of urban land. On June 1, 2007, the State Administration of Taxation promulgated the Approval on Levy of Urban Land-Use Tax of Foreign Investment Enterprises and Foreign Enterprise (關於外商投資企業和外國企業徵收城鎮土地使用税問題的批覆) and restated the above points.

Real Estate Tax

Before January 1, 2009, there are two parallel tax systems in China for enterprises engaged in real estate development and investment in China. Such tax applicable for domestic enterprises, organizations and individuals is real estate tax which is calculated on the remaining original book value of the real estate after 10% to 30% deduction of the original book value depending on where the real estate is located, at a rate of 1.2%, or on the rental income derived by the real estate at a rate of 12% according to the Provisional Rules on Real Estate Tax of the People's Republic of China (中華人民共和國房產税暫行條例) promulgated by the State Council on September 15, 1986 and amended on January 8, 2011. While foreign invested enterprises, foreign enterprises and foreign individuals are required to pay urban real estate tax on land and buildings owned by them in the urban areas of China. According to the Provisional Rules on Urban Real Estate Tax of the People's Republic of China (中華人民共和國城市房地產税暫行條例) promulgated by the State Council on August 8, 1951, the urban real estate tax is charged at a rate of 1.5% annually based on standard prices for property or 15% annually based on rental income.

By issuance of PRC State Council Order 546 (中華人民共和國國務院令2008第546號) on December 31, 2008, the State Council unifies the two parallel real estate tax systems by abolishing the urban real estate tax. Starting from January 1, 2009, all enterprises, organizations and individuals that own or use real estate in China shall subject to real estate tax by using the calculation method as mentioned in the Provisional Rules on Real Estate Tax of the People's Republic of China (中華人民共和國房產税暫行條例) promulgated by the State Council on September 15, 1986.

Stamp duty

Under the Provisional Regulation on Stamp Duty of the People's Republic of China (中華人民共和國印花税暫行條例) promulgated by the State Council on August 6, 1988, effective on October 1, 1988 and revised on January 8, 2011, for property rights transfer instruments, including those in respect of property ownership transfer, the rate of stamp duty shall be 0.05% of the amount stated therein; for permits and certificates relating to rights, including property ownership certificates and land-use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

Urban maintenance and construction tax and education surcharge

Under the Provisional Regulation on Urban Maintenance and Construction Tax of the People's Republic of China (中華人民共和國城市維護建設稅暫行條例) promulgated by the State Council on February 8, 1985 and amended on January 8, 2011, any taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall be required to pay urban maintenance and construction 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 and a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Under the Provisional 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 revised on June 7, 1990, August 20, 2005 and January 8, 2011, a taxpayer, whether an entity or individual, of product tax, value-added tax or business tax shall pay an education surcharge at a rate of 3% on the total amount of consumption tax, value-added tax and business tax paid by such entity, unless such obliged taxpayer is instead required to pay a rural area education surcharge as stipulated under the Notice of the State Council on Raising Funds for Schools in Rural Areas (關於籌措農村學校辦學經費的通知).

FOREIGN CURRENCY EXCHANGE

Prior to December 31, 1993, a quota system was used for the management of foreign currency. Any enterprise that used foreign currency in the normal course of its operations was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through the Bank of China or other designated banks. Such conversion had to be effected at the official rate set up by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centers. The exchange rates used by swap centers were largely determined by the demand for and supply of the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap center had to obtain an advanced approval from SAFE.

On December 28, 1993, the PBOC, under the authority of the State Council, promulgated the Notice of the PBOC Concerning Further Reform of the Foreign Currency Control System (中國人民銀行關於進 一步改革外匯管理體制的公告), effective on January 1, 1994 and revoked on August 28, 2009. The notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the settlement and payment system of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centers. On June 20, 1996, the PBOC promulgated the Regulation on the Administration of the Settlement, Sale and Payment of Foreign Exchange (結匯、售匯及付匯管理規定), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organizations and social organizations in the PRC.

The principal regulation governing foreign currency exchange in the PRC is the Regulation on the Control of Foreign Exchange (the "Foreign Exchange Regulation") (中華人民共和國外匯管理條例), promulgated by the State Council in January 1996, as amended in January 1997 and August 2008. Under the regulation, Renminbi are freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but are not freely convertible for capital expenditure such as direct investment, loans or investments in securities outside the PRC unless the approval of SAFE is obtained in advance.

Under the Foreign Exchange Regulation, foreign-invested enterprises in the PRC may purchase foreign currency for trade and service-related foreign exchange transactions without the approval of the SAFE by providing commercial documents evidencing these transactions. They may also remit foreign currency (subject to a cap approved by SAFE) to satisfy foreign exchange liabilities or to pay dividends. However, the relevant PRC government authorities, which have significant administrative discretion in implementing the laws, may

restrict or eliminate the ability of foreign-invested enterprises to purchase and remit foreign currencies in the future. In addition, foreign exchange transactions involving direct investment, loans and investments in securities outside the PRC are subject to limitations and require approvals from SAFE.

Under the 171 document, no offshore or Chinese domestic loan is allowed and the foreign exchange administration shall not approve the conversion of foreign loans into RMB if the foreign-invested real estate corporations have not paid their registered capital in full, or have not obtained the land-use rights certificate, or their internal fund for a development project is less than 35% of the total investment.

In accordance with the 171 document, MOFCOM and SAFE jointly issued No. 50 Notice on May 23, 2007. Under the No. 50 Notice, the local SAFE administrative authority and designated foreign exchange bank will not conduct foreign exchange purchase and settlement process for foreign-invested real estate company who fails to satisfy the MOFCOM for filing requirement or to pass the joint annual examination of foreign-invested enterprises.

On July 10, 2007, the General Department of SAFE issued Circular No. 130. According to Circular No. 130, registration regarding the establishment of foreign-invested real estate enterprises shall be made with MOFCOM. However, such real estate enterprises with foreign investment as filed with MOFCOM will not be permitted to borrow money from overseas, including through shareholder loans and foreign commercial loans. Further, for those which fail to file with MOFCOM after June 1, 2007, neither foreign exchange registration, foreign exchange alteration registration nor sale and purchase of foreign exchange under capital account will be effected with SAFE or its branches.

The Circular No. 130 was abolished on May 13, 2013 by Notice No. 21 which was promulgated by SAFE on May 10, 2013. However, the restriction measures on the foreign debt of foreign-invested real estate enterprises stipulated in the Circular No. 130 have been reflected in Notice No. 19 issued by SAFE on April 28, 2013.

On August 29, 2008, SAFE issued the "Notice of the General Department of the SAFE on Improving on Relevant Business Operations Issues Concerning the Administration of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises" (國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知) (the "Notice 142") which regulates the conversion by a foreign-invested enterprise of foreign currency into Renminbi by restricting how the converted Renminbi may be used. The Notice 142 requires that the Renminbi funds converted from the foreign currency capital of a foreign-invested enterprise may only be used for purposes within the business scope of the relevant foreign invested companies approved by the applicable governmental authority and cannot be used for equity investments or acquisitions within the PRC unless specifically provided for otherwise. In addition, SAFE strengthened its supervision over the flow and use of Renminbi funds converted from the foreign currency capital of a foreign-invested enterprise. An offshore holding company that uses foreign exchange to invest in real estate businesses in the PRC is typically required to conduct the real estate operations through PRC subsidiaries that were established as foreign-invested real estate companies and invest in such foreign-invested PRC subsidiaries through equity contribution. In addition, it is required to complete the requisite filing procedures with MOFCOM before it can remit any funds from offshore. The use of such Renminbi capital may not be changed without SAFE's approval, and may not, in any case, be used to repay or prepay Renminbi loans if such loans have not been used.

The Notice 142 was abolished by the Notice on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知), which was promulgated by SAFE on March 30, 2015. According to the Notice, a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has

registered the account-crediting of monetary contribution). For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding Account for Foreign Exchange Settlement Pending Payment with the foreign exchange bureau (bank) at the place of registration.

According to the Notice on Further Improving and Adjusting Management Policies on Foreign Exchange of Direct Investment (關於進一步改進和調整直接投資外匯管理政策的通知) (the "Notice 59"), promulgated by the SAFE on November 19, 2012, effective from December 17, 2012 and amended on May 4, 2015, October 10, 2018, and December 30, 2019, foreign investors are no longer required to obtain approval from the SAFE to re-invest in China by using legal income generated in China. No approval from the SAFE is required for opening the bank account, payment into account, settlement of the foreign exchange and for the purchase and external payment of foreign exchange in relation to direct foreign investments in China. Also, domestic transfer of foreign exchange under direct investment account is no longer subject to approval by the SAFE. In addition, the foreign invested entities are permitted to remit funds to their offshore parent companies.

LABOR PROTECTION

The Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法) promulgated on June 29, 2007 and amended on December 28, 2012, and the Implementation Rules of the Labor Contract Law of the People's Republic of China (中華人民共和國勞動合同法實施條例) promulgated on September 18, 2008, set out specific provisions in relation to the execution, the terms and the termination of an employment contract and the rights and obligations of the employees and the employers. At the time of hiring, the employer shall truthfully inform the employee as to the scope of work, working conditions, working place, occupational hazards, work safety, salary and other matters which the employee requests to be informed about.

Employers in the PRC are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, for unemployment insurance, for basic medical insurance, for work-related injury insurance, for maternity insurance and for housing accumulation fund. These payments are made to local administrative authorities and an employer who fails to contribute may be fined and be ordered to make up for the missed contributions. The various laws and regulations that govern the employers' obligation to contribute to the social security funds include the Social Insurance Law of the People's Republic of China (中華人民共和國社會保險法) promulgated by the Standing Committee of the National People's Congress on October 28, 2010 and effective on July 1, 2011 and amended on December 29, 2018; the Interim Regulation on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例), which was promulgated by the State Council on January 22, 1999 and amended on March 24, 2019; the Interim Measures concerning the Maternity Insurance (企業職工生育保險試行辦法) which was promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995; the Regulation on Occupational Injury Insurance (工傷保險條例), which was promulgated by the State Council on April 27, 2003 and amended on December 20, 2010; and the Regulation on Management of the Housing Accumulation Fund (住房公積金管理條例), which was promulgated and became effective on April 3, 1999 and was then amended on March 24, 2002 and March 24, 2019.

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 our board:

Ms. HUANG Jingshu (黃敬舒)	32	Chairman and executive director
Mr. TANG Shouchun (唐壽春)	57	Executive director and chief executive officer
Mr. YE Xingan (葉興安)	56	Executive director
Mr. SIU Chi Hung (蕭志雄)	49	Executive director
Mr. HUANG Hao Yuan (黃浩源) . . .	30	Executive director
Ms. LI Lihong (李麗紅)	47	Non-executive director
Mr. WANG Jing (王敬)	52	Independent non-executive director
Ms. HU Gin Ing (胡競英)	61	Independent non-executive director
Mr. MO Fan (莫凡)	37	Independent non-executive director

EXECUTIVE DIRECTORS

Ms. HUANG Jingshu (黃敬舒), aged 32, was appointed as an executive director and chairman on May 15, 2014 and June 5, 2014, respectively, and is responsible for the overall business development of the Company. From August 2012 to July 2013, Ms. Huang served in the Guangzhou branch of Deloitte Touche Tohmatsu (Special General Partnership) and her last position was analyst of Enterprise Risk Service Division, where she was primarily responsible for providing professional services to the clients. Since November 2010, Ms. Huang started serving in Shenzhen LVGEM Entity Management Group Co., Ltd. where her position was the vice general manager of the investment management department and where she is responsible for corporate development and planning matters. Ms. Huang obtained her Bachelor of Arts degree with Honors in Accounting and Finance from University of Exeter in the United Kingdom in July 2010, and her Master of Science degree in Accounting and Finance in November 2011. Ms. Huang is the daughter of Mr. Wong Hong King, the controlling shareholder of the Company and the sister of Mr. Huang Hao Yuan, an executive director of the Company.

Mr. TANG Shouchun (唐壽春), aged 57 was appointed as an executive director and the chief executive officer on March 31, 2016, and is responsible for corporate investment and finance matters of the Company. Mr. Tang was appointed as vice president of Shenzhen LVGEM Entity Management Group Co., Ltd. in October 2015. Prior to joining Shenzhen LVGEM Entity Management Group Co., Ltd., Mr. Tang has been the deputy general manager of Yue Xiu Enterprises (Holdings) Limited and executive director of Yuexiu Property Company Limited (a company listed on the Stock Exchange). Mr. Tang studied business administration in Nanjing Agricultural University and obtained a doctorate degree. After graduating, he has been vice professor at South China Normal University in Guangzhou for five years, senior management in Guangdong and Guangzhou large state-owned enterprises (including Hong Kong listed companies) and was responsible for finance, capital operation, legal, audit, strategic and operation management matters. Mr. Tang is a vice professor, senior accountant, senior economist and registered asset appraiser in China.

Mr. YE Xingan (葉興安), aged 56, was appointed as an executive director on May 15, 2014, and is responsible for the overall project development and marketing of the Company. Mr. Ye joined Shenzhen LVGEM Entity Management Group Co., Ltd. in March 2007 and served as the executive vice president and was responsible for its overall operation management. Prior to joining the Company, from March 1993 to August 2002, Mr. Ye served various positions in China Vanke Co., Ltd., a company primarily engaged in real estate development. From August 2002 to March 2005, Mr. Ye served as a director and general manager of Chengdu Xinyi Investment Industry Co., Ltd. and was primarily responsible for overall management. From March 2005 to March 2007, Mr. Ye served as a director and general manager of Shenzhen Xinyi Real Estate Investment Development Co., Ltd. and was primarily responsible for its overall management. Mr. Ye obtained

his associate degree in accounting from Jiangxi College of Finance and Economics (now known as Jiangxi University of Finance and Economics) in the PRC in June 1986, and he studied courses of master's degree in business administration at International Business Administration School of University of International Business and Economics in the PRC from September 2000 to September 2001.

Mr. SIU Chi Hung (蕭志雄), aged 49, was appointed as an executive director on September 20, 2019. Prior to joining the Company, from 1994 to June 2018, Mr. Siu joined KPMG (Hong Kong) in 1994 and became a partner in 2008. He was the Head of Real Estate of KPMG (China) and the Head of Capital Markets development, Southern China of KPMG (China) before his retirement in June 2018. Mr. Siu obtained a bachelor's degree in Business Administration from the Chinese University of Hong Kong in 1994. Mr. Siu is a non-practicing member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants and a member of the Hong Kong Independent Non-Executive Director Association.

Mr. HUANG Hao Yuan (黃浩源), aged 30, was appointed as an executive director on February 21, 2017, and is responsible for business branding and investment property management of the Company. Mr. Huang joined Shenzhen LVGEM Entity Management Group Co., Ltd. in 2014, and served as the deputy general manager of the Investment and Development Centre and was responsible for formulating its strategic development and investment plans, as well as responsible for project execution and the evaluation of potential projects. From August 2016 to February 2017, Mr. Huang served as a senior investment manager of Boshuang Assets Management Co., Ltd. and was responsible for project development and evaluation and monitoring of investments. Mr. Huang possesses three years' working experience in the real estate industry in China. Mr. Huang is the son of Mr. Wong Hong King, the controlling shareholder of the Company and the younger brother of Ms. Huang Jingshu, an executive director and chairman of the Company.

NON-EXECUTIVE DIRECTOR

Ms. LI Lihong (李麗紅), aged 47, was appointed as a non-executive Director of the Company on March 29, 2018. Ms. Li has over 24 years of experience in the banking and financial industry. She is currently the chief risk officer of the Real Estate Finance Division of Ping An Bank Co., Ltd. (平安銀行股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code of 000001) and is responsible for the risk management of the real estate finance department. From March 2015 to November 2016, Ms. Li served as the general manager of Ping An Caizhi Investment Management Company (平安財智投資管理有限公司). She joined the Guangzhou branch of Ping An Bank Co., Ltd. (平安銀行股份有限公司) in January 2009 and held various management positions until March 2015, the last position she held in such branch was the investment officer. From July 2003 to January 2009, Ms. Li also served as the branch general manager of the Corporate Finance Department and general manager assistant of the Risk Management Department in the Guangzhou branch of China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司) (a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange with stock codes of 600016 and 01988 respectively). In addition, Ms. Li also served as the deputy director of the Guangzhou Tianhe branch of the Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司) (a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange with stock codes of 601398 and 1398 respectively) from July 1995 to June 2013. Ms. Li graduated from Nankai University and obtained her master's degree in business administration in senior management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. WANG Jing (王敬), aged 52, was appointed as an independent non-executive director on May 15, 2014. Mr. Wang currently serves as an independent director of Better-Life Commercial Chain Share Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 002251) and as the chairman of the board of directors of Land Vision (Shanghai) Investment Management Co., Ltd., a professional service provider in

commercial property industry, and is responsible for its overall management. Mr. Wang obtained his Bachelor of Engineering Degree from Heilongjiang Business School in the PRC in July 1990, and his master's degree in business administration from the University of International Business and Economics in the PRC in July 1997.

Ms. HU Gin Ing (胡競英), aged 61, was appointed as an independent non-executive director on May 15, 2014. Ms. Hu has over 25 years of experience in accounting and finance. Prior to joining the Company, from August 2013 to October 2014, Ms. Hu served as a non-executive director of, SMI Culture & Travel Group Holdings Limited (formerly known as SMI Culture Group Holdings Limited, a company listed on the Stock Exchange with stock code 2366). Since May 2014, Ms. Hu has been serving as the global chief finance officer of Acer Incorporated, a company listed on the Taiwan Stock Exchange with stock code 2353. She serves as an independent non-executive director of Carnival Group International Holdings Limited, Enterprise Development Holdings Limited and United Pacific Industries Limited, all of which are companies listed on the Stock Exchange with stock codes 996, 1808, and 176 respectively. Ms. Hu also served as an independent director of Arich Enterprise Co. Ltd. (a company listed on the GreTai Securities Market in Taiwan with stock code 4173) from December 2012 to June 2015. Ms. Hu obtained her Bachelor of Arts degree from National Taiwan University in June 1981, her Master of Science degree of science from Barry University in the United States of America in May 1988 and her Master of Business Administration degree from Florida International University in the United States of America in August 1990.

Mr. MO Fan (莫凡), aged 37, was appointed as an independent non-executive director of the Company on April 8, 2019 and is responsible for providing independent judgement and scrutinizing the performance of the Company. Mr. Mo has over 13 years of experience in financing. Mr. Mo currently serves as a Management Partner of Overseas Financing business of 萬科企業股份有限公司 (China Vanke Co., Ltd.*). Mr. Mo obtained a Bachelor of Business Administration degree and a Bachelor of Communication Engineering degree from Zhejiang University in the PRC in June 2005 respectively, and a Master of Science degree in Banking and Finance from Loughborough University in the United Kingdom in December 2006.

SENIOR MANAGEMENT

Ms. HU Yong (呼勇), aged 57, is a vice president of our Group and is responsible for its financing. Prior to joining the Group in January 2005, from July 2003 to December 2004, Ms. Hu served as the assistant to general manager in China Jiantou Commerce & Trading Co., Ltd. and was responsible for finance duties. From January 1987 to January 2001, she served in various positions in Shenzhen Petrochemical Chemical Co., Ltd., including general manager from July 1996 to January 2001. She was responsible for financial and accounting matters. Ms. Hu obtained her associate degree in accounting from Shenzhen University in July 1989, and studied strategic financing management courses in the Research Institute of Tsinghua University in Shenzhen in the PRC in April 2008.

Mr. REN Hongbing (任紅兵), aged 52, is a vice president of our Group and is responsible for project construction and development. Mr. Ren joined the Group in March 2001. He had served various positions including the vice general manager and general manager of Zhuhai LVGEM Real Estate Development Co., Ltd. and was responsible for project development. Prior to joining the Group, Mr. Ren served as various positions in Shenzhen Huatai Enterprises Company and was responsible for technology and engineering matters. Mr. Ren obtained his bachelor's degree in industrial and civil building from Yangzhou Construction Engineering Institute in the PRC in July 1988, and his Master of Business Administration degree from University of Wales in January 2012.

COMPANY SECRETARY

Mr. CHAN Kin Man (陳健民), aged 40, was appointed as chief financial officer of the Company on September 20, 2019 as the company secretary of the Company on November 27, 2019. Mr. Chan joined the Group in 2016 and has over 16 years of experience in corporate finance, accounting and auditing. He was the

director of investor relations and head of corporate finance of the Company. He is responsible for overseeing the financing and investor' relationships matters of the Company. Mr. Chan is a member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Mr. Chan graduated from the Hong Kong Polytechnic University with a Bachelor of Arts degree in Accountancy.

BOARD COMMITTEES

Audit Committee

We established an audit committee with written terms of reference, as amended, in compliance with the Listing Rules. The primary duties of the audit committee are to review and approve our financial reporting process, risk management and internal control systems.

The audit committee consists of three independent non-executive directors, namely Mr. Wang Jing and Mr. Mo Fan, with Ms. Hu Gin Ing acting as the chairman.

Nomination Committee

We established a nomination committee with written terms of reference in compliance with the Listing Rules. The nomination committee is primarily responsible for recommending to our board of directors suitably qualified persons to become the member of the board of directors and is also responsible for reviewing the structure, size and composition of the board of directors on a regular basis and as required as well as assessing the independence of each independent director.

The nomination committee consists of one executive director and two independent non-executive directors, namely Ms. Huang Jingshu, Mr. Wang Jing and Mr. Mo Fan, with Ms. Huang Jingshu acting as the chairman.

Remuneration Committee

We established a remuneration committee with written terms of reference in compliance with the Listing Rules. The remuneration committee is responsible for making recommendations to the board on the Company's remuneration policy and structure for all directors and senior management and on the establishment of a formal and transparent procedure for developing such policy.

The remuneration committee consists of two independent non-executive directors and one executive director, namely Ms. Hu Gin Ing, Ms. Huang Jingshu and Mr. Mo Fan, with Ms. Hu Gin Ing acting as the chairman.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our remuneration policies are formulated based on factors including time commitment and responsibilities of the directors, employment conditions elsewhere in our group and desirability of performance-based remuneration.

The aggregate amount of compensation of key management personnel of our Group, including directors' remuneration, paid by us in 2017, 2018, 2019 and the six months ended June 30, 2020 was approximately RMB23.8 million, RMB13.7 million, RMB11.9 million (US$1.7 million) and RMB5.3 million (US$0.8 million), respectively.

SHARE OPTION SCHEME

We operate a share option scheme for the purpose of motivating eligible participants to optimize their performance efficiency for our benefit and to attract and retain or otherwise maintain an on-going business relationship with such eligible participants whose contributions are or will be beneficial to our long-term growth. Eligible participants of the share option scheme include our directors, including independent non-executive directors, executives or officers, full-time or part-time employees, and advisers, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of our directors will contribute or have contributed to our Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As of the date of this offering memorandum, the interests and short positions of each of our directors and the chief executives in the shares and underlying shares and debentures of our Company as recorded in the register required to be kept by our Company pursuant to section 352 of the SFO or as otherwise notified to our Company and The Stock Exchange of Hong Kong pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules were as follows:

Name of Director	Capacity/Nature of interest	Number of shares held[(1)]	Approximate percentage in the Company's issued share capital
Ms. HUANG Jingshu	Personal interest (L)	4,500,000	0.10%
Mr. TANG Shouchun	Personal interest (L)	10,000,000	0.21%
Mr. YE Xingan	Personal interest (L)	10,000,000	0.21%
Mr. HUANG Hao Yuan . . .	Personal interest (L)	4,500,000	0.10%
Mr. WANG Jing	Personal interest (L)	3,000,000	0.06%
Ms. HU Gin Ing	Personal interest (L)	3,000,000	0.06%

Note:

(1) The letter "L" denotes the person's long position in such securities.

PRINCIPAL SHAREHOLDERS

As of June 30, 2020, so far as the directors are aware, the following persons (other than our directors and the chief executive) or institutions had interests or short positions in the shares and underlying shares as recorded in the register required to be kept pursuant to section 336 of the SFO:

Long position in ordinary shares

Name of shareholder	Capacity	Aggregate interests	Approximate percentage of the issued share capital of the Company
China LVGEM Property Holdings Limited ("**China LVGEM**")	Beneficial owner	1,068,470,583	21.10%
Go Great International Limited ("**Go Great**")	Interests of controlled corporation	1,175,613,094	23.21%
Mr. WONG Hong King ("**Mr. WONG**")	Interests of controlled corporation	1,175,613,094	23.21%
	Founder of a trust	2,400,000,000	47.39%
Kinson Group Limited	Beneficial owner	2,400,000,000	47.39%
Evergreen Holdings Limited	Interests of controlled corporation	2,400,000,000	47.39%
Cantrust (Far East) Limited	Interests of controlled corporation	2,400,000,000	47.39%
Toplist Investments Limited	Beneficial owner	300,000,000	5.92%
Wkland Investments V Limited	Beneficial owner	300,000,000	5.92%
China Vanke Co., Ltd.[#]	Interests of controlled corporation	300,000,000	5.92%
Chance Talent Management Limited	Beneficial owner	419,154,758	8.28%
China Construction Bank Corporation	Interests of controlled corporation	419,154,758	8.28%
Central Huijin Investment Ltd.	Interests of controlled corporation	419,154,758	8.28%

Notes:

(1) China LVGEM is owned as to 100% by Go Great, which is in turn owned as to 100% by Mr. Wong Hong King. Accordingly, Go Great and Mr. Wong Hong King are deemed to be interested in the 1,068,470,583 Shares held by China LVGEM.

(2) Kinson Group Limited is owned as to 100% by Evergreen Holdings Limited, and Evergreen Holdings Limited is owned as to 100% by Cantrust (Far East) Limited, acting as the trustee for the family trust of Mr. Wong Hong King.

(3) Wkland Investments V Limited is owned as to 100% by China Vanke Co., Ltd. Accordingly, China Vanke Co., Ltd. is deemed to be interested in the 300,000,000 Shares held by Wkland Investments V Limited.

(4) Chance Talent is owned as to 100% by China Construction Bank Corporation, and China Construction Bank Corporation is owned as to 57.11% by Central Huijin Investment Ltd. Accordingly, Central Huijin Investment Ltd. is deemed to be interested in the 419,154,758 shares held by Chance Talent.

Long position in convertible preference shares

Name of Shareholder	Capacity	Number of convertible preference shares	Approximate percentage of the issued convertible preference share capital of the Company
China LVGEM	Beneficial owner	2,054,010,572	59.91%
Go Great	Interests of controlled corporation	2,054,010,572	59.91%
Mr. WONG	Interests of controlled corporation	2,054,010,572	59.91%
All Group Wise International (Holdings) Limited	Beneficial owner	810,000,000	23.62%
Mr. Xu Jun Jia	Interests of controlled corporation	810,000,000	23.62%
Proud Pine Limited	Beneficial owner	284,000,000	8.28%
Poly Platinum	Person having a security interest in shares	1,070,830,000	31.23%
Greater Bay Area Homeland Investments Limited	Interests of controlled corporation	1,070,830,000	31.23%

Note:

(1) China LVGEM is owned as to 100% by Go Great, which is in turn owned as to 100% by Mr. Wong Hong King. Accordingly, Go Great and Mr. Wong Hong King are deemed to be interested in the 2,054,010,572 convertible shares held by China LVGEM.

(2) All Group Wise International (Holdings) Limited is owned as to 100% by Mr. Xu Jun Jia. Accordingly, Mr. Xu Jun Jia is deemed to be interested in the 810,000,000 convertible preference shares held by All Group Wise International (Holdings) Limited.

(3) Poly Platinum Enterprises Limited is indirect owned as to 100% by Greater Bay Area Homeland Investments Limited. Accordingly, Greater Bay Area Homeland Investments Limited is deemed to be interested in the 1,070,830,000 convertible preference shares held by Poly Platinum Enterprises Limited.

Save as disclosed above, as of June 30, 2020, there was no other person, other than a director or chief executive of our Company, who had interests or short positions in the shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the Securities and Futures Ordinance, or as otherwise notified to the Company and The Stock Exchange of Hong Kong.

RELATED PARTY TRANSACTIONS

The table below sets forth certain material transactions between us and our related parties in 2017, 2018, 2019 and the six months ended June 30, 2019 and 2020:

			For the year ended December 31,				For the six months ended June 30,		
Related parties	Relationship	Transactions	2017	2018	2019		2019	2020	
			(RMB'000)	(RMB'000)	(RMB'000)	(US$'000)	(RMB'000)	(RMB'000)	(US$'000)
Shenzhen Forsafe System Technology Co., Ltd.	Entity controlled by ultimate controlling party	Development cost charged	2,054	–	–	–	–	–	–
Shenzhen Forsafe System Technology Co., Ltd.	Entity controlled by ultimate controlling party	Interest expense paid	–	–	2,731	387	1,365	–	–

DESCRIPTION OF MATERIAL INDEBTEDNESS AND OTHER OBLIGATIONS

To fund our existing property projects and to finance our working capital requirements, we have entered into financing agreements with various financial institutions and enterprises. As of June 30, 2020, our total borrowings (including our convertible bonds) amounted to RMB29,399.0 million (US$4,161.2 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 local branches of various PRC banks and financial institutions, including Bank of China, Bank of Communications, Hua Xia Bank, Bank of Guangzhou, China Everbright Bank, Bank of Shanghai, Chinese Mercantile Bank, China Bohai Bank and Agricultural Bank of China, China Construction Bank, Rural Commercial Bank, Nanyang Commercial Bank. These loans include project loans to finance the construction of our projects, loans to finance our investment property operations and loans to finance our working capital requirements. The terms generally correspond to the construction periods of the particular projects. As of June 30, 2020, the aggregate outstanding amount under these loans totaled approximately RMB10,611.9 million (US$1,502.0 million), of which RMB3,280.4 million (US$464.3 million) would be due within one year and RMB7,331.5 million (US$1,037.7 million) would be due between two and fifteen years. Our PRC loans are typically secured by land use rights, properties and bank deposits as well as guaranteed by certain of our PRC subsidiaries.

Interest

The principal amounts outstanding under the PRC loans generally bear interest at variable 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. Most of the interest payments are payable quarterly and must be made on each payment date as provided in the particular loan agreement. As of June 30, 2020, the weighted average interest rate on the aggregate outstanding amount of our PRC loans was 6.3% per annum.

Covenants

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

- creating encumbrances on any part of their property or assets or dealing with their assets in a way that may adversely affect their ability to repay their loans;
- granting guarantees to any third parties that may adversely affect their ability to repay their loans;
- making any major changes to their corporate structures, such as entering into joint ventures, mergers, acquisitions and reorganizations;
- altering the nature or scope of their business operations in any material respect;
- transferring part or all of their liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing of assets; and
- incurring other indebtedness that may adversely affect their ability to repay their loans.

Events of Default

The PRC loan agreements contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval, and material breach of the other terms of the loan agreement. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Certain of our PRC subsidiaries have entered into guarantee agreements with the PRC banks and financial institutions in connection with some of the PRC loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these loans. Further, as of June 30, 2020, RMB10,556.9 million (US$1,494.2 million) of the PRC loans were secured by bank deposits, land use rights and properties and guaranteed by certain of our PRC subsidiaries.

Dividend Restrictions

Pursuant to the loan agreements with certain PRC banks, several of our PRC subsidiaries has each agreed not to distribute any dividend:

- if its after-tax net profit is nil or negative or insufficient to cover losses from the previous accounting periods; or if its profit before tax in the relevant accounting period has not been used to pay off the principal, interest or other related expenses due in that accounting period or is insufficient to cover the principal, interest or other related expenses due in next period;

- before prior notice has been made to or written approval has been obtained (if the proposed dividend exceeds a certain percentage of such subsidiary's net profit) from the lender; or

- before the principal amount of and accrued interest on the relevant loan have been fully paid.

DOMESTIC CORPORATE BONDS

Zhengxinglong Real Estate (Shenzhen) Co., Ltd., our wholly-owned subsidiary in the PRC, was approved to issue domestic corporate bonds in an aggregate principal amount of RMB2,600,000,000 in 2016. The domestic corporate bonds were issued on August 26, 2016 in the principal amount of RMB2,600,000,000 with an annual coupon rate of 6.5% and a term of five years. There is an adjustment mechanism after year three to increase the coupon rate to a maximum of 7.88%. Investors can exercise the retractable option within three working days from the third anniversary of the issue date. The domestic corporate bonds are listed on the Shenzhen Stock Exchange. The proceeds from the issuance of domestic corporate bonds were used for general working capital purposes.

Covenants/Events of Default

Under the subscription agreement, our subsidiary Zhengxinglong Real Estate (Shenzhen) Co., Ltd., has agreed, among other things to:

- ensure that use of proceeds from the issuance is consistent with what has been disclosed;

- provide any written notification within three working days should there be occurrence of certain events, including, but not limited to:

(a) changes in bond credit ratings;

(b) confiscation, seizure or freezing of the issuer's assets;

(c) failure to repay debts due;

(d) any changes in capital structure, mergers, demergers, dissolution and decision to apply for bankruptcy; or

(e) criminal investigation by judicial authorities of the issuer's directors, supervisors and senior management.

Debt relief measures must be arranged in the event that payment of principal and interest is not made in time. In which case, the issuer (a) may not distribute dividends, (b) must suspend any significant overseas investments and (c) adjust the salaries and bonus payments to directors and senior management, among others.

CONVERTIBLE BONDS

2020 CB

On November 6, 2016 and November 8, 2016, the Company entered into a subscription agreement and a supplemental agreement with Chance Talent Management Limited for the issue of US$100 million convertible bonds, which will be due in 2020 (the "**2020 CB**"). The issuance of the convertible bonds was completed on November 18, 2016 and the net proceeds from the issue of the convertible bonds were utilized as general working capital of the Company.

Interest

The convertible bonds shall bear interest at 5.5% per annum on the principal amount outstanding from time, accruing on a daily basis and calculated for actual number of days elapsed on a 365-day year. The interest is payable semi-annually in arrears from the issue date of the convertible bonds.

Covenants

Under the subscription agreement and supplemental agreement, we have agreed, among other things to:

- maintain a listing for all our issued shares and conversion shares on The Stock Exchange of Hong Kong;
- ensure Mr. Wong Hong King maintains his shareholding interest in, directly or indirectly, not less than 50% of the shares of our Company;
- not create any encumbrances over our shares;
- ensure our shareholder's equity is not less than RMB8,200,000,000 (or its equivalent in any other currency);
- ensure the ratio of the Company's total assets to shareholder's equity is not more than 3.6:1; and
- not change the shareholding structure of certain mentioned subsidiaries in the Company group.

Redemption

The outstanding principle amount of the convertible bonds, unless previously converted into shares or repaid, shall be repaid on the second anniversary of the issue date at the redemption amount. The redemption amount means the amount equal to the aggregate of (a) the aggregate principal amount of outstanding convertible bonds held by the relevant bondholder, (b) any accrued but unpaid interest on the outstanding bonds on the redemption date, (c) (if the sum of the amounts in (a) and (b) falls short of making up an internal rate of return of 8% on the aggregate principal amount of the convertible bonds) such additional amount which would make up an internal rate of return of 8% on the aggregate principal amount of the convertible bonds, and (d) and accrued but unpaid default interest upon certain conditions in the terms.

May 2023 CB

On May 17, 2018, the Company entered into a trust deed for the issue of US$100 million convertible bonds, which will be due in May 2023 (the "**May 2023 CB**").

Interest

The convertible bonds shall bear interest at 4.0% per annum from and including the issue date to but excluding June 19, 2020 and 5.0% per annum from and including June 19, 2020.

Redemption

The convertible bonds will be redeemed on maturity at a value equal to 124.012214% of the outstanding principal amount of the convertible bonds, with any accrued and unpaid interest. The bondholder has the right to require the issuer to redeem all or some of the bonds upon certain conditions met prior to maturity.

September 2023 CB

On September 16, 2018, the Company entered into a trust deed for the issue of US$50 million convertible bonds, which will be due in September 2023 (the "**September 2023 CB**").

Interest

The convertible bonds shall bear interest at 5.0% per annum.

Redemption

The convertible bonds will be redeemed on maturity at a value equal to 136.1% of the outstanding principal amount of the convertible bonds, with any accrued and unpaid interest. The bondholder has the right to require the issuer to redeem all or some of the bonds upon certain conditions met prior to maturity. The company may not redeem the convertible bonds at its option prior to maturity unless the company has or will become obliged to pay additional tax amount as a result of changes in laws or regulations of BVI, Cayman or Hong Kong.

OFFSHORE FACILITY AGREEMENTS

We or certain or our offshore subsidiaries have entered into facility agreements with offshore banks and financial institutions, including, without limitation, Chong Hing Bank, Wing Lung Bank Limited, China CITIC Bank International, The Bank of East Asia, Limited, Hang Seng Bank Limited, Bank of Shanghai (Hong

Kong), Bank of China (Hong Kong) Limited, Chong Hing Bank Limited, China Merchant Bank International, Dah Sing Bank, Limited, Dah Sing Bank (China) Limited, Chinese Mercantile Bank, United Overseas Bank Limited, DBS Bank Ltd. and CMB International Finance Limited.

These loans include revolving loan facilities to finance our property projects related expenses and working capital requirements. The availability period of such revolving loan facilities is generally subject to the lending bank's periodic review. As of the date of this offering memorandum, we have un-utilized offshore loan facilities RMB422.7 million (US$59.8 million).

Interest

Interest is generally fixed, or calculated at a percentage rate per annum over HIBOR, payable at the end of each interest period. The interest payments periods are selected by the borrower at generally one, two, three or six months.

Covenants

Under these offshore facilities, we have agreed, among other things to:

- remain our listing on The Stock Exchange of Hong Kong and not be suspended for trading for more than five consecutive trading days;
- not change the nature and scope of our business or the business of our group subsidiaries in any material aspect;
- not create encumbrances on any part of their property or assets or dealing with their assets in a way that may adversely affect our ability to repay the facilities;
- provide loan usage evidence from loan drawdown date;
- notify the lender if any of our shares are being pledged; and
- not merge or consolidate any group subsidiaries with non-group companies which may impair our ability to fulfil our obligations under the facilities.

Events of Default

The offshore facility agreements contain certain customary events of default, including failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires the latter's approval, and material breach of the other terms of the facility agreement. The banks are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

The lending banks have the right at any time to call for or require any cash or non-cash collateral or security of such types acceptable to be provided by us or any other person to secure the discharge of all or any obligations and liabilities in connection with any facilities.

Dividend Restrictions

Pursuant to the agreements with certain offshore banks, certain of our subsidiaries are subject to restrictions on the payment of dividends.

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," the term "Issuer" refers only to Gemstones International Limited (碧璽國際有限公司), a company incorporated with limited liability in the British Virgin Islands, and any successor obligor on the Notes, and not to any of its Subsidiaries, the term "Company" refers only to LVGEM (China) Real Estate Investment Company Limited (綠景(中國)地產投資有限公司), a company incorporated in the Cayman Islands with limited liability, and any successor obligor on the Notes, and not to any of its Subsidiaries. The Company's guarantee of the Notes is referred to as the "Parent Guarantee." Each Subsidiary of the Company that guarantees the Notes (other than a JV Subsidiary Guarantor) is referred to as a "Subsidiary Guarantor" (together with the Company, the "Notes Guarantors"), and each such guarantee is referred to as a "Subsidiary Guarantee" (together with the Parent Guarantee, the "Notes Guarantees"). Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee is referred to as a "JV Subsidiary Guarantor."

The New Notes are to be issued under the indenture (the "Indenture"), dated as of the Original Issue Date, among the Issuer, the Company, the Subsidiary Guarantors and Citicorp International Limited, as trustee (the "Trustee"). Unless the context requires otherwise, the references in this section to "Notes" mean the New Notes and the Original Notes. The total principal amount of the New Notes to be issued is US$20,000,000. Upon the issue of the New Notes, the aggregate principal amount of outstanding Notes will be US$470,000,000.

The New Notes constitute additional notes under the Indenture and are identical in all respects to the Original Notes except for the issue date and issue price, and will be consolidated and form a single series with the Original Notes and vote together as one class on all matters with respect to the Notes.

The following is a summary of certain material provisions of the Indenture, the Notes, the Notes Guarantees and the JV Subsidiary Guarantees (if any). This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Notes Guarantees and the JV Subsidiary Guarantees (if any). It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture are available for inspection at the corporate trust office of the Trustee located at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

BRIEF DESCRIPTION OF THE ISSUER

The Issuer:

- is a special-purpose financing vehicle established to issue the Notes; and
- has no operating activities other than acting as issuer of Indebtedness, including the Notes, and other activities in connection therewith.

See "Risk Factors – Risks Relating to the Notes Guarantees and JV Subsidiary Guarantees – The Issuer is our wholly-owned subsidiary with no operations on its own and will be dependent upon payments form us under intercompany loans and/or pursuant to meet its obligations under the Notes."

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 and the JV Subsidiary Guarantors (if any) on a senior basis, subject to the limitations described under "– The Parent Guarantee" and "– The Subsidiary Guarantees and the JV Subsidiary Guarantees," and in "Risk Factors – Risks Relating to the Notes Guarantees and the JV Subsidiary Guarantees";

- effectively subordinated to the secured obligations (if any) of the Issuer, the Notes Guarantors and the JV Subsidiary Guarantors (if any), 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 March 10, 2023, unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes (including the New 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 (including the New Notes) that are actually issued.

The New Notes bear interest at 12.0% per annum from September 10, 2020, payable semi-annually in arrears on March 10 and September 10 of each year (each an "Interest Payment Date"), commencing March 10, 2021. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the Notes register at the close of business (of the relevant clearing system) on the Clearing System Business Day before the due date for such payments, where "Clearing System Business Day" means a weekday (Monday to Friday, inclusive) except December 25 and January 1. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Interest on the Notes will be paid to Holders of record at the close of business on February 23 and August 26 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.

Except as described under "Optional Redemption," "Redemption for Tax 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 Company). In any case in which the date of the payment of principal of, premium or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of 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 New 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 may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Issuer at the office or agency of the Issuer maintained for that purpose (which currently is an office of the Paying Agent, currently located at Citibank, N.A., London Branch, c/o Citibank, N.A., Dublin Branch, One North Wall Quay, Dublin 1, Ireland), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Issuer (if the Issuer is acting as the paying agent), 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 (as defined herein) 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 Company;
- senior in right of payment to all future obligations of the Company expressly subordinated in right of payment to the Parent Guarantee;
- at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- effectively subordinated to the secured obligations of the Company, 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.

Under the Indenture, the Company Guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. The Company has (1) agreed 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) waived 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 as described under "– Defeasance – Defeasance and Discharge."

THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

The initial Subsidiary Guarantors that executed the Indenture on the Original Issue Date consist of LVGEM (Suzhou) Real Estate Investment Company Limited, Silk Dragon Limited, Grace Gain Group Limited, Xingfu (China) Limited, Hong Kong Jiatian International Trading Development Limited, Wisdom Concept Development Limited, Green View Holding Company Limited, LVGEM Real Estate Limited, Urban Thrive Holdings Limited, Eversea Enterprises Limited, Sunny Dragon Holdings Limited, Xingfu Holdings Limited, Jianmai Limited, World Margin Limited, Wantuo Developments Limited, Pace Ascend Limited, New Grade Investments Limited, and Olinda Limited. Other than the initial Subsidiary Guarantors, none of the Company's other Restricted Subsidiaries organized outside of the PRC (the "Other Non-Guarantor Subsidiaries") and the Restricted Subsidiaries organized under the laws of the PRC (the "PRC Non-Guarantor Subsidiaries") will be a Subsidiary Guarantor on the Original Issue Date. The Subsidiary Guarantors are holding companies that do not have significant operations. None of the existing or future Restricted Subsidiaries organized under the laws of the PRC provided or will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future.

In the case of a Restricted Subsidiary that is, or is proposed by the Company or any Restricted Subsidiary to be, established after the Original Issue Date, or any entity in respect of which the Company or any Restricted Subsidiary (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 purchase the Capital Stock of an Independent Third Party such that it becomes a non-Wholly Owned Subsidiary of the Company and designate such Subsidiary as a Restricted Subsidiary, the Company 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 or 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 a JV Subsidiary Guarantee (as defined below), no document exists that is binding on the Company or any Restricted Subsidiary that would have the effect of (a) prohibiting the Company or any Restricted Subsidiary from providing a JV Subsidiary Guarantee or (b) requiring the Company or any Restricted Subsidiary 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 purchases 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 providing the JV Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor (the "JV Subsidiary Guarantee") and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC (other than Exempted Subsidiaries), and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

(ii) an Officers' Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

(iii) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantees are valid, binding and enforceable against the JV Subsidiary Guarantors providing such JV Subsidiary Guarantees (subject to customary qualifications and assumptions).

As of June 30, 2020, the Company and its consolidated subsidiaries had total indebtedness of RMB29,399.0 million (US$4,161.2 million), of which approximately RMB20,153.0 million (US$2,852.5 million) was secured.

As of June 30, 2020, the Non-Guarantor Subsidiaries had total indebtedness of approximately RMB13,851.4 million (US$1,960.5 million) and the Non-Guarantor Subsidiaries had capital commitments of approximately RMB1,648.3 million (US$233.3 million) and contingent liabilities of approximately RMB5,217.1 million (US$738.4 million).

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC, Exempted Subsidiaries or Listed Subsidiaries), as soon as practicable after it becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. Notwithstanding the foregoing, the Company may elect to have any future Restricted Subsidiary (and its Restricted Subsidiaries) organized outside the PRC not provide a Subsidiary Guarantee or JV Subsidiary Guarantee at the time such entity becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary, *provided* that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors do not account for more than 20.0% of Total Assets as of the date such Person becomes a Restricted Subsidiary or ceases to be an Exempted Subsidiary or a Listed Subsidiary. Each such Restricted Subsidiary and its Restricted Subsidiaries organized outside the PRC that do not provide a Subsidiary Guarantee or a JV Subsidiary Guarantee will also be referred to as Other Non-Guarantor Subsidiaries.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantee is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor." The Other Non-Guarantor Subsidiaries, together with the PRC Non-Guarantor Subsidiaries, are referred to herein as the "Non-Guarantor Subsidiaries."

Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, the Non-Guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Company.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) jointly and severally guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and the JV Subsidiary Guarantors have (1) agreed 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) waived their right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer or the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

- Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee is 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 is 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 a 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. See "Risk Factors – Risks Relating to the Notes Guarantees and the JV Subsidiary Guarantees – The Subsidiary Guarantees or JV Subsidiary Guarantees may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Subsidiary Guarantees or JV Subsidiary Guarantees."

RELEASE OF THE SUBSIDIARY GUARANTEES AND JV SUBSIDIARY GUARANTEES

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;

- upon a defeasance as described under "– Defeasance – Defeasance and Discharge";

- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture; or

- upon the sale, disposition or merger of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under "– Certain Covenants – Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "– Certain Covenants – Limitation on Asset Sales" and "– Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company's other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale, disposition or merger 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 compliance with the terms of the Indenture; or

- in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor that becomes an Other Non-Guarantor Subsidiary, in compliance with the terms of the Indenture.

In the case of a Subsidiary Guarantor with respect to which the Company or any Restricted Subsidiary is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% of the Capital Stock of such Subsidiary Guarantor, the Company may concurrently with 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, and upon such release such Subsidiary Guarantor and its Restricted Subsidiaries organized outside the PRC (other than existing Non-Guarantor Subsidiaries) will become Other Non-Guarantor Subsidiaries (such that they 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 (other than Exempted Subsidiaries or Listed Subsidiaries) that are not Subsidiary Guarantors or JV Subsidiary Guarantors (including such Other Non-Guarantor Subsidiaries) do not account for more than 20.0% 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 Issuer, the Company or such Restricted Subsidiary that would have the effect of (a) prohibiting the Issuer, the Company or such Restricted Subsidiary from releasing such Subsidiary Guarantee or (b) requiring the Issuer, the Company or such Subsidiary Guarantor to deliver or keep in place a guarantee of other Indebtedness of the Issuer or the Company 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 Company has delivered to the Trustee an Officer's Certificate stating that all requirements relating to such release have been complied with and that such release is authorized and permitted by the Indenture.

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 Company 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 Company or such Restricted Subsidiary that would have the effect of (a) prohibiting the Company or such Restricted Subsidiary from releasing such Subsidiary Guarantee, (b) prohibiting the Company or such Restricted Subsidiary from providing such JV Subsidiary Guarantee or (c) requiring the Company or such Restricted Subsidiary 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 of Capital Stock 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 the release of such Subsidiary Guarantee, the Company shall or shall cause such JV Subsidiary Guarantor to deliver to the Trustee:

  (i) (A) a duly executed JV Subsidiary Guarantee of such JV Subsidiary Guarantor and each Restricted Subsidiary of such JV Subsidiary Guarantor that is not organized under the laws of the PRC, and (B) a duly executed supplemental indenture to the Indenture pursuant to which such JV Subsidiary Guarantor will guarantee the payment of the Notes, each of which provides, among other things, that the aggregate claims of the Trustee under such JV Subsidiary Guarantee and all JV Subsidiary Guarantees provided by the Restricted Subsidiaries and shareholders of such JV Subsidiary Guarantor will be limited to the JV Entitlement Amount;

(ii) an Officers' Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and

(iii) an Opinion of Counsel by a law firm of recognized international standing confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including the covenants described under "– Certain Covenants – Limitation on Asset Sales" and "– Certain Covenants – Limitation on Restricted Payments."

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the "Limitation on Asset Sales" covenant.

As of the date of this offering memorandum, all of the Company's Subsidiaries are "Restricted Subsidiaries." However, under the circumstances described under "– Certain Covenants – Designation of Restricted and Unrestricted Subsidiaries," the Company will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." The Company's Unrestricted Subsidiaries are generally not subject to the restrictive covenants in the Indenture. The Company'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 having the same terms and conditions as the Notes (including the benefit of the Notes Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that the issuance of any such Additional Notes shall then be permitted by the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock."

OPTIONAL REDEMPTION

At any time prior to March 10, 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 will be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to March 10, 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 112.0% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes 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. 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 national securities exchange and/or being held through the clearing systems, in compliance with the requirements of the principal national securities exchange on which the Notes are listed or the requirements of the clearing systems, as applicable; or

(2) if the Notes are not listed on any national securities exchange and/or held through the clearing systems, on a pro rata basis, by lot or by such other method as the Trustee in its sole and absolute discretion deems fair and appropriate, unless otherwise required by law.

A Note of US$200,000 in principal amount or less shall not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. With respect to any certificated Note, a new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

REPURCHASE OF NOTES UPON A CHANGE OF CONTROL TRIGGERING EVENT

Not later than 30 days following a Change of Control Triggering Event, the Issuer or the Company will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

Each of the Issuer and the Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Issuer and Company, it is important to note that if the Issuer or the Company, 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 Company's failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes may also constitute an event of default under certain other debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Issuer or the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Issuer or the Company to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of such purchase on the Issuer or the Company. The Issuer's or the Company's ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Issuer's, the Company's and the Subsidiary Guarantors' then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors – Risks Relating to the Notes – We may not be able to repurchase the Notes upon a Change of Control Triggering Event."

The phrase "all or substantially all", as used with respect to the assets of the Company in the definition of "Change of Control," will likely be interpreted under applicable law of the relevant jurisdictions and will be dependent upon particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of "all or substantially all" the assets of the Company has occurred.

Notwithstanding the above, the Issuer or the Company will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the same manner, at the same time and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Issuer or the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Issuer or the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to a Change of Control Triggering Event has occurred or may occur and shall not be liable to any person for any failure to do so. The Trustee shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Company. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee 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 or under the Notes Guarantees and JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer, the Company, a Surviving Person (as defined under "– Consolidation, Merger and Sale of Assets") or an applicable Subsidiary Guarantor or JV Subsidiary Guarantor is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein), including, without limitation, the PRC (each, as applicable, a "Relevant Jurisdiction"), or any jurisdiction through which payments are made, 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 Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts shall be payable:

(1) for or on account of:

    (a) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(i) the existence of any present or former connection between the Holder or beneficial owner of such Note and the Relevant Jurisdiction or the jurisdiction through which payments are made, other than merely holding such Note or the receipt of payments thereunder or under a Notes Guarantee or JV Subsidiary Guarantee, including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(iii) the failure of the Holder or beneficial owner to comply with a timely request of the Issuer, the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder, to provide information concerning such Holder's or its beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction or the jurisdiction through which payments are made, 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 Relevant Jurisdiction or the jurisdiction through which payments are made, 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 or other governmental charge that is payable otherwise than by withholding or deduction from payments of principal, premium (if any) and interest on the Notes or from payments under the Notes Guarantees or JV Subsidiary Guarantees (if any);

(d) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended ("FATCA"), any current or future Treasury Regulations or rulings promulgated thereunder, any law, regulation or other official guidance enacted in any jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or

(e) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c) and (d); or

(2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction or the jurisdiction through which payments are made, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Notes 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, the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice shall be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Issuer, the Company or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Jurisdiction affecting taxation; or

(2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective (or in the case of an official position, is announced) (i) with respect to the Issuer, the Company or any initial Subsidiary Guarantor on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, a JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Issuer, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Issuer, the Company, the Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be; *provided* that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer, the Company, the Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the giving of any notice of redemption of the Notes pursuant to the foregoing, the Issuer, the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before a redemption date:

(1) an Officers' Certificate stating that such change, amendment or statement of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer, the Company, such Surviving Person, Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and

(2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change, amendment or statement of an official position referred to in the prior paragraph.

The Trustee shall and shall be entitled to accept such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above without further verification, in which event it shall be conclusive and binding on the Holders, and will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion.

Any Notes that are redeemed will be cancelled.

CERTAIN COVENANTS

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, *provided* that the Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor may Incur Indebtedness (including Acquired Indebtedness) and any Non-Guarantor Subsidiary 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 not be less than 2.25 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock of Restricted Subsidiaries held by the Company or a Subsidiary Guarantor, so long as it is so held).

(2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):

(a) Indebtedness under the Notes (excluding any Additional Notes) and each Notes Guarantee and JV Subsidiary Guarantee;

(b) any Pari Passu Guarantees;

(c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) below; *provided* that such Indebtedness of Non-Guarantor Subsidiaries shall be included in the calculation of Permitted Subsidiary Indebtedness;

(d) Indebtedness of the Company or any Restricted Subsidiary owed to the Company or any Restricted Subsidiary; *provided* that (i) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Company or any Restricted Subsidiary) shall be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (d) and (ii) if the Issuer or the Company is the obligor on such Indebtedness, such Indebtedness must expressly be subordinated in right of payment to the Notes in the case of the Issuer, or the Parent Guarantee, in the case of the Company, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Issuer or the Company is

not the obligee, 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 of the Company or any Restricted Subsidiary ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, "refinance" and "refinances" and "refinanced" shall have a correlative meaning), then outstanding Indebtedness Incurred under the immediately preceding paragraph (1) or clause (a), (b), (c), (h), (n), (p), (q), (r), (s), (u), (v), (w) or (x) 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 Notes Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Notes Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Notes Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Notes Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Notes Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Notes Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced, (iii) in no event may Indebtedness of the Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not the Issuer, a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Issuer, the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;

(f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations designed to reduce or manage the exposure of the Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(g) Pre-Registration Mortgage Guarantees by the Company or any Restricted Subsidiary;

(h) Indebtedness Incurred by the Company or any Restricted Subsidiary for the purpose of financing (x) all or any part of the purchase price of assets, real or personal property (including the lease purchase price of land use rights) or equipment to be used in the ordinary course of business by the Company or a Restricted Subsidiary in a Permitted Business, including any such purchase through the acquisition of Capital Stock of any Person that owns such real or personal property or equipment which will, upon acquisition, become a Restricted Subsidiary, or (y) all or any part of the purchase price or the cost of development, construction or improvement of assets, real or personal property (including the lease purchase

price of land use rights) or equipment to be used in the ordinary course of business by the Company or such Restricted Subsidiary in a 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 asset, 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 sum of (1) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) plus (2) the aggregate amount outstanding of all Indebtedness permitted and then outstanding under clauses (p), (q), (r), (u), (v), (w) or (x) below (together with any refinancings thereof) does not exceed an amount equal to 35.0% of Total Assets;

(i) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case other than for an obligation for borrowed money);

(j) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit, trade guarantees or similar instruments issued in the ordinary course of business to the extent that such letters of credit, trade guarantees or similar instruments are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;

(k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company or any Restricted Subsidiary from the disposition 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) (i) Guarantees by the Issuer, the Company or any Subsidiary Guarantor of Indebtedness of the Company or any Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant (ii) Guarantees by any Restricted Subsidiary of Indebtedness of another Restricted Subsidiary that was permitted to be Incurred by another provision of this covenant or (iii) Guarantees by any JV Subsidiary Guarantor of Indebtedness of any other JV Subsidiary Guarantor that is a direct or indirect Subsidiary or parent of such JV Subsidiary Guarantor, which Indebtedness was permitted to be Incurred by another provision of this covenant;

(n) Indebtedness of the Company or any Restricted Subsidiary maturing within one year used by the Company or any Restricted Subsidiary for working capital; *provided* that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding (together with financings thereof) does not exceed US$30.0 million (or the Dollar Equivalent thereof);

(o) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement and becomes obligated to pay such deferred purchase price pursuant to such Staged Acquisition Agreement;

(p) Indebtedness Incurred or Preferred Stock issued by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a Restricted Subsidiary; *provided* that, on the date of Incurrence of all such Indebtedness or issuance of such Preferred Stock and after giving effect thereto, the sum of (1) the aggregate amount outstanding of all Indebtedness and Preferred Stock permitted under this clause (p) plus (2) the aggregate principal amount outstanding of all Indebtedness permitted under clause (h) above and clauses (q), (r), (u), (v), (w) and (x) below (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets;

(q) Bank Deposit Secured Indebtedness Incurred by the Company or any Restricted Subsidiary; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (q) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clauses (h) and (p) above and clauses (r), (u), (v), (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets;

(r) Indebtedness Incurred by any Restricted Subsidiary which is secured by Investment Properties; *provided* that, on the date of the Incurrence of all such Indebtedness and after giving effect thereto, the sum of (1) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to this clause (r) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all such Indebtedness Incurred pursuant to clauses (h), (p) and (q) above and clauses (u), (v), (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) above to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets;

(s) Indebtedness of the Company or any Restricted Subsidiary in an aggregate principal amount outstanding at any time (together with refinancings thereof) not to exceed US$20.0 million (or the Dollar Equivalent thereof);

(t) Indebtedness Incurred by the Company or a Restricted Subsidiary constituting a Subordinated Shareholder Loan;

(u) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary; *provided* that, on the date of the Incurrence of all such Indebtedness and after giving effect thereto, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (u) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q) and (r) above and clauses (v), (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets;

(v) Acquired Indebtedness of any Restricted Subsidiary Incurred and outstanding on the date on which such Person becomes a Restricted Subsidiary (other than Indebtedness Incurred (A) 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 (B) otherwise in contemplation of a Person becoming a Restricted Subsidiary or any such acquisition); *provided* that, on the date of the Incurrence of all such Indebtedness and after giving effect thereto, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (v) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (r) and (u) above and clauses (w) and (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets;

(w) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; *provided* that, on the date of the Incurrence of all such Indebtedness and after giving effect thereto, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (w) (together with any refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (r), (u) and (v) above and clause (x) below (together with any refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Asset; and

(x) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock of a Person pursuant to a Minority Interest Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 12 months after the date the Company or such Restricted Subsidiary enters into such Minority Interest Staged Acquisition Agreement and becomes obligated to pay such deferred purchase price pursuant to such Minority Interest Staged Acquisition Agreement; *provided* that, on the date of the Incurrence of such Indebtedness and after giving effect thereto, (1) the aggregate principal amount outstanding of all such Indebtedness Incurred under this clause (x) (together with refinancings thereof), plus (2) the aggregate principal amount outstanding of all Indebtedness Incurred pursuant to clauses (h), (p), (q), (r), (u), (v) and (w) above (together with refinancings thereof, but excluding any Contractor Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee is otherwise reflected in such aggregate principal amount) does not exceed an amount equal to 35.0% of Total Assets.

(3) For purposes of determining compliance with this "Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness or Preferred Stock meets the criteria of more than one of the types of Indebtedness or Preferred Stock described above, including under the proviso in paragraph (1) above, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness or Preferred Stock as one or more of such types.

(4) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that may be Incurred or Preferred Stock that may be issued pursuant to this covenant will not be deemed to be exceeded with respect to any outstanding Indebtedness due solely to the result of fluctuations in the exchange rates of currencies.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to the Company's or any Restricted Subsidiary's Capital Stock (other than dividends or distributions payable or paid solely in shares of the Company's or any Restricted Subsidiary's Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Restricted Subsidiary other than the purchase of Capital Stock of a Restricted Subsidiary pursuant to a Staged Acquisition Agreement;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any Notes Guarantee or JV Subsidiary Guarantee (excluding any intercompany Indebtedness between or among the Company 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 Company could not Incur at least US$1.00 of Indebtedness under the proviso in paragraph (1) of the covenant described under "– Limitation on Indebtedness and Preferred Stock";

(c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date (excluding Restricted Payments permitted by clauses (2), (3), (4), (5) (to the extent such Restricted Payment is made to the Company or a Restricted Subsidiary), (6) and (7)) of the immediately following paragraph), shall exceed the sum (without duplication) of:

(i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter during which the Original Issue Date occurs and ending on the last day of the Company's most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Original Issue Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Restricted Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Restricted Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

(iii) the amount by which Indebtedness of the Company or any Restricted Subsidiary is reduced on the Company's consolidated balance sheet upon the conversion or exchange (other than by a Restricted Subsidiary of the Company) subsequent to the Original Issue Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Original Issue Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (C) to the extent that an Investment made after the Original Issue 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, or (D) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person; plus

(v) US$20.0 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 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Issuer, the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than to a Restricted Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor or 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;

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Issuer, the Company or any Subsidiary Guarantor or 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 Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Issuer, the Company or any Subsidiary Guarantor or 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;

(5) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a pro rata basis or on a basis more favorable to the Company, to all holders of any class of Capital Stock of such Restricted Subsidiary;

(6) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); *provided* that the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US$1.0 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);

(7) 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;

(8) dividends or other distributions paid to, or the purchase of Capital Stock of any Restricted Subsidiary held by, any Trust Company Investor in respect of any Indebtedness or Preferred Stock outstanding on the Original Issue Date or permitted to be Incurred or issued under clause (2)(p) of the covenant described under the caption "– Limitation on Indebtedness and Preferred Stock";

(9) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible into or exchangeable for Capital Stock of the Company; *provided* that any such cash payment shall not be for the purpose of evading the limitation of this "Limitation on Restricted Payments" covenant (as determined in good faith by the Board of Directors of the Company);

(10) the purchase by the Company or a Restricted Subsidiary of Capital Stock of any Restricted Subsidiary that is not Wholly Owned, directly or indirectly, by the Company from an Independent Third Party pursuant to an agreement entered into between/among the Company or any Restricted Subsidiary and such Independent Third Party 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 Company delivers to the Trustee a Board Resolution set forth in an Officers' Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock;

(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 declaration and payment of dividends on the Common Stock of the Company by the Company in an aggregate amount not to exceed 20.0% of profit for year based on the consolidated financial statements of the Company for any fiscal year after the Original Issue Date;

(13) payments, including distributions, made under or in connection with any Perpetual Bond Obligation pursuant to the terms thereof or in connection with a repurchase or redemption thereof; or

(14) any Investment in a subordinated tranche of interests in a Receivable Financing Incurred pursuant to clause (ii) of the definition thereof with multiple tranches offered and sold to investors that, in the good faith determination of the Board of Directors, is necessary or advisable to effect such Receivable Financing;

provided that, in the case of clause (2), (3) or (4) of this paragraph, no Default shall have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities (other than any Restricted Payments set forth in clauses (5) through (14) above and any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries as Unrestricted Subsidiaries (to the extent such Investment does not constitute a Permitted Investment pursuant to clause (19) of the definition thereof)), must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$10.0 million (or the Dollar Equivalent thereof) (other than any Restricted Payments set forth in clauses (5) through (14) above and any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the Restructuring upon designation of such Subsidiaries as Unrestricted Subsidiaries (to the extent such Investment does not constitute a Permitted Investment pursuant to clause (19) of the definition thereof)), the Company will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "– Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) Except as provided below, the Company will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(a) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;

(b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;

(c) make loans or advances to the Company or any other Restricted Subsidiary; or

(d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary;

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 Company or any Restricted Subsidiary to other Indebtedness Incurred by the Company or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among the Company 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 Notes Guarantees, the JV Subsidiary Guarantees or the Indenture or under any Pari Passu Guarantee or any Indebtedness of the Company, any Subsidiary Guarantor or any JV 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) with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture, or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of the Company or any Restricted Subsidiary in any manner material to the Company or any Restricted Subsidiary;

(e) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "– Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "– Limitation on Indebtedness and Preferred Stock" and "– Limitation on Asset Sales" covenants;

(f) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness of the type described under clause (2)(h), (o), (p), (q), (r), (u), (v), (w) or (x) or permitted under clause (n) or (s) of the "Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, 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 to make required payment on the Notes and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

(g) existing in customary provisions in joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of the Company or a Restricted Subsidiary that is a party to such joint venture and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Issuer to make the required payments on the Notes, or (y) any Notes Guarantor or JV Subsidiary Guarantor to make required payments under its Notes Guarantee or JV Subsidiary Guarantee; or

(h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of

such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its subsidiaries or the property or assets of such Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators or on a basis more favorable to the Company 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 Company or a Wholly Owned Restricted Subsidiary;

(3) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made by the covenant described under "– Limitation on Restricted Payments" if made on the date of such issuance or sale and *provided* that the Company complies with the "– Limitation on Asset Sales" covenant; or

(4) the issuance or sale of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that the Company or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Company will not permit any Restricted Subsidiary which is not the Issuer, a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the Issuer, Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor, unless (1) (a) such Restricted Subsidiary, simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee (in the case of a Subsidiary Guarantor) or JV Subsidiary Guarantee (in the case of a JV Subsidiary Guarantor) of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Company or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, until the Notes have been paid in full or (2) such Guarantee are permitted by clauses (2)(c), (d) or (q) (in the case of (2)(q), with respect to the Guarantee provided by any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor through the pledge of 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 of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor) under "– Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes, any Notes Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Notes Guarantee or JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Notes Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Notes, the Notes Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Notes Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such Guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor Guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such Guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and

(2) the Company delivers to the Trustee:

    (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$5.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and

    (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause 2(a) above, an opinion no later than the consummation of the transaction as to the fairness to the Company or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued or confirming that the terms of such Affiliate Transaction are no less favourable to the Company or the relevant Restricted Subsidiary than terms available to (or from, as applicable) a Person that is not an Affiliate of the Company by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

(1) the payment of reasonable and customary regular fees and other reasonable and customary compensation to directors of the Company or any Restricted Subsidiary who are not employees of the Company or any Restricted Subsidiary;

(2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant described under "– Limitation on Restricted Payments" if permitted by that covenant;

(4) any sale of Capital Stock (other than Disqualified Stock) of the Company;

(5) the payment of compensation to officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;

(6) any employment, consulting, service or termination agreement, or reasonable and customary indemnification arrangements, entered into by the Company 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;

(7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in connection with the proposed Restructuring, including but not limited to transactions entered into for purposes of any reorganization in connection with the proposed Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with the proposed Restructuring;

(8) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in the ordinary course of business, on fair and reasonable terms and disclosed in the offering document issued in connection with the proposed Restructuring, or any amendment or modification or extension or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original transaction described in the offering document issued in connection with the proposed Restructuring and in compliance with the rules of the relevant Qualifying Exchange;

(9) for as long as the Common Stock of the Company remains listed on The Stock Exchange of Hong Kong Limited, any transaction between Permitted Holders on the one hand and the Company or any Restricted Subsidiary on the other hand which is conducted in compliance with the applicable listing rules of The Stock Exchange of Hong Kong Limited; and

(10) any repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary pursuant to clause (6) or (7) (to the extent such Restricted Payment would constitute Affiliate Transaction) of the second paragraph of the covenant entitled "– Limitation on Restricted Payments."

In addition, the requirements of clause (2) of the first paragraph of this covenant shall not apply to (i) Investments (other than 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 relating to the Original Notes, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date and (iii) any transaction between or among the Company, any Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries or between or among the Company or a Restricted Subsidiary

on the one hand and a Minority Joint Venture or an Unrestricted Subsidiary on the other hand; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) of or in such Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary is a Person described in clauses (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, Minority Joint Venture or Unrestricted Subsidiary).

Limitation on Liens

The Company will not, and will not permit any Restricted Subsidiary 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 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 Issuer, the Company or any Subsidiary Guarantor in compliance with the terms of the Indenture, the Issuer, the Company or such Subsidiary 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 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 Company will not, and will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Company or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(1) the Company or such Restricted Subsidiary, as the case may be, could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described under "– Limitation on Indebtedness and Preferred Stock" and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described under "– Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(2) the gross cash proceeds of such 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 such Sale and Leaseback Transaction is permitted by, and the Company or such Restricted Subsidiary, as the case may be, applies the proceeds of such transaction in compliance with, the covenant described under "– Limitation on Asset Sales."

Limitation on Asset Sales

The Company will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

(1) no Default shall have occurred and be continuing or would occur as a result of such Asset Sale;

(2) the consideration received by the Company or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of; and

(3) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which the Company or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), the Company shall deliver to the Trustee an opinion as to the fairness to the Company or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:

   (a) any liabilities, as shown on the Company's most recent consolidated balance sheet, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Notes Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

   (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion;

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

(1) permanently repay Senior Indebtedness of the Issuer, the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not the Issuer or a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce permanently commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or

(2) acquire Replacement Assets.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Issuer or the Company must make an Offer to Purchase Notes having a principal amount equal to:

(1) accumulated Excess Proceeds, multiplied by

(2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

Pending application of such Net Cash Proceeds as set forth in clause (1) or (2) above, the Company or any Restricted Subsidiary may make an Investment in cash or Temporary Cash Investments.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to (but not including) the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use such 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) 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 based on the principal amount of Notes and such other *pari passu* Indebtedness tendered (or required to be prepaid or redeemed). Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Limitation on the Company's Business Activities

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided*, *however*, that the Company or any Restricted Subsidiary may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than a Permitted Business as long as any Investment therein was not prohibited when made by the covenant under the caption "– Limitation on Restricted Payments."

Limitation on the Issuer's Activities

Notwithstanding anything contained in the Indenture to the contrary, the Issuer will not engage in any business activity or undertake any other activity, except any activity (a) relating to the offering, sale or issuance of the Notes, the incurrence of Indebtedness represented by the Notes or any Additional Notes issued under the Indenture (if such offering, sale or issuance is permitted under the Indenture), (b) relating to the offering, sale or issuance of debt obligations similar to the Notes in the future and the incurrence of Indebtedness represented by such debt obligations, (c) contributing to, lending to or otherwise using the proceeds of the issuance of Indebtedness referred to in clause (a) or (b) Incurred by the Issuer to fund the activities of the Company or any Restricted Subsidiary or the making of any Temporary Cash Investments with such proceeds, (d) undertaken with the purpose of fulfilling any obligations under the Indebtedness referred to in clause (a) or (b) or the Indenture or any future indenture or similar document related to such Indebtedness or for purposes of any consent solicitation or tender for such Indebtedness or refinancing of such Indebtedness or (e) directly related to the establishment and/or maintenance of the Issuer's corporate existence.

The Issuer will not (a) issue any Capital Stock other than the issuance of its ordinary shares to the Company or (b) acquire or receive any property or assets (including, without limitation, any Capital Stock or Indebtedness of any Person), other than (x) any intercompany Indebtedness owed by the Company or any Restricted Subsidiary to the Issuer in respect of the borrowing of the proceeds of the issuance of Indebtedness by the Issuer or payments in respect thereof, (y) cash for ongoing corporate activities of the Issuer described in the preceding paragraph or (z) any Notes acquired in connection with a redemption or repurchase permitted by the Indenture.

The Issuer will at all times remain, directly or indirectly, a Wholly Owned Restricted Subsidiary of the Company.

For so long as any Notes are outstanding, the Issuer will not, and the Company will procure that none of the Restricted Subsidiaries will, commence or take any action to cause a winding-up or liquidation of the Issuer, except that the Issuer may be wound up or liquidated subsequent to a consolidation, merger or transfer of assets conducted in accordance with the first paragraph of the covenant described under "– Consolidation, Merger and Sale of Assets."

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, under "Use of Proceeds" in this offering memorandum (or in the case of Additional Notes, the offering document relating to the sale of such Additional Notes) and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary (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 Company nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary; (3) such Restricted Subsidiary does not own any Disqualified Stock of the Company or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, the Company or any Restricted Subsidiary, if such Disqualified or Preferred Stock or Indebtedness could not be Incurred under the covenant described under "– Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under "– Limitation on Liens"; (4) 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 (5) 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" (other than any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group upon the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries in connection with the proposed Restructuring, provided that (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualifying Exchange for the proposed Restructuring, and (ii) immediately prior to the designation of the Restructuring Group as Unrestricted Subsidiaries, the Consolidated Assets of the Restructuring Group shall be no more than 5% of Total Assets).

The Board of Directors may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under "– Limitation on Indebtedness and Preferred Stock"; (3) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly- designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under "– Limitation on Liens"; (4) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (5) if such Restricted Subsidiary is not organized under the laws of the PRC and is not an Other 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 in accordance with the terms under the Indenture.

Government Approvals and Licenses; Compliance with Law

The Company will, and will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material adverse effect on (a) the business, results of operations or prospects of the Company and its Restricted Subsidiaries, taken as a whole, or (b) the ability of the Issuer, any Notes Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Notes Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit the Issuer or 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 Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the 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 both of the Rating Agencies and no Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "– Limitation on Indebtedness and Preferred Stock;"

(2) "– Limitation on Restricted Payments";

(3) "– Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "– Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "– Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(6) "– Limitation on the Company's Business Activities";

(6) "– Limitation on Sale and Leaseback Transactions";

(7) "– Limitation on Asset Sales"; and

(8) clauses (3), (4) and (5)(x) of the first and second 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 Restricted Subsidiary as an Unrestricted Subsidiary pursuant to the covenant described under "– Designation of Restricted and Unrestricted Subsidiary" or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant described under "– Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended.

There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

(1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; *provided* that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee and furnish to the Holders:

(a) as soon as they are available, but in any event within 90 calendar days after the end of the fiscal year of the Company, copies of its financial statements (on a consolidated basis and in the English language) 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 a member firm of an internationally-recognized firm of independent accountants;

(b) as soon as they are available, but in any event within 45 calendar days after the end of the second fiscal quarter of the Company, copies of its financial statements (on a consolidated basis and in the English language) in respect of such half-year period (including a statement of income, balance sheet and cash flow statement) prepared in accordance with GAAP and reviewed by a member firm of an internationally-recognized firm of independent accountants; and

(c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third fiscal quarters of the Company, copies of its unaudited financial statements (on a consolidated basis and in the English language), including a statement of income, balance sheet and cash flow statement prepared in accordance with GAAP, and prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.

(2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year ending after the Original Issue Date, an Officers' Certificate stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarter periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; *provided* that the Company shall not be required to provide such auditor certificate if its external auditors refuse to provide such certificate as a result of a policy of such external auditors not to provide such certificate; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officers' Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

EVENTS OF DEFAULT

The following events will be defined as "Events of Default" in the Indenture:

(1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(3) default in the performance or breach of the provisions of the covenants described under "– Consolidation, Merger and Sale of Assets," the failure by the Issuer or the Company to make or consummate an Offer to Purchase in the manner described under "– Repurchase of Notes upon a Change of Control Triggering Event" or "– Certain Covenants – Limitation on Asset Sales";

(4) the Company or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (1), (2) or (3) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Holders of 25% or more in aggregate principal amount of the Notes then outstanding or by the Trustee at the direction of such Holders;

(5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US$15.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;

(6) one or more final judgments or orders for the payment of money are rendered against the Company or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$15.0 million (or the Dollar Equivalent thereof)), in excess of amounts which the Company's insurance carriers have unconditionally 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 Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) with respect to it or its debts under any applicable bankruptcy,

insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) or for any substantial part of the property and assets of the Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(8) the Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) (a) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (b) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary) or for all or substantially all of the property and assets of the Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted 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 Restricted Subsidiary in the ordinary course of business that shall result in the net assets of such Significant Restricted Subsidiary being transferred to or otherwise vested in the Company or any Restricted Subsidiary on a pro rata basis or on a basis more favorable to the Company); or

(9) any Notes Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Notes Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Notes Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

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 the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written direction of such Holders (subject to being indemnified and/or secured to its satisfaction) shall, declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Issuer, the Company or any Significant Restricted Subsidiary (or any group of Restricted Subsidiaries that together constitutes a Significant Restricted Subsidiary), the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Issuer and the Company and to the Trustee may, on behalf of the Holders of the Notes waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and

(2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee shall, upon request of Holders of at least 25% in aggregate principal amount of outstanding Notes, pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

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 the Trustee being indemnified and/or secured to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that conflicts with applicable law or regulations or the Indenture, or that may involve the Trustee in personal liability and may take any other action it deems proper that is not inconsistent with any written direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security is assured to it.

A Holder may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written direction 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 written such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest on, such Note or any payment under the Notes Guarantee or JV Subsidiary Guarantee, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right shall not be impaired or affected without the consent of the Holder.

Officers of the Company must certify to the Trustee in writing, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Company and its Restricted Subsidiaries and the Company's and its Restricted Subsidiaries' performance under the Indenture and that the Company and its Restricted Subsidiaries have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Company will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See "– Certain Covenants – Provision of Financial Statements and Reports."

The Trustee and the Agents need not do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to Holders or any other person for any loss arising from any failure by it to do so, and, the Trustee or the Agents may assume that no such event has occurred and that the Issuer or the Notes Guarantors are performing all their 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 or the Notes Guarantors are not performing all of its obligations under the Indenture and the Notes. The Trustee is entitled to conclusively rely, without liability, on any Opinion of Counsel or Officers' Certificate regarding whether an Event of Default or Default has occurred.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Issuer will not consolidate with, merge with or into, another Person (other than the Company), permit any Person (other than the Company) to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to any Person (other than the Company); *provided* that, in the event the Issuer so consolidates with, merges with or into, the Company or sells, conveys, transfers, leases or otherwise disposes of all or substantially all of its properties and assets to the Company, the Company immediately after such transaction will (a) 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, which shall remain in full force and effect and (b) deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that such transaction and such supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with.

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person, unless:

(1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of the Cayman Islands, the British Virgin Islands 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 Company under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, as the case may be, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis the Company or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under paragraph (1) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock";

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under "– Consolidation, Merger and Sale of Assets," shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee or JV Subsidiary Guarantee, as applicable, shall apply to the obligations of the Company or the Surviving Person in accordance with the Notes and the Indenture; and

(7) no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with or merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than another JV Subsidiary Guarantor, the Company or another Subsidiary Guarantor), unless:

(1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets shall be the Company, another Subsidiary Guarantor or shall become a Subsidiary Guarantor concurrently with the transaction (or, in the case of a JV Subsidiary Guarantor, another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor); and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor or JV Subsidiary Guarantor under the Indenture and the Notes, including the obligation to pay Additional Amounts with respect to any jurisdiction in which it is organized or resident for tax purposes or through which it makes payments, and the Indenture and the Notes, shall remain in full force and effect;

(2) immediately after giving effect to such transaction, no Default shall have occurred and be continuing;

(3) immediately after giving effect to such transaction on a pro forma basis, the Company shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;

(4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US$1.00 of Indebtedness under paragraph (1) of the covenant under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock;"

(5) the Company delivers to the Trustee (x) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4)) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(6) no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the "Limitation on Asset Sales" covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under "– The Subsidiary Guarantees and the JV Subsidiary Guarantees – Release of the Subsidiary Guarantees and the JV Subsidiary Guarantees."

For the avoidance of doubt, for purposes of this covenant, a sale of shares of Capital Stock of a Non-Guarantor Subsidiary which holds all or substantially all properties and assets of the Company or the relevant Subsidiary Guarantor or JV Subsidiary Guarantor to Independent Third Parties in an initial public offering and listing on a stock exchange of the shares of Capital Stock of such Non-Guarantor Subsidiary where such Non-Guarantor Subsidiary (i) remains a Restricted Subsidiary immediately after such sale and (ii) the Company or the relevant Subsidiary Guarantor or JV Subsidiary Guarantor, immediately after such sale, owns at least 30.0% of the Voting Stock of such Non-Guarantor Subsidiary shall not constitute a sale of substantially all properties and assets of the Company or the relevant Subsidiary Guarantor or JV Subsidiary 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, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company that may adversely affect Holders.

NO PAYMENTS FOR CONSENTS

The Company will not, and shall not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes in connection with an exchange or tender offer, the Company and any Restricted Subsidiary may exclude (i) Holders or

beneficial owners of the Notes that are not institutional "accredited investors" as defined in Rule 501 under the Securities Act, and (ii) Holders or beneficial owners of the Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any Restricted Subsidiary to comply with the registration requirements or other similar requirements under any securities laws of such jurisdiction, or the solicitation of such consent, waiver or amendment from, or the granting of such consent or waiver, or the approval of such amendment by, Holders or beneficial owners in such jurisdiction would be unlawful, in each case as determined by the Company in its sole discretion.

DEFEASANCE

Defeasance and Discharge

The Indenture provides 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 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 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) has delivered to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the 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 international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and

(3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

In the case of either discharge or defeasance of the Notes, the Notes Guarantees and the JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further provides that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "– Consolidation, Merger and Sale of Assets" and all the covenants described herein under "– Certain Covenants," other than as described under "– Certain Covenants –

Government Approvals and Licenses; Compliance with Law" and "– Certain Covenants – Anti-Layering," clause (3) under "Events of Default" with respect to clauses (3), (4), (5)(x) and (7) under the first paragraph, and clauses (3), (4), (5)(x) and (6) under the second paragraph under "Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in such clause, clause (4) under "Events of Default" with respect to such other covenants 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 and the delivery by the Issuer to the Trustee of an Opinion of Counsel of recognized international standing with respect to U.S. federal income tax matters to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

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, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will remain liable for such payments.

AMENDMENTS AND WAIVER

Amendments Without Consent of Holders

The Indenture may be amended, without the consent of any Holder, to:

(1) cure any ambiguity, defect, omission or inconsistency in the Indenture or the Notes; *provided* that such actions pursuant to this clause (1) do not materially and adversely affect the interests of the Holders;

(2) comply with the provisions described under "– Consolidation, Merger and Sale of Assets";

(3) evidence and provide for the acceptance of appointment by a successor Trustee;

(4) add any Notes Guarantor or JV Subsidiary Guarantor, or any Notes Guarantee or JV Subsidiary Guarantee, or release any Notes Guarantor or JV Subsidiary Guarantor from any Notes Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;

(5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(6) provide collateral, add additional collateral to secure the Notes, any Notes Guarantee or any JV Subsidiary Guarantee or enter into any intercreditor agreement 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;

(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 or the JV Subsidiary Guarantees to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Notes Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

Amendments of the Indenture may be made by the Issuer, the Company, the Subsidiary Guarantors and the Trustee 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 principal amount of the outstanding Notes may waive future compliance by the Issuer, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors with any provision of the Indenture or the Notes; *provided*, *however*, that no such modification, amendment or waiver may, without the consent of each Holder affected thereby:

(1) change the Stated Maturity of the principal of, or premium, if any, 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 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;

(5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(7) release any Notes Guarantor or JV Subsidiary Guarantor from its Notes 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 any Notes Guarantee or JV Subsidiary Guarantee in a manner that adversely affects the Holders;

(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;

(11) change the redemption date or the redemption price of the Notes from that stated under "– Optional Redemption" or "– Redemption for Taxation Reasons;"

(12) amend, change or modify the obligation of the Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary 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 or any Notes Guarantee or JV Subsidiary Guarantee in a manner which adversely affects the Holders.

UNCLAIMED MONEY

Claims against the Issuer or the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

NO PERSONAL LIABILITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS, DIRECTORS OR EMPLOYEES

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor in the Indenture, or in any of the Notes, the Notes Guarantees or the JV Subsidiary Guarantees or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Issuer, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor, 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 Notes Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the federal securities laws.

CONCERNING THE TRUSTEE AND THE AGENTS

Citicorp International Limited has been appointed as Trustee under the Indenture. Citibank, N.A. London Branch has been appointed as note registrar (the "Note Registrar") and as 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 will not be liable, except for the performance of such duties as are specifically set forth in the Indenture and the Notes. 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 or the Notes as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have instructed the Trustee in writing and offered to the Trustee security and/or indemnity satisfactory to it against loss, liability or expense.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Issuer, the Company or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Issuer, the Company and their respective Affiliates; *provided*, *however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

BOOK-ENTRY; DELIVERY AND FORM

The Notes will be represented by one or more global notes in registered form without interest coupons attached (the "Global Notes"). On the issue date of the New Notes, a Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

GLOBAL NOTE

Ownership of beneficial interests in the Global Note (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 depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note 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 Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

PAYMENTS ON THE GLOBAL NOTE

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Issuer and the Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "– Additional Amounts."

Under the terms of the Indenture, the Issuer, the Company, the Trustee and the Agents will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

REDEMPTION OF GLOBAL NOTE

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 and the Company understand 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 the 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 Note 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 Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

GLOBAL CLEARANCE AND SETTLEMENT UNDER THE BOOK-ENTRY SYSTEM

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

INFORMATION CONCERNING EUROCLEAR AND CLEARSTREAM

The Issuer and the Company understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Issuer, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

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 or a Holder, as the case may be, the Issuer will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note 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 or on behalf 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, the Company or any Subsidiary Guarantor) addressed to the Company at the principal office of the Company or such other address as the Company may advise the Trustee in writing from time to time, of (if intended for the Trustee) at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

CONSENT TO JURISDICTION; SERVICE OF PROCESS

The Issuer, the Company and each of the Subsidiary Guarantors have irrevocably (1) submitted to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Notes Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designated and appointed 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, the JV Subsidiary Guarantees and the Indenture 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 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 March 10, 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 the principal amount of such Notes on March 10, 2023, plus all required remaining scheduled interest payments due on such Note through March 10, 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.

"Asset Acquisition" means (1) an investment by the Company or any Restricted Subsidiary in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary that constitute substantially all of a division or line of business of such Person.

"Asset Disposition" means the sale or other disposition by the Company or any Restricted Subsidiary (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any Restricted Subsidiary.

"Asset Sale" means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any Restricted Subsidiary 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 Company or its Restricted Subsidiaries;

(5) any transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;

(6) a transaction covered by the "Consolidation, Merger and Sale of Assets" covenant; and

(7) any sale, transfer or other disposition by the Company or any Restricted Subsidiary, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary.

"Attributable Indebtedness" means, in respect of a Sale and Leaseback Transaction, at the time of determinations, 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, including any period for which such lease has been extended or may, at the opinion of the lessor, be extended.

"Average Life" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"Bank Deposit Secured Indebtedness" means Indebtedness of the Company or any Restricted Subsidiary that is secured by cash deposits, bank accounts or other assets of the Company or a Restricted Subsidiary and/or (ii) guaranteed by a guarantee or a letter of credit (or similar instruments) from or arranged by the Company or a Restricted Subsidiary and is used by the Company and its Restricted Subsidiaries to in effect exchange foreign currencies or remit money onshore or offshore.

"Board of Directors" means the board of directors elected or appointed by the stockholders of the Company to manage the business of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

"Board Resolution" means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"Business Day" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"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.

"Capitalized Lease Obligations" means the discounted present value of the rental obligations under a Capitalized Lease.

"Change of Control" means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation) in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Restricted Subsidiaries, taken as a whole, to any "person" (within the meaning of Section 13(d) of the Exchange Act), other than one or more Permitted Holders;

(2) the Company consolidates with, or merges with or into, any Person (other than one or more Permitted Holders), or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of the Company or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of the Company outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the Permitted Holders are the beneficial owners of less than 50.1% of the total voting power of the Voting Stock of the Company;

(4) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

(5) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election by the board of directors was approved by a vote of at least a majority of the directors then still in office who were either directors or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or

(6) the adoption of a plan relating to the liquidation or dissolution of the Company.

For the avoidance of doubt, for purposes of this "Change of Control" definition, a sale of shares of Capital Stock of a Non-Guarantor Subsidiary which holds all or substantially all properties and assets of the Company and its Restricted Subsidiaries to Independent Third Parties in an initial public offering and listing on a stock exchange of the shares of Capital Stock of such Non-Guarantor Subsidiary where such Non-Guarantor Subsidiary (i) remains a Restricted Subsidiary immediately after such sale and (ii) the Company, immediately after such sale, owns, directly or indirectly, at least 30.0% of the Voting Stock of such Non-Guarantor Subsidiary shall not constitute a sale of substantially all properties and assets of the Company and its Restricted Subsidiaries.

"Change of Control Triggering Event" means the occurrence of both a Change of Control and a Rating Decline.

"Clearstream" means Clearstream Banking S.A.

"Commodity 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 on the Original Issue Date, 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 March 10, 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 March 10, 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 received by the Company) Reference Treasury Dealer Quotations for such redemption date.

"Consolidated Assets" means, with respect to any Restricted Subsidiary at any date of determination, the Company and its Restricted Subsidiaries' proportionate interest in the total consolidated assets of such Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company and its Restricted Subsidiaries (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements).

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

(1) Consolidated Interest Expense,

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), 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 Company and its Restricted Subsidiaries in conformity with GAAP; *provided* that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any Restricted Subsidiary and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

"Consolidated Fixed Charges" means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company's Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

"Consolidated Interest Expense" means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations 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 Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees), only to the extent that such interest is actually paid by the Company or any Restricted Subsidiary and (7) any capitalized interest, *provided* 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 and, for the avoidance of doubt, distributions Incurred or accrued or payments on any Perpetual Bond Obligation shall not be included in the calculation of Consolidated Interest Expense.

"Consolidated Net Income" means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; *provided* that the following items shall be excluded in computing Consolidated Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:

    (a) subject to the exclusion contained in clause (5) below, the Company's equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

(b) the Company's equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;

(3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains realized on the sale or other disposition of (a) any property or assets of the Company or any Restricted Subsidiary which is not sold in the ordinary course of its business or (b) any Capital Stock of any Person (including any gains by the Company realized on sales of Capital Stock of the Company or other Restricted Subsidiaries);

(6) any translation gains and losses due solely to fluctuations in currency values and related tax effects; and

(7) any net after-tax extraordinary or non-recurring gains;

provided that (A) solely for purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains derived from direct or indirect sale by the Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the current book value and the cash sale price shall be added to Consolidated Net Income; (B) for purposes of 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 Company or any Restricted Subsidiary of (i) Capital Stock of a Restricted Subsidiary primarily engaged in the holding of Investment Property or (ii) an interest in any Investment Property arising from the difference between the original cost basis and the cash sale price shall be added to Consolidated Net Income to the extent not already included in the net income for such period as determined in conformity with GAAP and Consolidated Net Income and (C) solely for the purposes of calculating Consolidated EBITDA and the Fixed Charge Coverage Ratio, any net after tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

"Consolidated Net Worth" means, at any date of determination, stockholders' equity as set forth on the most recently available fiscal quarter, semi-annual or annual consolidated balance sheet of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

"Contractor Guarantees" means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used in a Permitted Business by the Company or any Restricted Subsidiary in the ordinary course of business, which Indebtedness was Incurred by such contractor, builder or other similar Person to finance the cost of such development, construction or improvement.

"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 or 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 (provided that such increase is permitted under the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock") or (4) otherwise altering the terms and conditions thereof.

"Currency Agreement" means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to reduce or manage exposure to fluctuations in 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 after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the "Limitation on Asset Sales" and "Repurchase of Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's or the Company's repurchase of such Notes as are required to be repurchased pursuant to the "Limitation on Asset Sales" and "Repurchase of Notes upon a Change of Control Triggering Event" covenants.

"Dollar Equivalent" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

"Entrusted Loans" means borrowings by a Non-Guarantor Subsidiary from the Company or another Non-Guarantor Subsidiary (whether directly or through or facilitated by a bank or other financial institution), *provided* that such borrowings are not reflected on the consolidated balance sheet of the Company.

"Equity Offering" means (i) any *bona fide* underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any *bona fide* underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placement price, in each case under clause (i) or (ii) *provided* such public offering or private placement is to a person other than a Restricted Subsidiary or Permitted Holder; *provided* that any offering or placement 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 Company being no less than US$20.0 million (or the Dollar Equivalent thereof).

"Euroclear" means Euroclear Bank SA/NV.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Exempted Subsidiary" means any Restricted Subsidiary organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation to provide a Subsidiary Guarantee or a JV Subsidiary Guarantee; *provided* that (x) the Company shall have failed, upon using commercially reasonable efforts, to obtain any required governmental or regulatory approval or registration with respect to such Subsidiary Guarantee 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 Company 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 international standing appointed by the Company.

"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 four fiscal quarters prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to

compile in a timely manner) are available (which may include internal consolidated financial statements) (the "Four Quarter Period") to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(a) pro forma effect shall be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the period (the "Reference Period") commencing on and including the first day of the Four Quarter Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Four Quarter Period), in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided* that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay such Indebtedness or Preferred Stock;

(b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this paragraph 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 quarters 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 Hong Kong Financial Reporting Standards, as in effect from time to time.

"Guarantee" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to

purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "Guarantee" shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hedging Obligation" of any Person means the obligations of such Person pursuant to any Commodity Agreement, Currency Agreement or Interest Rate Agreement.

"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 shall not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"Indebtedness" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;

(7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations; and

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price plus accrued dividends.

Notwithstanding the foregoing, Indebtedness shall not include any (1) capital commitments, pre-sale receipts in advance from customers, deferred payment obligations 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 and Capital Stock of any Person that owns such real or personal property) to be used in a Permitted Business or (2) Entrusted Loans or (3) any Perpetual Bond

Obligation; *provided* that such Indebtedness is not reflected as borrowings on the consolidated balance sheet of the Company (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the balance sheet will not be deemed to be reflected on such balance sheet).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided* that

(1) 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) 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) the amount of Indebtedness with respect to any Hedging Obligation shall be (i) zero if Incurred pursuant to paragraph 2(f) under the "Limitation on Indebtedness and Preferred Stock" covenant or (ii) equal to the net amount payable by such Person if such Hedging Obligation were terminated at that time if not Incurred pursuant to such paragraph.

"Independent Third Party" means any Person that is not an Affiliate of the Company.

"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, with respect to any Person:

(1) any direct or indirect advance, loan or other extension of credit by such Person to another Person;

(2) any capital contribution by such Person 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 by such Person issued by another Person; or

(4) any Guarantee of any obligation by such Person of another Person to the extent such obligation is outstanding and to the extent Guaranteed by such Person.

For the purposes of the provisions of the "Designation of Restricted and Unrestricted Subsidiaries" and "Limitation on Restricted Payments" covenants: (1) the Company will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Company's proportional interest in the Fair Market Value of the assets (net of the Company's proportional interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (2) any property transferred to or from any Person shall be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"Investment Grade" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "–" indication, or a rating of "AAA", "AA", "A" or "BBB", as modified by a "+" or "–" indication, or an equivalent rating representing one of the four highest Rating Categories, by Lianhe Global or any of its successors or assigns, or an equivalent rating representing one of the four highest Rating Categories, by Fitch or any of its successors or assigns, or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for Fitch or Lianhe Global or both of them, as the case may be.

"Investment Property" means any property that is owned and held by any Restricted Subsidiary for long-term rental yield or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

"JV Entitlement Amount" means, with respect to any JV Subsidiary Guarantor and its Subsidiaries, an amount that is equal to the product of (i) the Fair Market Value of the total assets of such JV Subsidiary Guarantor and its Subsidiaries, on a consolidated basis (without deducting any Indebtedness or other liabilities of such JV Subsidiary Guarantor and its Subsidiaries) as of the date of the last fiscal year end of the Company and (ii) a percentage equal to the direct equity ownership percentage of the Company and/or its Restricted Subsidiaries in the Capital Stock of such JV Subsidiary Guarantor and its Subsidiaries. "JV Subsidiary Guarantee" has the meaning set forth under "– The Subsidiary Guarantees and the JV Subsidiary Guarantees."

"JV Subsidiary Guarantor" means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

"Lianhe Global" means Lianhe Ratings Global Limited and its successors.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Listed Subsidiaries" means any Restricted Subsidiary any class of Voting Stock of which is listed on a Qualifying Exchange and any Restricted Subsidiary of a Listed Subsidiary; provided that such Restricted Subsidiary shall cease to be a Listed Subsidiary immediately upon, as applicable, (x) the Voting Stock of such Restricted Subsidiary ceasing to be listed on a Qualifying Exchange, or (y) such Restricted Subsidiary ceasing to be a Restricted Subsidiary of a Listed Subsidiary.

"Minority Interest Staged Acquisition Agreement" means an agreement between the Company and/or any Restricted Subsidiary on the one hand and an Independent Third Party on the other (x) pursuant to which the Company 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 Company 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 that is accounted for by the equity method of accounting in accordance with GAAP by the Company or a Restricted Subsidiary and primarily engaged in the Permitted Businesses, and such Minority Joint Venture's Subsidiaries.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Net Cash Proceeds" means:

(1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:

    (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

    (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;

    (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;

    (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and

(2) with respect to any issuance or sale of Capital Stock or securities convertible or exchangeable into 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.

"Offer to Purchase" means an offer to purchase the Notes by the Issuer or the Company, as the case may be, from the Holders commenced by mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note register stating:

(1) the covenant pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;

(2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Issuer or the Company, as the case may be, 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.

On one Business Day prior to the Offer to Purchase Payment Date, the Issuer or the Company, as the case may be, shall deposit with the Tender Agent sufficient money to pay the purchase price of all Notes or portions thereof to be accepted by the Issuer or the Company, as the case may be, for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Issuer or the Company, as the case may be. The Tender Agent shall as soon as reasonably practicable mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee or an authenticating agent shall as soon as reasonably practicable 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. The Issuer or the Company, as the case may be, 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 Company, as the case may be, will comply with all applicable securities laws and regulations, in the event that the Issuer or the Company, as the case may be, is required to repurchase Notes pursuant to an Offer to Purchase.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Issuer or the Company, as the case may be, to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

"Officer" means one of the executive officers of the Company, or, in the case of the Issuer, a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of the Issuer or 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 Issuer or any Subsidiary Guarantor or any JV Subsidiary Guarantor, as the case may be, under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in the Issuer or such Subsidiary Guarantor or any JV Subsidiary Guarantor, as the case may be, 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 March 10, 2020, the date on which the Original Notes were issued under the Indenture.

"Parent Guarantee" means any Guarantee of the obligations of the Issuer under the Indenture and the Notes by the Company.

"Pari Passu Guarantee" means a guarantee by the Issuer, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Issuer (including Additional Notes), the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor; *provided* that (1) the Issuer, the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor was permitted to Incur such Indebtedness under the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" and (2) such guarantee ranks *pari passu* with the Notes, the Parent Guarantee, any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

"Payment Default" means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Issuer or the Company to make or consummate a Change of Control Offer in the manner described under "– Repurchase of Notes upon a Change of Control Triggering Event," or an Offer to Purchase in the manner described under "– Certain Covenants – Limitation on Asset Sales" or (4) any Event of Default specified in clause (5) of the definition of Events of Default.

"Permitted Business" means any business which is the same or related, ancillary or complementary to any of the business of the Company and its Restricted Subsidiaries on the Original Issue Date.

"Permitted Holders" means any or all of the following:

(1) Mr. Wong Hong King;

(2) any Affiliate (other than an Affiliate as defined in clause (2) or (3) of the definition of Affiliate) of the Person specified in clause (1);

(3) the estate, trust and any immediate family member of the Persons listed in (1) or the legal representative of any of the foregoing; and

(4) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by Persons specified in clauses (1), (2) and (3).

"Permitted Investment" means:

(1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) 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 Company or any Restricted Subsidiary to fluctuations in commodity prices, interest rates or foreign currency exchange rates;

(7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(8) Investments made by the Company or any Restricted Subsidiary consisting of consideration received in connection with an Asset Sale made in compliance with the covenant described under "– Certain Covenants – 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 "– Certain Covenants – Limitation on Liens";

(10) any Investment pursuant to Pre-Registration Mortgage Guarantees or Contractor Guarantees by the Company or any Restricted Subsidiary otherwise permitted to be Incurred under the Indenture;

(11) Investments in securities of trade creditors, trade debtors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(12) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of business that are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet;

(13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;

(14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;

(15) deposits made in order to secure the performance of the Company or any Restricted Subsidiary and prepayments made in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary, in each case in the ordinary course of business;

(16) advances in the ordinary course of business to government authorities or government-affiliated entities in the PRC for the purpose of the development and preparation by such government authority or government affiliated entity of primary land for auction purposes which advances are recorded as deposits or prepaid expenses on the Company's consolidated balance sheet to the extent each such advance is on normal commercial terms including being subject to repayment from the relevant government authority;

(17) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;

(18) repurchases of the Notes;

(19) any Investment (including any deemed Investment upon the redesignation of a Restricted Subsidiary as an Unrestricted Subsidiary or upon the sale of Capital Stock of a Restricted Subsidiary) by the Company or any Restricted Subsidiary in any Person primarily engaged in a Permitted Business (other than a Restricted Subsidiary), *provided* that:

(i) such Investment, together with the aggregate of all other Investments made under this clause (19) since the Original Issue Date, shall not exceed in aggregate an amount equal to 15.0% 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 (19) since the Original Issue Date resulting from:

(A) payments of interest on Indebtedness, dividends or repayments of loans or advances made under this clause, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income),

(B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Original Issue Date under this clause of an obligation of any such Person,

(C) to the extent that an Investment made after the Original Issue Date under this clause 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, not to exceed, in each case, the amount of Investments made by the Company or a Restricted Subsidiary after the Original Issue Date in any such Person under this clause, or

(D) such Person becoming a Restricted Subsidiary (whereupon all Investments (other than Permitted Investments) made by the Company or any Restricted Subsidiary in such Person since the Original Issue Date shall be deemed to have been made pursuant to clause (1) of this "Permitted Investment" definition);

(ii) the Person into which such Investment is made is primarily engaged in the Permitted Business;

(iii) none of the shareholders or partners (other than the Company or any Restricted Subsidiary) in such Person in which such Investment was made is a Person described in clause (x) or (y) of the first paragraph of the covenant under the caption "– Limitation on Transactions with Shareholders and Affiliates" (other than by reason of such shareholder or partner being an officer or director of the Company or a Restricted Subsidiary or by reason of being a Restricted Subsidiary, a Minority Joint Venture or Unrestricted Subsidiary); and

(iv) no Default has occurred and is continuing or would occur as a result of such Investment.

For the avoidance of doubt, the value of each Investment made pursuant to this clause (19) shall be valued at the time such Investment is made;

(20) any Investment deemed to have been made by the Company or any Restricted Subsidiary in the Restructuring Group in connection with the proposed Restructuring upon designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries, *provided* that (A) (i) the Board of Directors of the Company has determined in good faith that the designation of the Subsidiaries in the Restructuring Group as Unrestricted Subsidiaries is necessary to obtain approval from a Qualifying Exchange for the proposed Restructuring, (ii) at the time of such designation, the members of the Restructuring Group remain Subsidiaries of the Company, and (iii) at the time of such designation, the members of the Restructuring Group remain primarily engaged in the Permitted Businesses; and (B) the aggregate of all Investments made under this clause (20) since the Original Issue Date shall not exceed an amount equal to 5.0% of Total Assets (for the avoidance of doubt, any portion of such Investments exceeding 5.0% of Total Assets shall not constitute a Permitted Investment pursuant to this item but may be made, characterized and accounted for in accordance with the other provisions of the Indenture); and *provided further* that, at the time when (x) the Company ceases to hold, directly or indirectly, at least 30.0% of the Voting Stock of any entity so designated as an Unrestricted Subsidiary or (y) any Person or group of Persons other than the Company and its Subsidiaries acquires a higher percentage of the Voting Stock of such entity than the percentage held directly or indirectly by the Company, the Company will be deemed to make an Investment in such entity equal to the Fair Market Value of any Investment that the Company retains, directly or indirectly, in such entity immediately following such event;

(21) any Investment that the Company has agreed to or is otherwise obligated to make pursuant to an agreement or similar instrument existing on the Original Issue Date;

(22) the purchase of Capital Stock of a Person, and payments made, pursuant to a Staged Acquisition Agreement; and

(23) Guarantees permitted by the covenant described under the caption entitled "– Limitation on Indebtedness and Preferred Stock."

"Permitted Liens" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance, and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;

(5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of the Company or any Restricted Subsidiary;

(8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof);

(10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry, in each case, securing Indebtedness under Hedging Obligations permitted by clause (2)(f) of the covenant described under "– Certain Covenants – 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 "– Certain Covenants – Limitation on Indebtedness and Preferred Stock"; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;

(13) any interest or title of a lessor in the property subject to any operating lease;

(14) Liens securing Indebtedness of the Company or any Restricted Subsidiary under any Pre-Registration Mortgage Guarantee which is permitted to be Incurred under clause (2)(g) of the covenant described under "– Certain Covenants – 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 Company or any Restricted Subsidiary;

(16) Liens (including extensions and renewals thereof) upon real or personal property; *provided* that (a) such Lien is created solely for the purpose of securing Indebtedness of the type described under clause (2)(h) of the covenant under "– 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 of the last day of the most recent fiscal quarter period for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements) 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 Company or any Restricted Subsidiary;

(18) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(19) Liens on deposits made in order to secure the performance of the Company or any Restricted Subsidiary in connection with the acquisition of real property or land use rights by the Company or any Restricted Subsidiary in the ordinary course of business and not securing Indebtedness of the Company or any Restricted Subsidiary;

(20) Liens incurred or deposits made to secure Entrusted Loans;

(21) Liens securing Indebtedness permitted to be Incurred 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 which is permitted to be Incurred under clause (2)(o) or 2(x), respectively, of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock";

(23) Liens on the Capital Stock of a Restricted Subsidiary (other than the Issuer) granted by the Company or any other Restricted Subsidiary in favor of any Trust Company Investor (including the sale or transfer of such Capital Stock to such Trust Company Investor) in respect of, and to secure, the Indebtedness permitted to be Incurred under clause (2)(p) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock";

(24) Liens on cash deposits, bank accounts or other assets to secure Bank Deposit Secured Indebtedness permitted to be Incurred under clause 2(q) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock";

(25) Liens on Investment Properties securing Indebtedness of the Company or any Restricted Subsidiary permitted to be Incurred under clause (2)(r) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock";

(26) Liens securing Indebtedness Incurred pursuant to clause (2)(s) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock";

(27) Liens securing Indebtedness Incurred under clause (2)(u), (2)(v) or (2)(w) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock"; and

(28) 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".

"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 Public Indebtedness and any Indebtedness of any Non-Guarantor Subsidiary permitted under clauses (2)(a), (b), (d), (f) and (g) of the covenant described under "– Certain Covenants – Limitation on Indebtedness and Preferred Stock") does not exceed an amount equal to 20.0% of Total Assets.

"Perpetual Bond Obligation" means perpetual securities that are accounted for as equity in accordance with the relevant generally accepted accounting principles, the aggregate outstanding principal amount of which, if issued by the Company or any Restricted Subsidiary, does not exceed 20% of Total Assets at any time.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"PRC" means the People's Republic of China, excluding Hong Kong Special Administrative Region, Macau and Taiwan.

"PRC CJV" means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on November 4, 2017) and the Detailed Rules for the Implementation of the Law of the People's Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995 (as most recently amended on November 17, 2017), as such laws may be amended.

"PRC CJV Partner" means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

"Preferred Stock" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its terms is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

"Pre-Registration Mortgage Guarantee" means any Indebtedness of the Company or any Restricted Subsidiary consisting of a guarantee in favor of any bank or other similar financial institutions in the ordinary course of business of secured loans of purchasers of individual units of properties from the Company or any Restricted Subsidiary; *provided* that, any such guarantee shall be released in full on or before the perfection of a security interest in such properties under applicable law in favor of the relevant lender.

"Public Indebtedness" means any bonds, debentures, notes or similar debt securities issued in a public offering or a private placement (other than the Notes) to institutional investors.

"Qualified IPO" means an initial public offering, and a listing, of ordinary shares of a company on a Qualifying Exchange; provided that in the case that such listing is on a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act), such listing shall result in a public float of no less than the percentage required by the applicable listing rules.

"Qualifying Exchange" means either (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market, Singapore Exchange Securities Trading Limited, The Shanghai Stock Exchange or The Shenzhen Stock Exchange or (2) a national securities exchange (as such term is defined in Section 6 of the Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

"Rating Agencies" means (1) Fitch, (2) Lianhe Global and (3) if Fitch or Lianhe Global or both of them shall not make a rating of the Notes publicly available, a nationally recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for Fitch or Lianhe Global or both of them, as the case may be.

"Rating Category" means (1) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); (2) with respect to Lianhe Global, any of the following categories: "BB", "B", "CCC", "CC", "C" and "D" (or equivalent successor categories); and (3) the equivalent of any such category of Fitch or Lianhe Global used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" or "–" for Fitch and Lianhe Global; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to Fitch and Lianhe Global, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"Rating Date" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under "– Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after the date of public notice of the occurrence of a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by either of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under "– Consolidation, Merger and Sale of Assets," the notification by either of the Rating Agencies that such proposed actions will result in any of the events listed below:

(A) in the event the Notes are rated by both of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall be below Investment Grade;

(B) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

(C) in the event the Notes are rated below Investment Grade by both or fewer Rating Agencies on the Rating Date, the rating of the Notes by any 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 Company or any Restricted Subsidiary pursuant to which the Company or any Restricted Subsidiary may sell, convey or otherwise transfer to another Person, or may grant a security interest in, any of its receivables, mortgages, royalty, other revenue streams, 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) either (i) in the ordinary course of business or (ii) by way of selling securities by such other Person that are, or are capable of being, listed on any stock exchange or in any securities market and are offered using an offering memorandum or similar offering document.

"Receivable Financing Assets" means assets that are underlying and are sold, conveyed or otherwise transferred or pledged in a Receivable Financing.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average 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.

"Replacement Assets" means, on any date, property or assets (other than current assets) of a nature or type or that are 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).

"Restricted Subsidiary" means any Subsidiary of the Company other than an Unrestricted Subsidiary.

"Restructuring" means the restructuring and Qualified IPO of the ordinary shares of a Subsidiary of the Company in the Restructuring Group.

"Restructuring Group" means the group of Subsidiaries of the Company which are engaged in Permitted Business that the Company may spin off and separately listed on a Qualifying Exchange as part of the Restructuring.

"S& P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, and its successors.

"Sale and Leaseback Transaction" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Senior Indebtedness" of the Company or a Restricted Subsidiary, as the case may be, means all Indebtedness of the Company or the Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to (a) in respect of the Issuer, the Notes, (b) in respect of the Company, the Parent Guarantee, (c) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee or (d) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) trade payables or (3) Indebtedness Incurred in violation of the Indenture.

"Significant Restricted Subsidiary" means a Restricted Subsidiary that would be a "significant subsidiary" within the meaning of the definition of "significant subsidiary" in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date; *provided* that in each instance in such definition in which the term "10 percent" is used, the term "5 percent" shall be substituted therefor.

"Staged Acquisition Agreement" means an agreement between the Company or a Restricted Subsidiary and an Independent Third Party (x) pursuant to which the Company or such Restricted Subsidiary agrees to acquire not less than a majority of the Capital Stock of a Person for consideration that is not more than the Fair Market Value of such Capital Stock of such Person at the time the Company or such Restricted Subsidiary enters into such agreement and (y) which provides that the payment of the purchase price for such Capital Stock is made in more than one installment over a period of time.

"Stated Maturity" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal, and premium, if any, 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, and premium, if any, 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, the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, the Parent Guarantee, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"Subordinated Shareholder Loan" means any unsecured Indebtedness for borrowed money Incurred by the Company 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 of which (i) 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 corporation, association or other business entity equal to the Fair Market Value of the Capital Stock of such corporation, association or other business entity held by such Person immediately after the occurrence of such event, which shall be made in compliance with the "– Limitation on Restricted Payments" covenant.

"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.

"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, 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 or 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 Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S& P 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 Company or any Restricted Subsidiary conducts business operations; and

(8) structured deposit products that are principal protected with any bank or financial institution organized under the laws of the PRC, Hong Kong or anywhere the Company 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 Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile on a timely manner) are available (which may include internal consolidated financial statements); *provided* that only with respect to clause (2)(h) of "– Certain Covenants – Limitation on Indebtedness and Preferred Stock" 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 in each case as of such date, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any Restricted Subsidiary to the bank or other similar financial institutional lender providing such Indebtedness.

"Trade Payables" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or Guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services.

"Transaction Date" means, with respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred and, with respect to any Restricted Payment, the date such Restricted Payment is to be made.

"Trust Company Investor" means an Independent Third Party that is a financial institution or an insurance company, or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

"Unrestricted Subsidiary" means (1) any Subsidiary of the Company that at the time of determination shall be designated an Unrestricted Subsidiary by the Board of Directors in the manner provided in the Indenture; and (2) any Subsidiary of an Unrestricted Subsidiary.

"U.S. Government Obligations" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally Guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"Voting Stock" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"Wholly Owned" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director 's qualifying shares or Investments by foreign nationals mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person; *provided* that Subsidiaries that are PRC CJVs shall not be considered Wholly Owned Subsidiaries unless such Person or one or more Wholly Owned Subsidiaries of such Person is entitled to 95% or more of the economic benefits distributable by such Subsidiary.

TAXATION

The following summary of certain Cayman Islands, British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of New 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 New 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 New Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of New Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

CAYMAN ISLANDS

The following is a discussion on certain Cayman Islands income tax consequences of an investment in the New Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under the laws of the Cayman Islands, payments of interest and principal or premium on the New Notes will not be subject to taxation and no withholding will be required on the payment of interest and principal or premium to any holder of the New Notes, as the case may be, nor will gains derived from the disposal of the New Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

No stamp duty is payable in respect of the issue of the New Notes. An instrument of transfer in respect of a Note is stampable if executed in or brought into the Cayman Islands.

The Company has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Governor in Cabinet of the Cayman Islands as to tax concessions under the Tax Concessions Law (as revised) of Cayman Islands. In accordance with the provision of section 6 of The Tax Concessions Law, the Governor in Cabinet undertakes with the Company:

- That no law which is hereafter enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

- In addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable, on or in respect of the shares, debentures or other obligations of the Company, or by way of the withholding, in whole or part, of any relevant payment as defined in Section 6(3) of the Tax Concessions Law.

These concessions shall be for a period of 20 years from 11 January 2005.

BRITISH VIRGIN ISLANDS

A BVI business company is exempt from all provisions of the Income Tax Act of the British Virgin Islands (including with respect to all dividends, interests, rents, royalties, compensations and other amounts payable by the company to persons who are not persons resident in the British Virgin Islands).

Capital gains realised with respect to any shares, debt obligations or other securities of the company by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Act of the British Virgin Islands.

No estate, inheritance, succession or gift tax is payable by persons who are not persons resident in the British Virgin Islands with respect to any shares, debt obligations or other securities of the company.

HONG KONG

Withholding Tax. No withholding tax in Hong Kong is payable on payments of principal (including any premium payable on redemption of the New Notes) or interest in respect of the New Notes.

Profits Tax. Hong Kong profits tax is charged on every person carrying on a trade, profession or business in Hong Kong in respect of assessable profits arising in or derived from Hong Kong from such trade, profession or business. Under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "Inland Revenue Ordinance"), as it is currently applied, Hong Kong profits tax may be charged on revenue profits arising on the sale, disposal or redemption of the New 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 New 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 or disposal of the New Notes where such transactions are or form part of a trade, profession or business carried on in Hong Kong.

Stamp Duty. No Hong Kong stamp duty will be chargeable upon the issue or transfer (for so long as the register of holders of the New Notes is maintained outside Hong Kong) of a Note.

PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of New 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 New 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 New Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of New Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains. PRC income tax at the rate of 10% (or lower treaty rate, if any) is withheld from interest 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 is not effectively connected with the establishment or place of business, to the extent such interest is derived from sources within the PRC unless there is an applicable tax treaty between the PRC and the jurisdiction in which an overseas holder resides with reduces or exempts the relevant tax. Any gain realized on the transfer of the New Notes by such investors is subject to a 10% (or lower treaty rate, if any) PRC income tax if such gain is regarded as income of a "non-resident enterprise" derived from sources within the PRC. As advised by Global Law Office, our PRC legal counsel, there is uncertainty as to whether we will be treated as a PRC "resident enterprise" for the purpose of the EIT Law. If we are considered a PRC resident enterprise, interest and capital gains realized by non-resident holders of the New Notes may be treated as income derived from sources within the PRC and may be subject to PRC withholding tax at the rate of 10% where the holder is an enterprise pursuant to the EIT Law, or subject to PRC individual income tax at the rate of 20% where the holder is an individual pursuant to PRC individual income tax laws. See "Risk Factors — We may be deemed a PRC resident under the EIT Law and be subject to PRC taxation on our worldwide income" and "Interest payable by us to our foreign investors and gain on sale of our New Notes may be subject to withholding taxes under PRC tax laws."

Stamp duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the New Notes is maintained outside the PRC) of a Note.

PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in a purchase agreement dated the date of this offering memorandum between the Issuer, the Company, the Subsidiary Guarantors and the Initial Purchasers, we have agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed, severally and not jointly, to purchase the principal amount of the New Notes set forth opposite their respective names below.

Initial Purchasers	**Principal Amount of New Notes**
DBS Bank Ltd.	US$4,000,000
BOCOM International Securities Limited	US$4,000,000
HeungKong Securities Limited	US$4,000,000
Haitong International Securities Company Limited	US$4,000,000
China CITIC Bank International Limited	US$4,000,000
Total	**US$20,000,000**

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the New Notes are subject to approval of legal matters by counsel and other conditions. If an Initial Purchaser defaults, the purchase agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the purchase agreement may be terminated. The purchase agreement may be terminated by the Initial Purchasers in certain circumstances prior to the delivery and payment of the New Notes. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Initial Purchasers propose to resell the New 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. The price at which the New Notes are offered may be changed at any time without notice. The Issuer, the Company and the Subsidiary Guarantors will pay the Initial Purchasers customary fees and commissions in connection with the offering and will reimburse the Initial Purchasers for certain expenses incurred in connection with the offering.

We have agreed with the Initial Purchasers to pay certain rebate to those private bank purchasers of the New Notes (the "Private Bank Rebates"). We shall bear the cost of the Private Bank Rebates, which amount shall be deducted from the net proceeds by the Initial Purchasers.

The Notes and the Notes 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 in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

The Original Notes are listed on the SGX-ST and approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. However, we cannot assure you that the prices at which the New 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 New Notes will develop and continue after this offering. The Initial Purchasers have advised us that they currently intend to make a market in the New Notes. However, the Initial Purchasers are not obligated to do so and they may discontinue any market-making activities with respect to the New Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the New Notes.

We expect to deliver the New Notes against payment for the New Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fifth business day following the date of the pricing of the New 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 the New Notes on the date of pricing or the succeeding three business days will be required, by virtue of the fact that the New Notes initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement. Purchasers of the New Notes who wish to trade the New Notes on the date of pricing or the next succeeding business day should consult their own advisor.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Initial Purchasers or their affiliates may from time to time hold and trade securities issued by a member of our Group. 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. Our obligations under these transactions may be secured by cash or other collateral.

In connection with this offering of the New Notes, each Initial Purchaser and/or its affiliate(s) may act as an investor for its own account and may take up New Notes in the offering and in that capacity may retain, purchase or sell for its own account such securities and any of our other securities or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering of the New Notes. Accordingly, references herein to the New Notes being offered should be read as including any offering of the New 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, the Company and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

SELLING RESTRICTIONS

General

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the New Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the New Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the New 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.

United States

The New Notes and the Notes 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 in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Transfer Restrictions."

EEA

Each of the Initial Purchasers represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any New Notes to any retail investor in the European Economic Area ("EEA") or in the UK. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the New Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the New Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

Each person in a Member State of the EEA who receives any communication in respect of, or who acquires any New Notes under, the offers to the public contemplated in this offering memorandum, or to whom the New Notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with each of the Initial Purchasers and the Issuer that it and any person on whose behalf it acquires New Notes is not a "retail investor" (as defined above).

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 New 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, the Company or the Subsidiary Guarantors.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the New Notes in, from or otherwise involving the United Kingdom.

Hong Kong

The New 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, Laws of Hong Kong), or (ii) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of Hong Kong) and no advertisement, invitation or document relating to the New Notes has been issued or may be issued or had been in the possession of 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 securities laws of Hong Kong) other than with respect to the New Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of Hong Kong) and any rules made thereunder.

Japan

The New 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 New Notes. Accordingly, the New 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 resale,

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 New Notes may not be circulated or distributed, nor may the New Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018 of Singapore, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the New 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 New 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 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).

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 New 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 New Notes may, subject to the laws and regulations of the relevant jurisdictions, only be offered or sold to non-PRC natural or legal persons in any country other than the PRC.

Cayman Islands

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the New Notes.

British Virgin Islands

No invitation will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the New Notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult their legal counsel prior to making any offer, sale, resale, pledge or other transfer of the New Notes.

The New Notes, the Notes Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to another exemption from the registration requirements of the Securities Act. Accordingly, the New Notes are being offered and sold only outside the United in offshore transactions in reliance on Regulation S under the Securities Act. As used herein, the term "United States" has the meaning given to them in Regulation S.

By its purchase of the New Notes, including the New Notes Guarantees and the JV Subsidiary Guarantees (if any), each purchaser will be deemed to have:

1. represented that it is purchasing the New Notes in an offshore transaction in accordance with Regulation S;

2. represented that it is purchasing the New Notes, including the New Notes Guarantees and the JV Subsidiary Guarantees (if any), for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is outside the United States;

3. acknowledged that the New Notes, the New Notes Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act and that the New Notes may not be offered or sold within the United States except in accordance with Regulation S, pursuant to registration under the Securities Act, or pursuant to an available exemption from registration;

4. agreed that it will inform each person to whom it transfers the New Notes of any restrictions on the transfer of such New Notes;

5. acknowledged that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers have made any representation to you with respect to us or the offering of the New Notes, other than the information contained in this offering memorandum. You represented that you are relying only on this offering memorandum in making your investment decision with respect to the New Notes. You agreed that you have had access to such financial and other information concerning us and the New Notes as you have deemed necessary in connection with your decision to purchase the New Notes including an opportunity to ask questions of and request information from us;

6. represented that you are purchasing the New Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the New Notes in violation of the Securities Act;

7. acknowledged that the New Notes will be represented by the Global Note; and

8. acknowledged that each New Note will contain a legend substantially to the following effect:

   THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES 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.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, ONLY (A) TO THE COMPANY, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES WITHIN THE MEANING OF REGULATIONS UNDER THE SECURITIES ACT, OR (D) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE COMPANY'S AND THE TRANSFER AGENT'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM. 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.

You also acknowledge that the Issuer, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), Transfer Agent, the Initial Purchasers, the Trustee and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. You agree that if any of the acknowledgements, representations or agreements you are deemed to have made by your purchase of the New Notes is no longer accurate, you will promptly notify the Issuer, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any), Transfer Agent, the Trustee and the Initial Purchasers. If you are acquiring any New Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

RATINGS

The Notes have been rated "B" by Fitch and "BB-" by Lianhe Global. 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 address the payment of any Additional Amounts and 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 corporate family rating of B3 with stable outlook by Moody's Investors Service, a long-term foreign currency issuer default rating of B on rating watch stable by Fitch Ratings and an initial global scale long-term issuer credit rating of BB- with a stable outlook by Lianhe Global.

LEGAL MATTERS

Certain legal matters with respect to the New Notes will be passed upon for us by Sidley Austin as to matters of United States federal and New York law and Hong Kong law, Global Law Office as to matters of PRC law and Appleby as to matters of Cayman Islands law and British Virgin Islands law.

Certain legal matters will be passed upon for the Initial Purchasers by Shearman & Sterling as to matters of United States federal and New York law and Jingtian & Gongcheng Attorneys at Law as to matters of PRC law.

INDEPENDENT AUDITOR

The consolidated financial information as of and for the three years ended December 31, 2017, 2018 and 2019 included in this offering memorandum has been audited by Deloitte Touche Tohmatsu, certified public accountants, as stated in their reports appearing herein.

The consolidated financial information as of and for the six months ended June 30, 2019 and 2020 included in this offering memorandum has not been audited but reviewed by Deloitte Touche Tohmatsu, certified public accountants, as stated in their reports appearing herein.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the British Virgin Islands and Hong Kong in connection with the issue and performance of the New Notes and the New Notes Guarantees. The entering into of the Indenture and the issue of the New Notes have been authorized by a resolution of our board of directors dated October 29, 2020.

LITIGATION

Except as disclosed in this offering memorandum, there are no legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, nor are we aware of any pending or threatened proceedings, which are or might be material in the context of this issue of the New Notes or the New Notes Guarantees.

NO MATERIAL ADVERSE CHANGE

There has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2017 that is material in the context of the issue of the New Notes.

DOCUMENTS AVAILABLE

For so long as any of the New Notes is outstanding, copies of the Indenture may be inspected free of charge during normal business hours on any weekday (except public holidays) at the corporate trust office of the Trustee.

For so long as any of the New Notes is outstanding, copies of our published financial statements may be obtained during normal business hours on any weekday (except public holidays) at the principal registered office of the Company.

CLEARING SYSTEMS AND SETTLEMENT

The New Notes have been accepted for clearance through the facilities of Euroclear and Clearstream.

Certain trading information with respect to the Securities is set forth below:

ISIN	Common Code
XS2098347821	209834782

Only New Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

LISTING OF THE NEW NOTES

The Original Notes are listed on the SGX-ST and approval in-principle has been received from the SGX-ST for the listing and quotation of the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained herein. Approval in-principle from, admission to the Official List of, and the listing and quotation of the New Notes on, the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or any other subsidiary or associated company of the Company, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees. For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of S$200,000 (or its equivalent in foreign currencies). Accordingly, the Notes, if traded on the SGX-ST, will be traded in a minimum board lot size of US$200,000.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that a Global Note is exchanged for individual definitive notes, the Issuer will appoint and maintain a paying agent in Singapore where the Notes may be presented or surrendered for payment or redemption. In addition, in the event that a Global Note is exchanged for individual definitive notes, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the individual definitive notes, including details of the paying agent in Singapore.

INDEX TO FINANCIAL STATEMENTS

Condensed Financial Information as of and for the Six Months Ended June 30, 2020		2020 Interim Report[1]
Report on Review of Condensed Consolidated Financial Statements	F-2	36
Condensed Consolidated Statement of Profit or Loss	F-4	38
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-5	39
Condensed Consolidated Statement of Financial Position	F-6	40
Condensed Consolidated Statement of Changes in Equity	F-8	42
Condensed Consolidated Statement of Cash Flows	F-9	43
Notes to the Condensed Consolidated Financial Statements	F-10	44

Consolidated Financial Statements as of and for the Year Ended December 31, 2019		2019 Annual Report[1]
Independent Auditor's Report	F-55	55
Consolidated Statement of Profit or Loss	F-63	63
Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-64	64
Consolidated Statement of Financial Position	F-65	65
Consolidated Statement of Changes in Equity	F-67	67
Consolidated Statement of Cash Flows	F-68	68
Notes to the Consolidated Financial Statements	F-71	71

Consolidated Financial Statements as of and for the Year Ended December 31, 2018		2018 Annual Report[1]
Independent Auditor's Report	F-206	54
Consolidated Statement of Profit or Loss	F-213	61
Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-214	62
Consolidated Statement of Financial Position	F-215	63
Consolidated Statement of Changes in Equity	F-217	65
Consolidated Statement of Cash Flows	F-218	66
Notes to the Consolidated Financial Statements	F-220	68

Note:

(1) Page references included in the independent auditors' reports and the independent review report and the consolidated financial statements for each of the years ended December 31, 2018, 2019 and the six months end June 30, 2020 set forth below refer to pages in our annual reports for the years ended December 31, 2018, 2019 and our interim report for the six months ended June 30, 2020, as the case may be. Those annual reports and interim report are not incorporated by reference herein and do not form part of this offering memorandum. The audited or reviewed consolidated financial statements have not been specifically prepared for the inclusion in this offering memorandum.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
簡明綜合財務報表審閱報告

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF
LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED
綠景(中國)地產投資有限公司
(Incorporated in the Cayman Islands with limited liability)

致綠景(中國)地產投資有限公司
董事會
(於開曼群島註冊成立之有限公司)

Introduction

We have reviewed the condensed consolidated financial statements of LVGEM (China) Real Estate Investment Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 88, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

緒言

我們已審閱綠景(中國)地產投資有限公司(以下簡稱「貴公司」)及其附屬公司(以下統稱「貴集團」)載於第38至88頁的簡明綜合財務報表，包括截至二零二零年六月三十日的簡明綜合財務狀況報表，以及截至該日止六個月期間的相關簡明綜合損益表、簡明綜合損益及其他全面收益表、簡明綜合權益變動表及簡明綜合現金流量表，以及部分說明附註。香港聯合交易所有限公司證券上市規則規定，編製中期財務資料的報告必須符合有關的上市規則條文及香港會計師公會頒佈的香港會計準則第34號「中期財務報告」(「香港會計準則第34號」)。貴公司董事須負責根據香港會計準則第34號編製及呈列該等簡明綜合財務報表。我們的責任是根據我們對該等簡明綜合財務報表的審閱結果作出結論。我們按照委聘的協定條款僅向作為實體的閣下作出報告，除此之外概無其他目的。我們不會就本報告的內容向任何其他人士負責或承擔責任。

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

審閱範圍

我們已根據香港會計師公會頒佈的香港審閱工作準則第2410號「公司獨立核數師對中期財務資料審閱」進行審閱。審閱該等簡明綜合財務報表包括主要向負責財務及會計事務的人員作出查詢，並應用分析和其他審閱程序。審閱範圍遠少於根據香港核數準則進行審核的範圍，故我們無法保證知悉在審核中可能識別的所有重大事項。因此，我們並不發表審核意見。

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

結論

按照我們的審閱，我們並無注意到任何事項令我們相信簡明綜合財務報表在各重大方面未有根據香港會計準則第34號編製。

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 August 2020

德勤•關黃陳方會計師行
執業會計師
香港

二零二零年八月二十一日

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
簡明綜合損益表

For the six months ended 30 June 2020
截至二零二零年六月三十日止六個月

		NOTES 附註	Six months ended 30 June 截至六月三十日止六個月 **2020** **二零二零年** ***RMB'000*** ***人民幣千元*** **(Unaudited)** **(未經審核)**	2019 *二零一九年* *RMB'000* *人民幣千元* (Unaudited) (未經審核)
Revenue	收益	*3*	**2,462,206**	3,422,084
Cost of sales	銷售成本		**(859,214)**	(1,013,800)
Gross profit	毛利		**1,602,992**	2,408,284
Other income	其他收入		**54,455**	48,791
Other gains and losses	其他收益及虧損	*4*	**(106,982)**	37,633
Selling expenses	銷售開支		**(26,862)**	(51,179)
Administrative expenses	行政開支		**(198,573)**	(161,296)
Fair value changes on investment properties	投資物業的公允價值變動		**(174,081)**	479,228
Fair value changes on derivative component of convertible bonds	可換股債券衍生工具部分的公允價值變動	*17(b)*	**53,849**	(47,160)
Finance costs	融資成本	*5*	**(686,243)**	(490,069)
Profit before tax	除税前盈利	*6*	**518,555**	2,224,232
Income tax expense	所得税開支	*7*	**(480,196)**	(1,232,555)
Profit for the period	期內盈利		**38,359**	991,677
Profit (loss) for the period attributable to:	以下人士應佔期內盈利(虧損)：			
Owners of the Company	本公司股東		**37,556**	991,860
Non-controlling interests	非控股權益		**803**	(183)
			38,359	991,677
			RMB cents ***人民幣分*** **(Unaudited)** **(未經審核)**	*RMB cents* *人民幣分* (Unaudited) (未經審核)
Earnings per share	每股盈利	*9*		
– Basic	－基本		**0.74**	20.00
– Diluted	－攤薄		**0.33**	11.79

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
簡明綜合損益及其他全面收益表

For the six months ended 30 June 2020
截至二零二零年六月三十日止六個月

		Six months ended 30 June 截至六月三十日止六個月	
		2020	2019
		二零二零年	二零一九年
		RMB'000	*RMB'000*
		人民幣千元	*人民幣千元*
		(Unaudited)	(Unaudited)
		(未經審核)	(未經審核)
Profit for the period	期內盈利	**38,359**	991,677
Other comprehensive (expense) income	其他全面(開支)收益		
Item that may be subsequently reclassified to profit or loss:	*隨後或會重新分類至損益之項目：*		
Exchange differences arising on translation	匯兑產生的換算差額	**(37,703)**	(249)
Item that will not be reclassified to profit or loss:	*不會重新分類至損益之項目：*		
Fair value changes on investment in equity instrument at fair value through other comprehensive income, net of tax	按公允價值計入其他全面收益之股本工具投資之公允價值變動(扣除税項)	**(50,891)**	21,712
Other comprehensive (expense) income for the period	期內其他全面(開支)收益	**(88,594)**	21,463
Total comprehensive (expense) income for the period	期內全面(開支)收益總額	**(50,235)**	1,013,140
Total comprehensive (expense) income attributable to:	以下人士應佔全面(開支)收益總額：		
Owners of the Company	本公司股東	**(51,032)**	1,013,336
Non-controlling interests	非控股權益	**797**	(196)
		(50,235)	1,013,140

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
簡明綜合財務狀況報表

At 30 June 2020
於二零二零年六月三十日

		NOTES 附註	At 30 June 2020 於二零二零年六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	At 31 December 2019 於二零一九年十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
Non-current assets	**非流動資產**			
Investment properties	投資物業	*10*	**23,810,000**	23,567,529
Property, plant and equipment	物業、廠房及設備	*10*	**983,642**	996,014
Goodwill	商譽		**231,602**	231,602
Interest in a joint venture	於一間合營公司的權益		**6,058**	6,058
Interest in an associate	於一間聯營公司的權益		**–**	–
Amount due from a joint venture	應收一間合營公司款項		**522,318**	522,318
Equity instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之股本工具	*11*	**473,271**	541,125
Deferred tax assets	遞延税項資產		**443,620**	565,713
Deposit paid	已付按金	*23(a)*	**–**	29,410
			26,470,511	26,459,769
Current assets	**流動資產**			
Properties under development for sale	發展中待售物業		**9,453,861**	8,165,855
Properties held for sale	待售物業		**2,955,757**	2,467,237
Other inventories	其他存貨		**570**	738
Accounts receivable	應收賬款	*12*	**80,532**	31,212
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項		**1,740,799**	3,230,928
Tax recoverable	可收回税款		**27,792**	33,562
Restricted bank deposits	受限制銀行存款		**2,804,435**	2,804,061
Bank balances and cash	銀行結餘及現金		**7,882,068**	5,542,921
			24,945,814	22,276,514
Current liabilities	**流動負債**			
Accounts payable	應付賬款	*13*	**824,529**	1,111,831
Contract liabilities	合同負債		**1,988,374**	2,505,265
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項		**736,299**	673,358
Lease liabilities	租賃負債		**21,627**	22,674
Dividend payables	應付股息		**282,672**	–
Borrowings	借貸	*14*	**6,510,295**	4,306,274
Senior notes and bond	優先票據及債券	*15*	**3,404,172**	5,027,123
Debt component of convertible bonds	可換股債券債務部分	*17(a)*	**1,015,058**	1,493,257
Derivative component of convertible bonds	可換股債券衍生工具部分	*17(b)*	**31,922**	222,207
Tax liabilities	税項負債		**2,616,048**	2,398,675
			17,430,996	17,760,664
Net current assets	**流動資產淨值**		**7,514,818**	4,515,850

At 30 June 2020
於二零二零年六月三十日

		NOTES 附註	At 30 June 2020 於二零二零年六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	At 31 December 2019 於二零一九年十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
Total assets less current liabilities	**總資產減流動負債**		**33,985,329**	30,975,619
Non-current liabilities	**非流動負債**			
Borrowings	借貸	*14*	**14,467,857**	15,149,805
Senior notes and bond	優先票據及債券	*15*	**3,382,169**	–
Debt component of convertible bonds	可換股債券債務部分	*17(a)*	**619,441**	–
Derivative component of convertible bonds	可換股債券衍生工具部分	*17(b)*	**52,118**	–
Lease liabilities	租賃負債		**88,772**	95,380
Deferred tax liabilities	遞延稅項負債		**2,701,738**	2,695,601
			21,312,095	17,940,786
Net assets	**資產淨值**		**12,673,234**	13,034,833
Capital and reserves	**股本及儲備**			
Share capital	股本	*16*	**42,180**	42,060
Reserves	儲備		**12,559,654**	12,885,799
Equity attributable to owners of the Company	本公司股東應佔權益		**12,601,834**	12,927,859
Non-controlling interests	非控股權益		**71,400**	106,974
Total equity	**權益總額**		**12,673,234**	13,034,833

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
簡明綜合權益變動表

For the six months ended 30 June 2020
截至二零二零年六月三十日止六個月

	Attributable to owners of the Company 本公司股東應佔權益											
	Share capital 股本 RMB'000 人民幣千元	Share premium 股份溢價 RMB'000 人民幣千元	Convertible preference shares 可換股優先股 RMB'000 人民幣千元	Other reserve 其他儲備 RMB'000 人民幣千元	Exchange reserve 匯兑儲備 RMB'000 人民幣千元	Investment revaluation reserve 投資重估儲備 RMB'000 人民幣千元	Share option reserve 購股權儲備 RMB'000 人民幣千元	Statutory reserve 法定儲備 RMB'000 人民幣千元	Retained profits 保留溢利 RMB'000 人民幣千元	Sub-total 小計 RMB'000 人民幣千元	Non-controlling interests 非控股權益 RMB'000 人民幣千元	Total equity 權益總額 RMB'000 人民幣千元
Balance as at 1 January 2019 (audited and restated) 於二零一九年一月一日的結餘(經審核及經重列)	41,141	6,882,609	6,246,161	(11,637,887)	59,400	110,661	222,970	221,376	9,251,542	11,397,973	107,495	11,505,468
Profit (loss) for the period 期內溢利(虧損)	-	-	-	-	-	-	-	-	991,860	991,860	(183)	991,677
Fair value changes on investment in equity instrument at fair value through other comprehensive income, net of tax 按公允價值計入其他全面收益之股本工具投資之公允價值變動(扣除稅項)	-	-	-	-	-	21,712	-	-	-	21,712	-	21,712
Exchange differences arising on translation 匯兑產生的換算差額	-	-	-	-	(236)	-	-	-	-	(236)	(13)	(249)
Total comprehensive (expense) income for the period 期內全面開支/收益總額	-	-	-	-	(236)	21,712	-	-	991,860	1,013,336	(196)	1,013,140
Dividend declared *(note 8)* 已宣派股息*(附註8)*	-	-	-	-	-	-	-	-	(232,600)	(232,600)	-	(232,600)
Transfer of statutory reserve 轉撥法定儲備	-	-	-	-	-	-	-	72,757	(72,757)	-	-	-
Conversion of convertible preference shares *(note 16)* 兑換可換股優先股*(附註16)*	424	86,864	(87,288)	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2019 (Unaudited) 於二零一九年六月三十日的結餘(未經審核)	41,565	6,969,473	6,158,873	(11,637,887)	59,164	132,373	222,970	294,133	9,938,045	12,178,709	107,299	12,286,008
Balance as at 1 January 2020 (audited) 於二零二零年一月一日的結餘(經審核)	**42,060**	**7,073,804**	**6,064,905**	**(11,637,887)**	**28,689**	**148,393**	**210,718**	**313,625**	**10,683,552**	**12,927,859**	**106,974**	**13,034,833**
Profit for the period 期內溢利	-	-	-	-	-	-	-	-	37,556	37,556	803	38,359
Fair value changes on investment in equity instrument at fair value through other comprehensive income, net of tax 按公允價值計入其他全面收益之股本工具投資之公允價值變動(扣除稅項)	-	-	-	-	-	(50,891)	-	-	-	(50,891)	-	(50,891)
Exchange differences arising on translation 匯兑產生的換算差額	-	-	-	-	(37,697)	-	-	-	-	(37,697)	(6)	(37,703)
Total comprehensive (expense) income for the period 期內全面開支/收益總額	-	-	-	-	(37,697)	(50,891)	-	-	37,556	(51,032)	797	(50,235)
Exercise of share option *(note 18)* 行使購股權*(附註18)*	4	1,098	-	-	-	-	(384)	-	-	718	-	718
Acquisition of an additional interests in a subsidiary *(note 23(b))* 增加收購於一間附屬公司的權益*(附註23(b))*	-	-	-	6,961	-	-	-	-	-	6,961	(36,371)	(29,410)
Dividend declared *(note 8)* 已宣派股息*(附註8)*	-	-	-	-	-	-	-	-	(282,672)	(282,672)	-	(282,672)
Transfer of statutory reserve 轉撥法定儲備	-	-	-	-	-	-	-	1,190	(1,190)	-	-	-
Conversion of convertible preference shares *(note 16)* 兑換可換股優先股*(附註16)*	116	23,690	(23,806)	-	-	-	-	-	-	-	-	-
Balance as at 30 June 2020 (Unaudited) 於二零二零年六月三十日的結餘(未經審核)	**42,180**	**7,098,592**	**6,041,099**	**(11,630,926)**	**(9,008)**	**97,502**	**210,334**	**314,815**	**10,437,246**	**12,601,834**	**71,400**	**12,673,234**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
簡明綜合現金流量表

For the six months ended 30 June 2020
截至二零二零年六月三十日止六個月

		NOTES 附註	Six months ended 30 June 截至六月三十日止六個月 2020 二零二零年 RMB'000 人民幣千元 (Unaudited) (未經審核)	2019 二零一九年 RMB'000 人民幣千元 (Unaudited) (未經審核)
Net cash from operating activities	**經營活動所得現金淨額**		**176,635**	1,574,708
Investing activities	**投資活動**			
Advances to related parties	向關聯方支付墊款		**(1,050,725)**	(873,528)
Repayment from related parties	關聯方還款		**1,128,137**	866,384
Withdrawal of restricted bank deposits	提取受限制銀行存款		**1,774,574**	2,183,786
Placement of restricted bank deposits	存放受限制銀行存款		**(1,770,930)**	(1,526,143)
Withdrawal of short-term time deposits with maturity beyond three months but within one year	提取於三個月以上但於一年內到期的短期存款		**235,675**	369,376
Placement of short-term time deposits with maturity beyond three months but within one year	存放於三個月以上但於一年內到期的短期存款		**(404,132)**	(591,312)
Purchase of property, plant and equipment	購置物業、廠房及設備		**(15,363)**	(2,637)
Additional costs of investment properties	投資物業的額外成本		**(2,658)**	(126,417)
Net cash inflow on acquisition of assets through acquisition of a subsidiary	透過收購一間附屬公司收購資產的現金流入淨額	*23(b)*	**–**	298,970
Net cash inflow on disposal of a subsidiary	出售一間附屬公司的現金流入淨額	*24*	**–**	25,056
Interest received	已收利息		**46,178**	30,819
Other investing cash flows	其他投資現金流量		**663**	25,971
Net cash (used in) from investing activities	**投資活動(所用)所得現金淨額**		**(58,581)**	680,325
Financing activities	**融資活動**			
Proceeds from new borrowings	新造借貸所得款項		**3,648,481**	1,865,232
Repayment of borrowings	償還借貸		**(2,318,373)**	(1,452,686)
Interest paid	已付利息		**(791,349)**	(712,045)
Repayments of lease liabilities	償還租賃負債		**(7,655)**	(12,798)
Proceeds from issue of senior notes, net of transaction costs	發行優先票據所得款項(扣除交易成本)		**1,528,447**	–
Issue of new shares upon exercise of share options	行使購股權以發行新股		**718**	–
Net cash from (used in) financing activities	**融資活動所得(所用)現金淨額**		**2,060,269**	(312,297)
Net increase in cash and cash equivalents	**現金及現金等價物增加淨額**		**2,178,323**	1,942,736
Effect of foreign exchange rate changes	**外匯匯率變動的影響**		**(7,633)**	(3,598)
Cash and cash equivalents at beginning of the period	**期初現金及現金等價物**		**5,095,316**	3,231,909
Cash and cash equivalents at end of the period	**期末現金及現金等價物**		**7,266,006**	5,171,047
Represented by:	指：			
Cash and cash equivalents	現金及現金等價物		**7,266,006**	5,171,047
Add: Fixed deposits with original maturity date more than three months	加：原到期日為多於三個月的定期存款		**616,062**	664,069
Bank balances and cash	**銀行結餘及現金**		**7,882,068**	5,835,116

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the "Amendments to References to the Conceptual Framework" in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

1. 編製基準

簡明綜合財務報表乃根據香港會計師公會(「香港會計師公會」)頒佈的香港會計準則(「香港會計準則」)第34號「中期財務報告」及香港聯合交易所有限公司(「聯交所」)證券上市規則附錄十六的適用披露規定編製。

簡明綜合財務報表以人民幣(「人民幣」)呈列，人民幣亦為本公司的功能貨幣。

2. 主要會計政策

除投資物業及若干金融工具按公允價值計量外，簡明綜合財務報表乃按歷史成本基準編製。

除因應用經修訂香港財務報告準則(「香港財務報告準則」)及應用若干與本集團相關之會計政策而導致之額外會計政策外，截至二零二零年六月三十日止六個月之簡明綜合財務報表中所用之會計政策及計算方法與本集團截至二零一九年十二月三十一日止年度的年度財務報表所呈列的會計政策及計算方法相同。

應用經修訂香港財務報告準則

於本中期期間，本集團首次應用由香港會計師公會頒佈並於二零二零年一月一日或之後開始之年度期間強制生效且與編製本集團簡明綜合財務報表有關之香港財務報告準則之「概念框架指引之修訂」及下列經修訂香港財務報告準則：

香港會計準則第1號及香港會計準則第8號(修訂本)	重大性之定義
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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to HKFRSs (continued)

In addition, the Group has early applied the "Amendment to HKFRS 16 Covid-19-Related Rent Concessions". The impact was disclosed in note 6 of the condensed consolidated financial statements.

Except as described below, the application of the "Amendments to References to the Conceptual Framework" in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "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, which provide financial information about a specific reporting entity."The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

2. 主要會計政策(續)

應用經修訂香港財務報告準則(續)

此外，本集團已提早應用「香港財務報告準則第16號(修訂本)新型冠狀病毒相關租金寬免」。有關影響於簡明綜合財務報表附註6披露。

除下文所述者外，於本期間應用香港財務報告準則之「概念框架指引之修訂」及經修訂香港財務報告準則對本集團於本期間及以往期間之財務狀況及表現及／或在該等簡明綜合財務報表所載之披露並無任何重大影響。

2.1 應用香港會計準則第1號及香港會計準則第8號(修訂本)重大性之定義之影響

該等修訂本對重大性提供新定義，指出「倘遺漏、錯誤陳述或隱瞞資料可合理地預期會對一般用途財務報表之主要使用者基於該等財務報表(提供特定報告實體之財務資料)作出之決策造成影響，則有關資料屬重大」。該等修訂本亦釐清，就財務報表整體而言，重大性取決於資料之性質或幅度(單獨或連同其他資料)。

於本期間應用該等修訂本並不會對簡明綜合財務報表造成任何影響。因應用該等修訂本而令呈列方式及披露資料出現之變動(如有)將於截至二零二零年十二月三十一日止年度之綜合財務報表中反映。

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to HKFRSs (continued)

2.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Derecognition/substantial modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

2. 主要會計政策(續)

應用經修訂香港財務報告準則(續)

2.2 本集團新應用之會計政策

此外，本集團已於本中期期間應用下列與本集團相關之會計政策。

金融負債之終止確認／重大變更

僅在本集團的義務已經履行、解除或到期時，本集團才終止確認金融負債。終止確認的金融負債的賬面值與已付及應付的代價之間的差額會在損益中確認。

本集團將與貸款人就具有重大差異條款的金融負債進行的交換，作為原金融負債清償及確認新金融負債入賬。現有金融負債條款或其任何部分的重大修訂(不論是否歸因於本集團出現財政困難)，均作為清償原金融負債及確認新金融負債入賬。

本集團認為，倘根據新條款的現金流量經貼現現值(包括使用原實際利率貼現之任何已付費用減任何已收費用)與原金融負債剩餘現金流量經貼現現值相差至少10%，則有關條款具有重大差異。因此，有關債務工具的交換或條款的修訂作為清償入賬，而所產生的任何成本或費用被確認為清償時損益的一部分。當有關差異少於10%時，交換或修改被視為非重大變更。

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Application of amendments to HKFRSs (continued)

2.2 Accounting policies newly applied by the Group (continued)

Derecognition/substantial modification of financial liabilities (continued)

When the contractual terms of a convertible instrument are modified, such as extending the tenure, change in exercise price of the underlying options, the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability and derivatives derecognised and the fair value of consideration paid or payable, including any liabilities assumed and derivative components recognised, is recognised in profit or loss.

For the purposes of applying the 10 per cent test on the modification of a convertible instrument, the Group considers that the terms are substantially different if the higher of (i) the fair value of the share settlement at the date of modification; and (ii) the discounted present value of the cash flows of the host contract under the new terms, is at least 10 per cent different from the sum of the discounted present value of the remaining cash flows of the original financial liability and the fair value of the derivative component under the original terms.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

2. 主要會計政策(續)

應用經修訂香港財務報告準則(續)

2.2 本集團新應用之會計政策(續)

金融負債之終止確認／重大變更(續)

當可換股工具的合約條款被修改(如延長使用期、更改相關購股權行使價)，致使經修訂條款相比原定條款出現重大變更，經計及所有相關事實及情況(包括定性因素)後，有關修訂按終止確認原金融負債及確認新金融負債入賬。終止確認的金融負債及衍生工具的賬面值與已付或應付代價(包括所承擔的任何負債及所確認的衍生工具部分)的公允價值之間的差額於損益中確認。

就可換股工具的修訂應用10%測試而言，本集團認為，倘(i)於修訂當日股份償付之公允價值；及(ii)新條款項下主合約的現金流量經貼現現值(以較高者為準)與原金融負債剩餘現金流量經貼現現值與根據原條款的衍生工具部分的公允價值之總數相差至少10%，則有關條款具有重大差異。

金融負債之非重大變更

就並無導致終止確認之金融負債非重大變更而言，相關金融負債的賬面值將按以金融負債原實際利率貼現之經修訂合約現金流量之現值計算。所產生之交易成本或費用乃調整至經修訂金融負債之賬面值，並於剩餘年期內攤銷。對金融負債賬面值之任何調整均於修訂當日於損益內確認。

3. REVENUE AND SEGMENT INFORMATION

3. 收益及分類資料

An analysis of the Group's revenue for the period is as follows:

期內本集團之收益分析如下：

		Six months ended 30 June 截至六月三十日止六個月	
		2020 二零二零年	2019 二零一九年
		RMB'000 人民幣千元	*RMB'000 人民幣千元*
		(Unaudited) (未經審核)	(Unaudited) (未經審核)
Sales of properties	物業銷售	**2,030,652**	2,988,335
Rental income	租金收入	**317,355**	302,279
Revenue from hotel operation, property management services and other services	來自酒店運營、物業管理服務及其他服務的收益	**114,199**	131,470
Total	總額	**2,462,206**	3,422,084
Timing of revenue recognition from contracts with customers	*確認來自客戶合約的收益的時間*		
At a point in time	某個時間點確認	**2,030,652**	2,988,335
Over time	隨着時間確認	**114,199**	131,470

In identifying its operating segments, the executive directors of the Company, being the chief operating decision makers, generally follow the Group's service lines, which represent the main products and services provided by the Group. The Group has identified the following reportable segments under HKFRS 8:

本公司執行董事(即主要營運決策者)通常根據本集團的服務系列(即本集團提供的主要產品及服務)確定經營分類。本集團已根據香港財務報告準則第8號確定下列可呈報分類：

- Real estate development and sales: sales of properties
- Commercial property investment and operations: lease of commercial properties, office premises and car parks
- Comprehensive services: hotel operation, property management service and other service income

- 房地產開發及銷售：物業銷售
- 商業物業投資與經營：商業物業、辦公室及停車場租賃
- 綜合服務：酒店運營、物業管理服務及其他服務收益

Each of these operating segments is managed separately as each of these products and service lines requires different resources as well as marketing approaches.

由於該等產品及服務系列各自需要不同的資源及營銷方式，故該等經營分類獲單獨管理。

3. REVENUE AND SEGMENT INFORMATION (continued)

3. 收益及分類資料(續)

Segment revenue and results

分類收益及業績

The following is an analysis of the Group's revenue and results by operating and reportable segment:

以下為本集團按經營及可呈報分類劃分的收益及業績的分析：

Six months ended 30 June 2020

截至二零二零年六月三十日止六個月

		Real estate development and sales 房地產開發及銷售 *RMB'000 人民幣千元* (Unaudited) (未經審核)	Commercial property investment and operations 商業物業投資與經營 *RMB'000 人民幣千元* (Unaudited) (未經審核)	Comprehensive services 綜合服務 *RMB'000 人民幣千元* (Unaudited) (未經審核)	Total 總計 *RMB'000 人民幣千元* (Unaudited) (未經審核)
Revenue:	收益：				
From external customers	來自外部客戶	**2,030,652**	**317,355**	**114,199**	**2,462,206**
Inter-segment revenue	分類間收益	**–**	**11,453**	**33,438**	**44,891**
Total segment revenue	**分類收益總額**	**2,030,652**	**328,808**	**147,637**	**2,507,097**
Reportable segment profit	**可呈報分類盈利**	**1,275,573**	**304,147**	**23,272**	**1,602,992**

3. REVENUE AND SEGMENT INFORMATION (continued)

3. 收益及分類資料(續)

Segment revenue and results (continued)

分類收益及業績(續)

Six months ended 30 June 2019

截至二零一九年六月三十日止六個月

		Real estate development and sales 房地產開發及銷售 *RMB'000* *人民幣千元* (Unaudited) (未經審核)	Commercial property investment and operations 商業物業投資與經營 *RMB'000* *人民幣千元* (Unaudited) (未經審核)	Comprehensive services 綜合服務 *RMB'000* *人民幣千元* (Unaudited) (未經審核)	Total 總計 *RMB'000* *人民幣千元* (Unaudited) (未經審核)
Revenue:	**收益：**				
From external customers	來自外部客戶	2,988,335	302,279	131,470	3,422,084
Inter-segment revenue	分類間收益	–	5,096	32,784	37,880
Total segment revenue	**分類收益總額**	2,988,335	307,375	164,254	3,459,964
Reportable segment profit	**可呈報分類盈利**	2,088,439	272,621	47,224	2,408,284

Inter-segment sales are at mutually agreed terms.

分類間銷售按共同協定之條款進行。

3. REVENUE AND SEGMENT INFORMATION (continued)

3. 收益及分類資料(續)

Reconciliations of reportable segment revenue, profit or loss

可呈報分類收益、損益之對賬

The Group does not allocate fair value changes on investment properties, fair value changes on derivative component of convertible bonds, other income, other gains and losses, depreciation, finance costs and corporate expenses to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision makers while the investment properties are allocated to the segment of "commercial property investment and operations" for presenting segment assets.

本集團並無就主要營運決策者作出之資源分配及表現評估而將投資物業的公允價值變動、可換股債券衍生工具部分的公允價值變動、其他收入、其他收益及虧損、折舊、融資成本及公司開支分配至獨立可呈報分類之損益內，而投資物業則就呈報分類資產分配至「商業物業投資與經營」分類。

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies.

編製可呈報分類資料所採納之會計政策與本集團之會計政策相同。

		Six months ended 30 June 截至六月三十日止六個月	
		2020 二零二零年	2019 二零一九年
		RMB'000 人民幣千元	*RMB'000 人民幣千元*
		(Unaudited) (未經審核)	(Unaudited) (未經審核)
Revenue	**收益**		
Reportable segment revenue	可呈報分類收益	**2,507,097**	3,459,964
Elimination of inter-segment revenue	對銷分類間收益	**(44,891)**	(37,880)
Consolidated revenue	綜合收益	**2,462,206**	3,422,084
Profit	**盈利**		
Reportable segment profit	可呈報分類盈利	**1,602,992**	2,408,284
Fair value changes on investment properties	投資物業的公允價值變動	**(174,081)**	479,228
Other income	其他收入	**54,455**	48,791
Other gains and losses	其他收益及虧損	**(106,982)**	37,633
Depreciation	折舊	**(30,846)**	(18,807)
Finance costs	融資成本	**(686,243)**	(490,069)
Fair value changes on derivative component of convertible bonds	可換股債券衍生工具部分的公允價值變動	**53,849**	(47,160)
Corporate expenses	公司開支	**(194,589)**	(193,668)
Consolidated profit before tax	除稅前綜合盈利	**518,555**	2,224,232

3. REVENUE AND SEGMENT INFORMATION (continued)

3. 收益及分類資料(續)

Segment assets

分類資產

The following is an analysis of the Group's assets by reportable and operating segment, no liabilities are presented as the information is not reportable to the chief operating decision makers in the resource allocation and assessment of performance:

以下為本集團按可呈報及經營分類劃分的資產分析，由於毋須就資源分配及評估表現向主要營運決策者呈報負債，因此並無呈列該等資料：

Segment assets

分類資產

		At 30 June 2020 **於二零二零年六月三十日** ***RMB'000*** ***人民幣千元*** **(Unaudited)** **(未經審核)**	At 31 December 2019 於二零一九年十二月三十一日 *RMB'000* *人民幣千元* (Audited) (經審核)
Real estate development and sales	房地產開發及銷售	**12,758,349**	12,452,128
Commercial property investment and operations	商業物業投資與經營	**23,879,836**	23,591,289
Comprehensive services	綜合服務	**353,215**	362,963
Reportable segment assets	可呈報分類資產	**36,991,400**	36,406,380
Goodwill	商譽	**231,602**	231,602
Equity instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之股本工具	**473,271**	541,125
Bank balances and cash (including restricted bank deposits)	銀行結餘及現金(包括受限制銀行存款)	**10,686,503**	8,346,982
Deferred tax assets	遞延稅項資產	**443,620**	565,713
Interest in a joint venture and amount due from a joint venture	於一間合營公司的權益及應收一間合營公司款項	**528,376**	528,376
Interest in an associate	於一間聯營公司的權益	**–**	–
Corporate assets	公司資產	**2,061,553**	2,116,105
Consolidated total assets	綜合總資產	**51,416,325**	48,736,283

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than goodwill, equity instrument at fair value through other comprehensive income, bank balances and cash (including restricted bank deposits), deferred tax assets, interest in a joint venture and amount due from a joint venture, interest in an associate and corporate assets.

為監測分類表現及分類間的資源分配，除商譽、按公允價值計入其他全面收益之股本工具、銀行結餘及現金(包括受限制銀行存款)、遞延稅項資產、於一間合營公司的權益及應收一間合營公司款項、於一間聯營公司的權益以及公司資產外，所有資產分配至經營分類。

3. REVENUE AND SEGMENT INFORMATION (continued)

3. 收益及分類資料(續)

Geographical Information

地區資料

Information about the Group's revenue is presented based on the location of the operations:

本集團的收益資料乃按營運位置呈列：

		Six months ended 30 June 截至六月三十日止六個月	
		2020 二零二零年	2019 二零一九年
		RMB'000	*RMB'000*
		人民幣千元	*人民幣千元*
		(Unaudited) (未經審核)	(Unaudited) (未經審核)
Mainland China	中國內地	**2,386,487**	3,390,077
Hong Kong	香港	**33,837**	–
Cambodia	柬埔寨	**38,810**	24,236
United States	美國	**3,072**	7,771
Total	總計	**2,462,206**	3,422,084

4. OTHER GAINS AND LOSSES

4. 其他收益及虧損

		Six months ended 30 June 截至六月三十日止六個月	
		2020 二零二零年	2019 二零一九年
		RMB'000	*RMB'000*
		人民幣千元	*人民幣千元*
		(Unaudited) (未經審核)	(Unaudited) (未經審核)
Foreign exchange gain, net	匯兑收益淨額	**5,727**	2,327
Gain on substantial modification of convertible bonds *(note 17)*	可換股債券之重大變更收益 *(附註17)*	**16,701**	–
Loss on non-substantial modification of senior notes *(note 15)*	優先票據之非重大變更虧損 *(附註15)*	**(129,571)**	–
Gain on disposal of a subsidiary *(note 24)*	出售附屬公司之收益*(附註24)*	**–**	33,300
Others	其他	**161**	2,006
		(106,982)	37,633

5. FINANCE COSTS

5. 融資成本

		Six months ended 30 June 截至六月三十日止六個月	
		2020 二零二零年	2019 二零一九年
		RMB'000 人民幣千元	*RMB'000 人民幣千元*
		(Unaudited) (未經審核)	(Unaudited) (未經審核)
Interest on:	利息：		
Bank and other borrowings	銀行及其他借貸	**582,976**	488,925
Convertible bonds	可換股債券	**147,518**	78,652
Senior notes and bonds	優先票據及債券	**263,083**	208,135
Lease liabilities	租賃負債	**5,457**	6,126
Less: Amount capitalised in investment properties under development and properties under development for sale*	減：撥充在建投資物業及發展中待售物業資本化之金額*	**(312,791)**	(291,769)
		686,243	490,069

* The finance costs have been capitalised at rates ranging from 1.61% to 12.00% (six months ended 30 June 2019: 5.08% to 9.00%) per annum.

* 融資成本乃按年息率1.61%至12.00%(截至二零一九年六月三十日止六個月：5.08%至9.00%)資本化。

6. PROFIT BEFORE TAX

6. 除税前盈利

		Six months ended 30 June 截至六月三十日止六個月	
		2020 二零二零年	2019 二零一九年
		RMB'000 人民幣千元	*RMB'000 人民幣千元*
		(Unaudited) (未經審核)	(Unaudited) (未經審核)
Profit before tax is arrived at after charging (crediting):	除税前盈利乃經扣除(計入)：		
Cost of properties held for sale recognised as expense	確認為開支的待售物業的成本	**755,079**	899,896
Depreciation of property, plant and equipment	物業、廠房及設備折舊	**30,873**	18,811
Less: Amount capitalised in investment properties under development and properties under development for sale	減：撥充在建投資物業及發展中待售物業資本化之金額	**(27)**	(4)
		30,846	18,807
Gross rental income from investment properties	投資物業所得租金收入總額	**317,355**	302,279
Outgoings in respect of investment properties that generated rental income during the period	有關於期內產生租金收入之投資物業的開支	**(13,208)**	(29,658)
		304,147	272,621
Expense relating to short-term leases	短期租賃相關費用	**1,150**	2,295
Covid-19-related rent concessions	新型冠狀病毒相關租金寬免	**935**	–

7. INCOME TAX EXPENSE

7. 所得稅開支

		Six months ended 30 June 至六月三十日止六個月	
		2020 二零二零年	2019 二零一九年
		RMB'000 人民幣千元	*RMB'000 人民幣千元*
		(Unaudited) (未經審核)	(Unaudited) (未經審核)
Current tax	即期稅項		
PRC Enterprise Income Tax	中國企業所得稅		
– Current period	– 本期間	**54,434**	528,952
– Overprovision in prior period	– 過往期間超額撥備	**(8,365)**	–
		46,069	528,952
PRC Land Appreciation Tax	中國土地增值稅		
– Current period	– 本期間	**288,933**	947,954
– Overprovision in prior period	– 過往期間超額撥備	**–**	(7,778)
		288,933	940,176
Deferred taxation	遞延稅項	**145,194**	(236,573)
Total income tax expense	所得稅開支總額	**480,196**	1,232,555

8. DIVIDENDS

8. 股息

		Six months ended 30 June 截至六月三十日止六個月	
		2020 二零二零年	2019 二零一九年
		RMB'000 人民幣千元	*RMB'000 人民幣千元*
		(Unaudited) (未經審核)	(Unaudited) (未經審核)
Dividends recognised as distribution during the period:	期內確認為分派之股息：		
2019 Final dividend – HK6.1 cents (equivalent to approximately RMB5.46 cents)	二零一九年末期股息－6.1港仙(相當於約人民幣5.46分)	**282,672**	–
2018 Final dividend – HK5.3 cents (equivalent to approximately RMB4.65 cents)	二零一八年末期股息－5.3港仙(相當於約人民幣4.65分)	**–**	232,600

The dividends recognised as distribution for the year ended 31 December 2019 were subsequently paid on 31 July 2020.

截至二零一九年十二月三十一日止年度確認為分派的股息其後於二零二零年七月三十一日派付。

No dividend for the six months ended 30 June 2020 and 30 June 2019 had been proposed by the directors of the Company.

本公司董事已建議不派發截至二零二零年六月三十日及二零一九年六月三十日止六個月之股息。

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

9. 每股盈利

本公司股東應佔每股基本及攤薄盈利乃基於以下數據計算：

		Six months ended 30 June 截至六月三十日止六個月	
		2020 二零二零年	2019 二零一九年
		RMB'000 人民幣千元	*RMB'000 人民幣千元*
		(Unaudited) (未經審核)	(Unaudited) (未經審核)
Earnings	**盈利**		
Earnings for the purpose of basic earnings per share	用於計算每股基本盈利的盈利	**37,556**	991,860
Effect of dilutive potential earnings in respect of	潛在攤薄盈利對以下各項的影響		
– Convertible bonds	－可換股債券	**(8,901)**	–
Earnings for the purpose of diluted earnings per share	用於計算每股攤薄盈利的盈利	**28,655**	991,860

		Number of shares 股份數目	
		2020 二零二零年	2019 二零一九年
Number of shares	**股份數目**		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	用於計算每股基本盈利的本公司普通股加權平均數	**5,062,873,832**	4,959,644,839
Effect of dilutive potential ordinary shares in respect of	潛在攤薄普通股對以下各項的影響		
– Share options	－購股權	**58,022,113**	57,168,548
– Convertible bonds	－可換股債券	**271,328,671**	–
– Convertible preference shares	－可換股優先股	**3,297,658,924**	3,396,069,708
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	用於計算每股攤薄盈利的本公司普通股加權平均數	**8,689,883,540**	8,412,883,095

The computation of diluted earnings per share for the periods ended 30 June 2020 and 2019 does not assume the conversion of certain outstanding convertible bonds of the Group as the conversion would result in an increase in earnings per share.

計算截至二零二零年和二零一九年六月三十日止期間的每股攤薄盈利時，並無假設本集團若干尚未行使的可換股債券獲兑換，原因為兑換將導致每股盈利增加。

10. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

(a) Capital expenditure

During the current interim period, the Group incurred capital expenditure of approximately RMB15,363,000 and RMB2,658,000 for property, plant and equipment and investment properties, respectively (six months ended 30 June 2019: RMB2,637,000 and RMB126,417,000, respectively).

(b) Valuation

The fair values of the investment properties at 30 June 2020 and 31 December 2019 have been arrived at on the basis of a valuation carried out by Messrs Jones Lang LaSalle Corporate Appraisal and Advisory Limited, which is a firm of independent qualified professional valuers not connected to the Group.

For completed investment properties and investment properties that were leased out under sub-lease, the valuations have been arrived at using income capitalisation approach, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

For investment properties under development that are measured at fair value, the valuations have been arrived at using residual approach assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

10. 投資物業以及物業、廠房及設備變動

(a) 資本開支

於本中期期間，本集團就物業、廠房及設備以及投資物業產生的資本開支分別約為人民幣15,363,000元及人民幣2,658,000元(截至二零一九年六月三十日止六個月：分別為人民幣2,637,000元及人民幣126,417,000元)。

(b) 估值

該等投資物業於二零二零年六月三十日及二零一九年十二月三十一日的公允價值，乃依據仲量聯行企業評估及諮詢有限公司所進行的估值釐定，該公司為與本集團並無關連之獨立合資格專業估值師公司。

就已完成投資物業及以分租方式出租之投資物業而言，該估值乃採用收入資本計算法進行。物業內所有可出租單位的市值租金乃參照可出租單位以及毗鄰相似物業的其他出租單位已得的租金進行評估。採用之資本化比率乃參照當地相似物業的收益率並根據估值師所知各物業的特質進行調整。

就按公允價值計量之發展中投資物業而言，估值乃基於殘值法假設該等投資物業將根據發展規劃及已取得的相關規劃的批覆完工。估值的主要輸入數據包括已完成投資物業的市值，乃參考鄰近地域相似物業的銷售憑證估計，同時，根據估值師判斷的不同地段的差異以及各物業的其他不同特質進行調整。該估值也將開發成本納入考慮，包括建設成本、融資成本和專業費用及開發商的利潤率(於估值日反映物業開發的剩餘風險和開發商使物業達致完成狀況所需的回報)，發展成本乃根據估值師對近期土地交易和不同區域類似已完成物業市場價值的分析而釐定。

10. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Valuation (continued)

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

10. 投資物業以及物業、廠房及設備變動(續)

(b) 估值(續)

估計投資物業的公允價值時，投資物業之目前用途為最高及最佳用途。

11. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

11. 按公允價值計入其他全面收益之股本工具

		At 30 June 2020 於二零二零年六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	At 31 December 2019 於二零一九年十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
Listed investments:	上市投資：		
– Equity securities listed in the PRC *(Note)*	－於中國上市之股權證券*(附註)*	**473,271**	541,125

Note: The above listed equity investment represents 0.40% equity interests in an entity listed in the PRC. This investment is not held for trading, instead, it is held for long-term strategic purposes. The directors of the Company have elected to designate this investment in equity instrument as fair value through other comprehensive income as they believe that recognising short-term fluctuations in this investment's fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes and realising its performance potential in the long run.

附註： 上述上市股權投資指於一間中國上市實體之0.40%股權。該項投資並非持作買賣，而是就長期策略用途持有。由於本公司董事認為於損益確認該投資之公允價值短期波動並不符合本集團長期持有該投資及長遠變現其表現潛力之策略，故彼等已選擇指定於該股本工具之投資為按公允價值計入其他全面收益。

12. ACCOUNTS RECEIVABLE

Accounts receivable represent receivables arising from sales of properties, rental income from leasing properties and comprehensive services (including hotel operation and property management). For the receivables arising from sales of properties, they are due for settlement in accordance with the terms of the relevant sales and purchase agreements. For the receivables arising from rental income from leasing properties, monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. For accounts receivable generated from hotel operation, the credit term is payable on demand. For accounts receivable generated from property management, receivable generally have credit terms of ranging from 30 to 60 days.

12. 應收賬款

應收賬款指銷售物業、租賃物業的租金收入及綜合服務(包括酒店營運及物業管理)的應收款項。就銷售物業產生的應收款項而言，該等款項乃根據相關買賣協議條款到期應付。就租賃物業的租金收入產生的應收款項而言，每月租金通常預先收取，並持有充足的租金按金以減低信貸風險。就酒店營運產生的應收賬款而言，信貸期乃須按要求支付。物業管理所得的應收賬款的信貸期一般為30至60天。

12. ACCOUNTS RECEIVABLE (continued)

The ageing analysis of the Group's accounts receivable, based on invoice dates for rental income from leasing properties and comprehensive services and the terms of relevant sales and purchases agreements for sales of properties, is as follows:

12. 應收賬款(續)

本集團應收賬款的賬齡按有關租賃物業的租金收入及綜合服務發票日期以及相關物業銷售買賣協議條款分析如下：

		At 30 June 2020 於二零二零年六月三十日 *RMB'000 人民幣千元* (Unaudited) (未經審核)	At 31 December 2019 於二零一九年十二月三十一日 *RMB'000 人民幣千元* (Audited) (經審核)
Within 1 month	1個月內	**15,337**	22,333
1 to 12 months	1至12個月	**61,733**	6,873
13 to 24 months	13至24個月	**1,641**	919
Over 24 months	超過24個月	**1,821**	1,087
		80,532	31,212

13. ACCOUNTS PAYABLE

Based on invoice dates, the ageing analysis of the Group's accounts payable is as follows:

13. 應付賬款

本集團應付賬款的賬齡按發票日期分析如下：

		At 30 June 2020 於二零二零年六月三十日 *RMB'000 人民幣千元* (Unaudited) (未經審核)	At 31 December 2019 於二零一九年十二月三十一日 *RMB'000 人民幣千元* (Audited) (經審核)
Within 1 month	1個月內	**664,942**	513,386
1 to 12 months	1至12個月	**81,741**	436,676
13 to 24 months	13至24個月	**28,440**	137,934
Over 24 months	超過24個月	**49,406**	23,835
		824,529	1,111,831

14. BORROWINGS

14. 借貸

		At 30 June 2020 於二零二零年六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	At 31 December 2019 於二零一九年十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
Borrowings comprise:	**借貸包括：**		
– Variable rate bank loans	－浮息銀行貸款	**18,930,791**	16,274,940
– Fixed rate bank loans	－定息銀行貸款	**805,150**	2,781,200
– Fixed rate other borrowings	－固定利率其他借貸	**1,242,211**	50,000
– Private senior notes	－私募優先票據	**–**	349,939
		20,978,152	19,456,079
Analysed as:	分析：		
– Secured	－有抵押	**20,152,984**	18,886,202
– Unsecured	－無抵押	**825,168**	569,877
		20,978,152	19,456,079
Borrowings are repayable:	**借貸須於以下期間償還：**		
– Within 1 year (including those with repayment on demand clause)	–1年內(包含按要求償還條款之借貸)	**6,510,295**	4,306,274
– More than 1 year, but not exceeding 2 years	－超過1年但不超過2年	**1,998,946**	3,296,968
– More than 2 years, but not exceeding 5 years	－超過2年但不超過5年	**10,688,872**	10,090,473
– More than 5 years	－超過5年	**1,780,039**	1,762,364
		20,978,152	19,456,079

During the current interim period, the Group repaid loans amounting to RMB2,318,373,000 (six months ended 30 June 2019: RMB1,452,686,000) and drew new bank loans amounting to RMB3,648,481,000 (six months ended 30 June 2019: RMB1,865,232,000). Of the new loans drawn down, RMB1,376,511,000 carry interest at fixed market rate ranging from 5.70% to 10.00% per annum and are repayable in instalments over a period from 1 to 5 years; and RMB2,271,970,000 carry interest at variable market rate ranging from 2.37% to 7.10% per annum and are repayable in instalments over a period from 1 to 15 years.

於本中期期間，本集團已償還貸款人民幣2,318,373,000元(截至二零一九年六月三十日止六個月：人民幣1,452,686,000元)，並提取新的銀行貸款人民幣3,648,481,000元(截至二零一九年六月三十日止六個月：人民幣1,865,232,000元)。於新提取的貸款中，人民幣1,376,511,000元按介乎5.70%至10.00%的固定市場年利率計息，並須於1至5年內分期償還；及人民幣2,271,970,000元按介乎2.37%至7.10%的可變市場年利率計息，並須於1至15年內分期償還。

15. SENIOR NOTES AND BOND

15. 優先票據及債券

		At 30 June 2020 於二零二零年六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	At 31 December 2019 於二零一九年十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
Senior notes and bond comprise:	**優先票據及債券包括：**		
– Public senior notes	－公開優先票據	**4,642,462**	2,870,055
– Domestic corporate bond	－境內公司債券	**2,143,879**	2,157,068
		6,786,341	5,027,123
Analysed as:	分析：		
– Current	－流動	**3,404,172**	5,027,123
– Non-current	－非流動	**3,382,169**	–
		6,786,341	5,027,123

US$ denominated public senior notes due in 2020 and 2023

Details of US$ denominated public senior notes due in 2020 were disclosed in Annual Report 2019 dated 30 March 2020.

On 20 February 2020, the Group commenced the exchange offer ("Exchange Offer") to the holders of the existing US$ denominated senior notes with principal amount of US$400,000,000 (equivalent to RMB2,801,040,000). The Exchange Offer allowed the existing senior note holders to convert their notes into new notes maturing in 2023 with a coupon rate of 12% per annum. Upon the expiry of the Exchange Offer on 2 March 2020, senior note holders with an amount of US$227,390,000 (equivalent to RMB1,587,432,000) had validly tendered for the exchange and accepted pursuant to the Exchange Offer. Such amendment is considered as a non-substantial debt modification and a modification loss of US$18,402,000 (equivalent to RMB129,571,000) is recognised in other gains and losses.

於二零二零年及二零二三年到期以美元計值之公開優先票據

於二零二零年到期以美元計值之公開優先票據的詳情於日期為二零二零年三月三十日的二零一九年年報內披露。

於二零二零年二月二十日，本集團向本金金額400,000,000美元(相當於人民幣2,801,040,000元)的現有美元計值優先票據持有人展開交換要約(「交換要約」)。交換要約容許現有優先票據持有人按年票息率12%將其票據轉換為於二零二三年到期的新票據。交換要約於二零二零年三月二日屆滿後，持有227,390,000美元(相當於人民幣1,587,432,000元)的優先票據持有人已根據交換要約有效提交票據以作交換及接納。有關修訂被視為非重大債務變更，並於其他收益及虧損中確認變更虧損18,402,000美元(相當於人民幣129,571,000元)。

15. SENIOR NOTES AND BOND (continued)

US$ denominated public senior notes due in 2020 and 2023 (continued)

On the following day, the Group announced to issue a new series of US$ denominated senior notes with principal amount of US$222,610,000 (equivalent to RMB1,547,447,000) at an interest rate of 12% per annum due 2023 (the "New Issuance"). The interest charged for the period is calculated by applying an effective interest rate of approximately 12.61% per annum. The modified notes under the Exchange Offer and the New Issuance for an aggregate principal amount of US$450,000,000 (the "New Senior Note") were listed on the Singapore Exchange Securities Trading Limited on 10 March 2020.

The New Senior Notes are:

(a) carried interest at rate of 12% per annum and interest is payable semi-annually in arrears on 10 March and 10 September of each year, commencing from 10 September 2020 and will mature on 10 March 2023, unless redeemed earlier pursuant to the terms thereof;

(b) senior in right of payment to any existing and future obligations of Gemstones International Limited ("Gemstones") (the "Issuer") expressly subordinated in right of payment to the New Senior Notes;

(c) ranked at least pari passu in right of payment with all unsecured, unsubordinated indebtedness of the Issuer (subject to any priority rights of such unsecured unsubordinated indebtedness pursuant to applicable law);

(d) guaranteed by the Company, certain subsidiaries of the Company (collectively the "Guarantors") on a senior basis, subject to certain limitations;

(e) 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

(f) effectively subordinated to all existing and future obligations of the subsidiaries of the Company other than the Guarantors.

15. 優先票據及債券(續)

於二零二零年及二零二三年到期以美元計值之公開優先票據(續)

翌日，本集團公佈發行本金金額222,610,000美元(相當於人民幣1,547,447,000元)於二零二三年到期按年利率12%計息的新系列美元計值優先票據(「新發行」)。期內所收取的利息乃透過應用實際年利率約12.61%計算得出。交換要約及新發行項下本金總額450,000,000美元的經修訂票據(「新優先票據」)於二零二零年三月十日於新加坡證券交易所有限公司上市。

新優先票據：

(a) 按年利率12%計息，利息須自二零二零年九月十日起於每半年末在每年的三月十日及九月十日支付，並將於二零二三年三月十日到期(除非根據其條款提早贖回)；

(b) 較列明其收款權利從屬於新優先票據的碧玺国际有限公司(「碧玺」)(「發行人」)任何現有及日後責任享有優先收款權利；

(c) 至少與發行人所有無抵押、非後償債務具有同等付款權利(須根據適用法律受該等無抵押非後償債務的任何優先權所規限)；

(d) 由本公司及本公司若干附屬公司(統稱「擔保人」)按優先基準擔保(須受若干限制)；

(e) 實際上次於發行人及擔保人的有抵押責任(如有)，惟須以就此作為抵押品的資產價值為限；及

(f) 實際上次於非擔保人的本公司附屬公司的所有現有及未來責任。

16. SHARE CAPITAL

16. 股本

		2020 二零二零年 Number of shares 股份數目	*HK$'000* *千港元*	*RMB'000* *人民幣千元*	2019 二零一九年 Number of shares 股份數目	*HK$'000* *千港元*	*RMB'000* *人民幣千元*
Authorised share capital of the Company:	本公司法定股本：						
Ordinary shares of HK$0.01 each	每股面值0.01港元的普通股	**30,000,000,000**	**300,000**	**240,000**	30,000,000,000	300,000	240,000
Issued and fully paid share capital of the Company:	本公司已發行及繳足股本：						
Ordinary shares of HK$0.01 each	每股面值0.01港元的普通股						
At 1 January	於一月一日	**5,050,459,611**	**50,504**	**42,060**	4,942,241,524	49,422	41,141
Exercise of share options *(note 18)*	行使購股權*(附註18)*	**434,000**	**4**	**4**	4,392,000	44	39
Conversion of convertible preference shares *(note)*	兑換可換股優先股*(附註)*	**13,636,364**	**136**	**116**	103,826,087	1,038	880
As at 30 June/ 31 December	於六月三十日／十二月三十一日	**5,064,529,975**	**50,644**	**42,180**	5,050,459,611	50,504	42,060

Note: On 23 January 2020, 13,636,364 shares of convertible preference shares issued on 30 November 2015 have been converted into ordinary shares at the conversion price of HK$2.06 per conversion preference share.

On 29 April 2019, 22 November 2019 and 27 November 2019, 50,000,000, 17,826,087 and 36,000,000 shares of convertible preference shares issued on 30 November 2015 have been converted into ordinary shares at the conversion price of HK$2.06 per conversion preference share respectively.

附註： 於二零二零年一月二十三日，13,636,364股於二零一五年十一月三十日發行的可換股優先股已按每股可換股優先股2.06港元的兑換價兑換為普通股。

於二零一九年四月二十九日、二零一九年十一月二十二日及二零一九年十一月二十七日，分別有50,000,000股、17,826,087股及36,000,000股於二零一五年十一月三十日發行的可換股優先股已按每股可換股優先股2.06港元的兑換價兑換為普通股。

17. CONVERTIBLE BONDS

17. 可換股債券

(a) Debt component of convertible bonds

(a) 可換股債券債務部分

		2020 二零二零年 *RMB'000* *人民幣千元* (Unaudited) (未經審核)	2019 二零一九年 *RMB'000* *人民幣千元* (Audited) (經審核)
Net carrying amount as at 1 January	於一月一日的賬面淨值	**1,493,257**	1,381,645
Recognition of new convertible bonds upon substantive modification	於重大變更後確認新可換股債券	**619,441**	–
Interest expense	利息開支	**147,518**	172,237
Interest paid	已付利息	**(102,792)**	(88,155)
Derecognition upon substantial modification	於重大變更後終止確認	**(548,577)**	–
Exchange difference	匯兑差額	**25,652**	27,530
Net carrying amount as at 30 June/ 31 December	於六月三十日／十二月三十一日的賬面淨值	**1,634,499**	1,493,257
Less: Amount due within one year shown under current liabilities	減：流動負債項下於一年內到期之款項	**1,015,058**	1,493,257
Amount due after one year	於一年後到期之款項	**619,441**	–

(1) Details of convertible bonds issued by the Company and Gemstones on 18 November 2016 (the "CB 2018"), 17 May 2018 (the "CB 2023") and 28 September 2018 (the "Second CB 2023") were disclosed in Annual Report 2019 dated 30 March 2020. Details of CB 2023 are disclosed in (2) below.

(1) 由本公司及碧玺於二零一六年十一月十八日(「二零一八年可換股債券」)、二零一八年五月十七日(「二零二三年可換股債券」)及二零一八年九月二十八日(「第二批二零二三年可換股債券」)發行的可換股債券的詳情於日期為二零二零年三月三十日的二零一九年年報內披露。二零二三年可換股債券的詳情於下文第(2)項披露。

(2) On 10 May 2018, a wholly-owned subsidiary of the Company, Gemstones and the Company together with its eighteen subsidiaries acting as guarantors entered into a Convertible Bonds Subscription Agreement (the "2018 Agreement") with an independent third party (the "2018 Subscriber"). Pursuant to the 2018 Agreement, the 2018 Subscriber agreed to acquire CB 2023 with aggregate principal amount of US$100 million (equivalent to RMB675 million) at interest rate of 4.0% per annum, payable by the Company semi-annually in arrears. The maturity date is on the fifth anniversary of the issue date. The CB 2023 were issued to the 2018 Subscriber on 17 May 2018.

(2) 於二零一八年五月十日，本公司一間全資附屬公司碧玺以及本公司及其十八間附屬公司(作為擔保人)與一名獨立第三方(「二零一八年認購人」)訂立一份可換股債券認購協議(「二零一八年協議」)。根據二零一八年協議，二零一八年認購人同意收購本金總額為1億美元(相等於人民幣6.75億元)、按年利率4.0%計息的二零二三年可換股債券，利息於每半年末由本公司支付。到期日為發行日期起計滿五週年。二零二三年可換股債券於二零一八年五月十七日發行予二零一八年認購人。

17. CONVERTIBLE BONDS (continued)

(a) Debt component of convertible bonds (continued)

(2) (continued)

The bondholder has the right to convert the CB 2023 in whole or in part into shares at any time on or after the issue date of the CB 2023 up to the date falling seven days prior to the maturity date. 208,776,595 new shares will be issued upon full conversion of the CB 2023 based on the initial conversion price of HK$3.76. Adjustments had been made to the conversion price from HK$3.76 to HK$3.68 as a result of the issue of Second CB 2023 and the extension of CB 2018 during the year ended 31 December 2018.

During the year ended 31 December 2019, adjustments had been made to the conversion price from HK$3.68 to HK$3.594 as a result of the dividends paid.

The CB 2023 will be redeemed on maturity at a value equal to 124.012214% of the outstanding principal amount of the CB 2023, together with any accrued and unpaid interest.

The bondholder has the right by written notice at any time on or after 17 May 2020, the second anniversary of the issue date of the CB 2023 and before maturity, require Gemstones to redeem all or some only of such bondholder's CB 2023 at a gross yield of 8.00% per annum.

On 19 June 2020, the Company, Gemstones and the bondholder have conditionally agreed to amend certain terms and conditions of the CB 2023 (the "Amendments"), including amendments to the put option date, the conversion price, the interest rate and early redemption amount. Save for the Amendments, all other terms and conditions of the CB 2023 shall remain in full force and effect.

17. 可換股債券(續)

(a) 可換股債券債務部分(續)

(2) (續)

債券持有人有權於二零二三年可換股債券發行日期當日或之後至到期日前七日止隨時將全部或部分二零二三年可換股債券兑換為股份。208,776,595股新股份將於二零二三年可換股債券獲悉數兑換後按初步兑換價3.76港元發行。由於截至二零一八年十二月三十一日止年度內發行第二批二零二三年可換股債券及延長二零一八年可換股債券，兑換價已由3.76港元調整為3.68港元。

於截至二零一九年十二月三十一日止年度，兑換價因支付股息而由3.68港元調整為3.594港元。

二零二三年可換股債券將於到期日贖回，價值等同於二零二三年可換股債券未清償本金額的124.012214%連同任何應計及未付利息。

債券持有人有權於二零二零年五月十七日(即二零二三年可換股債券發行日期起計滿兩週年及到期日前)當日或之後，隨時透過書面通知要求碧玺按每年8.00%的毛收益率贖回該債券持有人持有的全部或僅部分二零二三年可換股債券。

於二零二零年六月十九日，本公司、碧玺及債券持有人已有條件同意修訂二零二三年可換股債券之若干條款及條件(「該等修訂」)，包括修訂認沽期權日期、換股價、利率及提前贖回金額。除該等修訂外，二零二三年可換股債券之全部其他條款及條件將仍具有十足效力及作用。

17. CONVERTIBLE BONDS (continued)

(a) Debt component of convertible bonds (continued)

(2) (continued)

The amendments of terms and conditions of the CB 2023 are set as below:

17. 可換股債券(續)

(a) 可換股債券債務部分(續)

(2) (續)

二零二三年可換股債券之條款及條件之修訂載列如下：

	Original terms 原定條款	Amendments 該等修訂
Put option date 認沽期權日期	On or after 17 May 2020 二零二零年五月十七日或之後	On or after 17 May 2022 二零二二年五月十七日或之後
Conversion price 換股價	HK$3.594 per share 每股股份3.594港元	HK$3.000 per share 每股股份3.000港元
Interest Rate 利率	4.00 per cent. per annum 按年利率4.00%計息	4.00 per cent. per annum from and including 17 May 2018 to but excluding 19 June 2020 and 5.00 per cent. per annum from and including the 19 June 2020 自二零一八年五月十七日(包括該日)起至二零二零年六月十九日(不包括該日)按年利率4.00%計息，而自二零二零年六月十九日(包括該日)起則按年利率5.00%計息
Early redemption amount 提前贖回金額	An amount such that the bondholders would realise a gross yield of 8.00% per annum on the principal amount of the CB 2023 from the 17 May 2018 to the date of early redemption 債券持有人可自二零一八年五月十七日起至提前贖回日期按二零二三年可換股債券本金額另加每年8.00%的毛收益率變現之金額	An amount such that the bondholders would realise a gross yield of 8.00% per annum on the principal amount of the CB 2023 from17 May 2018 to 19 June 2020 and a gross yield of 9.50% per annum on the principal amount of the CB 2023 from 20 June 2020 to the date of early redemption 債券持有人可自二零一八年五月十七日起至二零二零年六月十九日按二零二三年可換股債券本金額另加每年8.00%的毛收益率及自二零二零年六月二十日起至提前贖回日期按二零二三年可換股債券本金額另加每年9.50%的毛收益率變現之金額

The Amendments are effective on 29 June 2020. Based on the conversion price stated in the Amendments and assuming full conversion of the CB 2023, an aggregate of 261,666,666 conversion shares will be allotted and issued by the Company.

該等修訂於二零二零年六月二十九日生效。根據該等修訂所述的換股價及假設全數轉換二零二三年可換股債券，本公司將配發及發行合共261,666,666股換股股份。

17. CONVERTIBLE BONDS (continued)

(a) Debt component of convertible bonds (continued)

(2) (continued)

Due to the Amendments of CB 2023, the Group derecognised a carrying amount of the debt and derivative components of CB 2023 amounting to US$77,488,000 (equivalent to RMB548,577,000) and US$19,731,000 (equivalent to RMB139,683,000) respectively upon substantial modification and recognised a carrying amount of the debt and derivative components of new Convertible Bonds (the "New CB 2023") amounting to US$87,498,000 (equivalent to RMB619,441,000) and US$7,362,000 (equivalent to RMB52,118,000) respectively. The resulting difference of approximately US$2,359,000 (equivalent to approximately RMB16,701,000) is recognised as a gain on substantial modification of convertible bonds in other gains and losses.

In addition, Gemstones paid the bondholders a make-whole amount in cash such that the CB 2023 holders would obtain a gross yield of 8.00% per annum on the principal amount of the CB 2023 from the issue date to 19 June 2020, amounted to US$8,896,000 (equivalent to RMB62,639,000) as a result of the Amendments.

The New CB 2023 contains two components, debt component and derivative component (including the conversion option and the early redemption option that are not closely related to the host). The effective interest rates of the debt component is 14.15% for New CB 2023 (2019: 13.48% for CB 2023) per annum. The derivative component is measured at fair value with changes in fair value recognised in profit and loss.

17. 可換股債券(續)

(a) 可換股債券債務部分(續)

(2) (續)

由於對二零二三年可換股債券進行該等修訂，故本集團於重大變更後分別終止確認二零二三年可換股債券債務及衍生工具部分的賬面值77,488,000美元(相當於人民幣548,577,000元)及19,731,000美元(相當於人民幣139,683,000元)，並分別確認新可換股債券(「新二零二三年可換股債券」)債務及衍生工具部分的賬面值87,498,000美元(相當於人民幣619,441,000元)及7,362,000美元(相當於人民幣52,118,000元)。所產生的差異約2,359,000美元(約相當於人民幣16,701,000元)於其他收益及虧損中確認為可換股債券之重大變更收益。

此外，碧玺以現金向債券持有人支付提前贖回金額，故二零二三年可換股債券的持有人將因該等修訂而於發行日期至二零二零年六月十九日期間收取按二零二三年可換股債券本金額另加每年8.00%的毛收益率計算之金額，為數8,896,000美元(相當於人民幣62,639,000元)。

新二零二三年可換股債券包括兩個部分(債務部分及衍生工具部分)(包括與主部分並無緊密關聯之轉換期權及提前贖回權)。新二零二三年可換股債券債務部分的實際利率為每年14.15%(二零一九年：二零二三年可換股債券債務部分的實際利率為每年13.48%)。衍生工具部分按公允價值計量及於損益中確認公允價值變動。

17. CONVERTIBLE BONDS (continued)

(a) Debt component of convertible bonds (continued)

(2) (continued)

The fair value of early redemption option is nil for New CB 2023 as at 30 June 2020 (31 December 2019: US$12,712,000 (equivalent to RMB88,681,000) for CB 2023). The fair value of conversion option is US$7,361,795 (equivalent to RMB52,118,000) for New CB 2023 as at 30 June 2020 (31 December 2019: US$5,100,459 (equivalent to RMB35,582,000) for CB 2023).

17. 可換股債券(續)

(a) 可換股債券債務部分(續)

(2) (續)

於二零二零年六月三十日，新二零二三年可換股債券提前贖回權的公允價值為零(二零一九年十二月三十一日：二零二三年可換股債券提前贖回權的公允價值為12,712,000美元(相當於人民幣88,681,000元))。於二零二零年六月三十日，新二零二三年可換股債券轉換股權的公允價值為7,361,795美元(相當於人民幣52,118,000元)(二零一九年十二月三十一日：二零二三年可換股債券轉換股權的公允價值為5,100,459美元(相當於人民幣35,582,000元))。

(b) Derivative component of convertible bonds

(b) 可換股債券衍生工具部分

		2020 **二零二零年** ***RMB'000*** ***人民幣千元*** **(Unaudited)** **(未經審核)**	2019 二零一九年 *RMB'000* *人民幣千元* (Audited) (經審核)
Net carrying amount as at 1 January	於一月一日的賬面淨值	**222,207**	198,105
Net (gain) loss arising on changes in fair value	公允價值變動所產生的(收益)虧損淨額	**(53,849)**	20,170
Derecognition of derivatives of CB2023 on the date of substantial modification	於重大變更日期終止確認二零二三年可換股債券衍生工具	**(139,683)**	–
Recognition of derivatives of new CB2023 on the date of substantial modification	於重大變更日期確認新二零二三年可換股債券衍生工具	**52,118**	–
Exchange difference	匯兑差額	**3,247**	3,932
Carrying amount as at 30 June/ 31 December	於六月三十日／十二月三十一日的賬面值	**84,040**	222,207
Less: Amount due within one year shown under current liabilities	減：流動負債項下於一年內到期之款項	**31,922**	222,207
Amount due after one year	於一年後到期之款項	**52,118**	–

17. CONVERTIBLE BONDS (continued)

(b) Derivative component of convertible bonds (continued)

(1) The methods and assumptions applied for the valuation of the CB 2018 at 31 December 2019 and 30 June 2020 were as follows:

The fair value of the derivative component of convertible bonds as at 31 December 2019 and 30 June 2020 derived by using the Binomial Option Pricing Model were approximately HK$80,692,000 (equivalent to RMB72,292,000) and HK$18,126,000 (equivalent to RMB16,557,000), respectively, which were determined by the directors of the Company with reference to the valuation performed by Asset Appraisal Limited, a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative component of convertible bonds with reference to market values. During the six months ended 30 June 2020, the Group recognised the fair value gain of RMB56,747,000 in the condensed consolidated statements of profit or loss (six months ended 30 June 2019: a loss of RMB52,111,000).

The inputs used in the Binomial Option Pricing Model adopted by the independent professional valuer in determining the fair values of the derivative component of the CB 2018 at the respective dates were as follows:

17. 可換股債券(續)

(b) 可換股債券衍生工具部分(續)

(1) 於二零一九年十二月三十一日及於二零二零年六月三十日對二零一八年可換股債券進行估值時所應用的方法及假設如下：

可換股債券衍生工具部分於二零一九年十二月三十一日及於二零二零年六月三十日採用二項式期權定價模型衍生之公允價值分別約為80,692,000港元(相當於人民幣72,292,000元)及18,126,000港元(相當於人民幣16,557,000元)，有關金額乃本公司董事參考中誠達資產評值顧問有限公司進行的估值而釐定，該公司乃擁有適當資格的獨立專業估值師，且在參考市值評估同類可換股債券衍生工具部分方面擁有近期經驗。截至二零二零年六月三十日止六個月，本集團於簡明綜合損益表中確認公允價值收益人民幣56,747,000元(截至二零一九年六月三十日止六個月：虧損人民幣52,111,000元)。

獨立專業估值師於各日期釐定二零一八年可換股債券衍生工具部分公允價值時所採納的二項式期權定價模型中所用的輸入數據如下：

		At 31.12.2019 於二零一九年 十二月三十一日	**At 30.06.2020 於二零二零年 六月三十日**
Share price	股價	HK$2.79港元	**HK$2.35港元**
Exercise price	行使價	HK$2.574港元	**HK$2.574港元**
Expected dividend yield	預期股息率	1.90%	**2.60%**
Volatility	波幅	34.98%	**40.752%**
Discount rate	貼現率	16.432%	**16.921%**
Risk free interest rate	無風險利率	1.606%	**0.142%**

17. CONVERTIBLE BONDS (continued)

(b) Derivative component of convertible bonds (continued)

(2) The methods and assumptions applied for the valuation of the CB 2023 at 31 December 2019 and New CB 2023 at 30 June 2020 were as follows:

The fair value of the derivative component of CB 2023 and New CB 2023 as at 31 December 2019 and 30 June 2020 respectively derived by using the Binomial Option Pricing Model were approximately RMB124,263,000 and RMB52,118,000, respectively, which were determined by the directors of the Company with reference to the valuation performed by Asset Appraisal Limited, a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative component of convertible bonds with reference to market values. During the six months ended 30 June 2020, the Group recognised the fair value loss of RMB13,507,000 for CB 2023 (six months ended 30 June 2019: RMB6,053,000) and RMB nil for New CB 2023 (six months ended 30 June 2019: N/A) in the condensed consolidated statements of profit or loss.

The inputs used in the Binomial Option Pricing Model adopted by the independent professional valuer in determining the fair values the derivative component of the CB 2023 as at 31 December 2019 and New CB 2023 as at 30 June 2020 were as follows:

17. 可換股債券(續)

(b) 可換股債券衍生工具部分(續)

(2) 於二零一九年十二月三十一日對二零二三年可換股債券及於二零二零年六月三十日對新二零二三年可換股債券進行估值時所應用的方法及假設如下：

二零二三年可換股債券及新二零二三年可換股債券衍生工具部分於二零一九年十二月三十一日及於二零二零年六月三十日採用二項式期權定價模型衍生之公允價值分別約為人民幣124,263,000元及人民幣52,118,000元，有關金額乃本公司董事參考中誠達資產評值顧問有限公司進行的估值而釐定，該公司乃擁有適當資格的獨立專業估值師，且在參考市值評估同類可換股債券衍生工具部分方面擁有近期經驗。截至二零二零年六月三十日止六個月，本集團於簡明綜合損益表中分別就二零二三年可換股債券及新二零二三年可換股債券確認公允價值虧損人民幣13,507,000元(截至二零一九年六月三十日止六個月：人民幣6,053,000元)及人民幣零元(截至二零一九年六月三十日止六個月：不適用)。

獨立專業估值師於二零一九年十二月三十一日釐定二零二三年可換股債券及於二零二零年六月三十日釐定新二零二三年可換股債券衍生工具部分公允價值時所採納的二項式期權定價模型中所用的輸入數據如下：

		At 31.12.2019 於二零一九年 十二月三十一日	**At 30.06.2020 於二零二零年 六月三十日**
Share price	股價	HK$2.79港元	**HK$2.35港元**
Exercise price	行使價	HK$3.594港元	**HK$3.00港元**
Expected dividend yield	預期股息率	1.90%	**2.60%**
Volatility	波幅	33.50%	**35.695%**
Discount rate	貼現率	16.215%	**16.692%**
Risk free interest rate	無風險利率	1.669%	**0.193%**

17. CONVERTIBLE BONDS (continued)

(b) Derivative component of convertible bonds (continued)

(3) The methods and assumptions applied for the valuation of the Second CB 2023 at 31 December 2019 and 30 June 2020 were as follows:

The fair value of the derivative component of convertible bonds as at 31 December 2019 and 30 June 2020 derived by using the Binomial Option Pricing Model were approximately US$3,677,000 (equivalent to RMB25,652,000) and US$2,170,000 (equivalent to RMB15,365,000), respectively, which were determined by the directors of the Company with reference to the valuation performed by Asset Appraisal Limited, a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative component of convertible bonds with reference to market values. During the six months ended 30 June 2020, the Group recognised the fair value gain of RMB10,609,000 (six months ended 30 June 2019: a loss of RMB1,102,000) in the condensed consolidated statement of profit or loss.

The inputs used in the Binomial Option Pricing Model adopted by the independent professional valuer in determining the fair values the derivative component of the Second CB 2023 at the respective dates were as follows:

17. 可換股債券(續)

(b) 可換股債券衍生工具部分(續)

(3) 於二零一九年十二月三十一日及於二零二零年六月三十日對第二批二零二三年可換股債券進行估值時所應用的方法及假設如下：

可換股債券衍生工具部分於二零一九年十二月三十一日及於二零二零年六月三十日採用二項式期權定價模型衍生之公允價值分別約為3,677,000美元(相當於人民幣25,652,000元)及2,170,000美元(相當於人民幣15,365,000元)，有關金額乃本公司董事參考中誠達資產評值顧問有限公司進行的估值而釐定，該公司乃擁有適當資格的獨立專業估值師，且在參考市值評估同類可換股債券衍生工具部分方面擁有近期經驗。截至二零二零年六月三十日止六個月，本集團於簡明綜合損益表中確認公允價值收益人民幣10,609,000元(截至二零一九年六月三十日止六個月：虧損人民幣1,102,000元)。

獨立專業估值師於各日期釐定第二批二零二三年可換股債券衍生工具部分公允價值時所採納的二項式期權定價模型中所用的輸入數據如下：

		At 31.12.2019 於二零一九年 十二月三十一日	**At 30.06.2020 於二零二零年 六月三十日**
Share price	股價	HK$2.79港元	**HK$2.35港元**
Exercise price	行使價	HK$3.018港元	**HK$3.018港元**
Expected dividend yield	預期股息率	1.90%	**2.60%**
Volatility	波幅	33.528%	**34.672%**
Discount rate	貼現率	13.052%	**13.528%**
Risk free interest rate	無風險利率	1.696%	**0.220%**

18. SHARE-BASED EMPLOYEE COMPENSATION

On 2 June 2016, the Company adopted a share option scheme (the "Scheme") at the annual general meeting of the Company held on 2 June 2016.

On 28 June 2016, the Company granted share options under the Scheme to certain participants which will enable the Grantees to subscribe for a total of 285,800,000 ordinary shares of HK$0.01 each in the share capital of the Company.

Details of the share options granted by the Company pursuant to the Scheme and the share options outstanding as at 30 June 2020 and 31 December 2019 were as follows:

18. 以股份支付的僱員薪酬

於二零一六年六月二日，本公司於二零一六年六月二日舉行之本公司股東週年大會上採納購股權計劃(「該計劃」)。

於二零一六年六月二十八日，本公司根據該計劃向若干參與者授出購股權，使承授人能夠認購本公司股本中合共285,800,000股每股面值0.01港元的普通股。

於二零二零年六月三十日及二零一九年十二月三十一日，本公司根據該計劃授出的購股權及尚未行使的購股權詳情如下：

			Number of options 購股權數目						
	Date of grant 授出日期 *(dd/mm/yyyy)* *(日／月／年)*	Exercisable period 行使期間 *(dd/mm/yyyy)* *(日／月／年)*	Balance at 1 January 2020 於二零二零年一月一日的結餘	Transfer during the period 於期內轉撥	Granted during the period 於期內授出	Exercised during the period 於期內行使 *(Note 4)* *(附註4)*	Lapsed during the period 於期內失效	Balance at 30 June 2020 於二零二零年六月三十日的結餘	Exercise price per share 每股行使價 *HK$* *港元*
Executive directors *(Note 1)* 執行董事*(附註1)*	28/06/2016 28/06/2016	28/06/2016 to 27/06/2026 28/06/2016至27/06/2026	**10,500,000**	**–**	**–**	**–**	**–**	**10,500,000**	**1.846**
Executive directors *(Note 2)* 執行董事*(附註2)*	28/06/2016 28/06/2016	28/06/2017 to 27/06/2026 28/06/2017至27/06/2026	**10,500,000**	**–**	**–**	**–**	**–**	**10,500,000**	**1.846**
Executive directors *(Note 3)* 執行董事*(附註3)*	28/06/2016 28/06/2016	28/06/2018 to 27/06/2026 28/06/2018至27/06/2026	**14,000,000**	**–**	**–**	**–**	**–**	**14,000,000**	**1.846**
Employees *(Note 1)* 僱員*(附註1)*	28/06/2016 28/06/2016	28/06/2016 to 27/06/2026 28/06/2016至27/06/2026	**63,510,000**	**–**	**–**	**(26,000)**	**–**	**63,484,000**	**1.846**

18. SHARE-BASED EMPLOYEE COMPENSATION (continued)

18. 以股份支付的僱員薪酬(續)

	Date of grant 授出日期 *(dd/mm/yyyy)* *(日／月／年)*	Exercisable period 行使期間 *(dd/mm/yyyy)* *(日／月／年)*	Number of options 購股權數目 Balance at 1 January 2020 於二零二零年一月一日的結餘	Transfer during the period 於期內轉撥	Granted during the period 於期內授出	Exercised during the period 於期內行使 *(Note 4)* *(附註4)*	Lapsed during the period 於期內失效	Balance at 30 June 2020 於二零二零年六月三十日的結餘	Exercise price per share 每股行使價 *HK$* *港元*
Employees *(Note 2)*	28/06/2016	28/06/2017 to 27/06/2026	**63,870,000**	**–**	**–**	**–**	**–**	**63,870,000**	**1.846**
僱員*(附註2)*	28/06/2016	28/06/2017至27/06/2026							
Employees *(Note 3)*	28/06/2016	28/06/2018 to 27/06/2026	**85,568,000**	**–**	**–**	**(408,000)**	**–**	**85,160,000**	**1.846**
僱員*(附註3)*	28/06/2016	28/06/2018至27/06/2026							
Others *(Note 1)*	28/06/2016	28/06/2016 to 27/06/2026	**3,900,000**	**–**	**–**	**–**	**–**	**3,900,000**	**1.846**
其他*(附註1)*	28/06/2016	28/06/2016至27/06/2026							
Others *(Note 2)*	28/06/2016	28/06/2017 to 27/06/2026	**900,000**	**–**	**–**	**–**	**–**	**900,000**	**1.846**
其他*(附註2)*	28/06/2016	28/06/2017至27/06/2026							
Others *(Note 3)*	28/06/2016	28/06/2018 to 27/06/2026	**1,200,000**	**–**	**–**	**–**	**–**	**1,200,000**	**1.846**
其他*(附註3)*	28/06/2016	28/06/2018至27/06/2026							
			253,948,000	**–**	**–**	**(434,000)**	**–**	**253,514,000**	
Exercisable at the end of the period 期末可予行使								**253,514,000**	

18. SHARE-BASED EMPLOYEE COMPENSATION (continued)

18. 以股份支付的僱員薪酬(續)

	Date of grant 授出日期 *(dd/mm/yyyy)* *(日／月／年)*	Exercisable period 行使期間 *(dd/mm/yyyy)* *(日／月／年)*	Number of options 購股權數目 Balance at 1 January 2019 於二零一九年一月一日的結餘	Transfer during the year 於年內轉撥	Granted during the year 於年內授出	Exercised during the year 於年內行使 *(Note 4)* *(附註4)*	Lapsed during the year 於年內失效	Balance at 31 December 2019 於二零一九年十二月三十一日的結餘	Exercise price per share 每股行使價 *HK$* *港元*
Executive directors *(Note 1)* 執行董事*(附註1)*	28/06/2016 28/06/2016	28/06/2016 to 27/06/2026 28/06/2016至27/06/2026	13,950,000	(3,450,000)	–	–	–	10,500,000	1.846
Executive directors *(Note 2)* 執行董事*(附註2)*	28/06/2016 28/06/2016	28/06/2017 to 27/06/2026 28/06/2017至27/06/2026	13,950,000	(3,450,000)	–	–	–	10,500,000	1.846
Executive directors *(Note 3)* 執行董事*(附註3)*	28/06/2016 28/06/2016	28/06/2018 to 27/06/2026 28/06/2018至27/06/2026	18,600,000	(4,600,000)	–	–	–	14,000,000	1.846
Employees *(Note 1)* *僱員(附註1)*	28/06/2016 28/06/2016	28/06/2016 to 27/06/2026 28/06/2016至27/06/2026	65,490,000	2,550,000	–	(1,440,000)	(3,090,000)	63,510,000	1.846

18. SHARE-BASED EMPLOYEE COMPENSATION (continued)

18. 以股份支付的僱員薪酬(續)

	Date of grant 授出日期 *(dd/mm/yyyy)* *(日/月/年)*	Exercisable period 行使期間 *(dd/mm/yyyy)* *(日/月/年)*	Number of options 購股權數目 Balance at 1 January 2019 於二零一九年一月一日的結餘	Transfer during the year 於年內轉撥	Granted during the year 於年內授出	Exercised during the year 於年內行使 *(Note 4)* *(附註4)*	Lapsed during the year 於年內失效	Balance at 31 December 2019 於二零一九年十二月三十一日的結餘	Exercise price per share 每股行使價 *HK$* *港元*
Employees *(Note 2)* 僱員*(附註2)*	28/06/2016 28/06/2016	28/06/2017 to 27/06/2026 28/06/2017至27/06/2026	65,850,000	2,550,000	–	(1,440,000)	(3,090,000)	63,870,000	1.846
Employees *(Note 3)* 僱員*(附註3)*	28/06/2016 28/06/2016	28/06/2018 to 27/06/2026 28/06/2018至27/06/2026	87,800,000	3,400,000	–	(1,512,000)	(4,120,000)	85,568,000	1.846
Others *(Note 1)* 其他*(附註1)*	28/06/2016 28/06/2016	28/06/2016 to 27/06/2026 28/06/2016至27/06/2026	3,000,000	900,000	–	–	–	3,900,000	1.846
Others *(Note 2)* 其他*(附註2)*	28/06/2016 28/06/2016	28/06/2017 to 27/06/2026 28/06/2017至27/06/2026	–	900,000	–	–	–	900,000	1.846
Others *(Note 3)* 其他*(附註3)*	28/06/2016 28/06/2016	28/06/2018 to 27/06/2026 28/06/2018至27/06/2026	–	1,200,000	–	–	–	1,200,000	1.846
			268,640,000	–	–	(4,392,000)	(10,300,000)	253,948,000	
Exercisable at the end of the year 年末可予行使								253,948,000	

18. SHARE-BASED EMPLOYEE COMPENSATION (continued)

Notes:

1. The option was vested immediately on the date of grant.
2. The option granted are subject to the vesting period from the date of grant up to 27 June 2017.
3. The option granted are subject to the vesting period from the date of grant up to 27 June 2018.
4. The weighted average share price at the dates of exercise for share options during the period was HK$2.77 per share (for the year ended 31 December 2019: HK$2.74 per share).

During the period ended 30 June 2020, 434,000 shares were exercised at RMB718,000.

18. 以股份支付的僱員薪酬(續)

附註：

1. 購股權於授出日期即時歸屬。
2. 所授出的購股權受自授出日期起至二零一七年六月二十七日止之歸屬期所規限。
3. 所授出的購股權受自授出日期起至二零一八年六月二十七日止之歸屬期所規限。
4. 於期內行使購股權當日之加權平均股價為每股2.77港元(截至二零一九年十二月三十一日止年度：每股2.74港元)。

截至二零二零年六月三十日止期間，434,000股股份按人民幣718,000元獲行使。

19. PLEDGE OF ASSETS

At the end of the reporting period, the Group had following assets being pledged.

19. 資產抵押

於報告期末，本集團已抵押以下資產。

		At 30 June 2020 於二零二零年六月三十日 *RMB'000 人民幣千元* (Unaudited) (未經審核)	At 31 December 2019 於二零一九年十二月三十一日 *RMB'000 人民幣千元* (Audited) (經審核)
Properties under development for sale	發展中待售物業	**5,465,772**	2,893,324
Properties held for sale	待售物業	**1,030,988**	618,954
Investment properties	投資物業	**20,609,334**	20,557,312
Property, plant and equipment	物業、廠房及設備	**833,136**	925,831
Pledged deposits	抵押存款	**1,764,481**	1,348,651
		29,703,711	26,344,072

19. PLEDGE OF ASSETS (continued)

As at 30 June 2020, except for assets pledged above, secured bank loans with aggregate amount of RMB4,086,590,000 (31 December 2019: RMB3,256,201,000) and secured other borrowings with aggregate amount of RMB616,360,000 (31 December 2019: RMB50,000,000) are secured by the equity interests of subsidiaries of the Group.

As at 30 June 2020, a secured bank loan with aggregate amount of RMB247,783,000 (31 December 2019: RMB244,167,000) was secured by the personal assets of Mr. Wong Hong King ("Mr. Wong"), the ultimate controlling shareholder of the Group.

19. 資產抵押(續)

於二零二零年六月三十日，除上述抵押之資產外，有抵押銀行貸款總金額人民幣4,086,590,000元(二零一九年十二月三十一日：人民幣3,256,201,000元)及有抵押其他借貸總金額人民幣616,360,000元(二零一九年十二月三十一日：人民幣50,000,000元)由本集團附屬公司之股權作抵押。

於二零二零年六月三十日，一筆有抵押銀行貸款總金額人民幣247,783,000元(二零一九年十二月三十一日：人民幣244,167,000元)由本集團最終控股股東黃康境先生(「黃先生」)之個人資產作抵押。

20. CONTINGENCIES AND COMMITMENTS

As at 30 June 2020, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB2,884,082,000 (31 December 2019: RMB2,132,390,000).

Pursuant to the terms of the guarantees, if there is default on the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks.

The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtaining the individual property ownership certificate or the full settlement of mortgage loan by the buyer.

The directors of the Company consider that it is not probable for the Group to sustain a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties and sell the properties under default to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the directors of the Company. The directors of the Company also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event that the purchasers default payments to the banks for their mortgage loans.

20. 或然事項及承擔

於二零二零年六月三十日，本集團就若干買方的按揭融資提供擔保的或然負債約為人民幣2,884,082,000元(二零一九年十二月三十一日：人民幣2,132,390,000元)。

根據擔保條款，倘該等買方拖欠按揭付款，則本集團須負責償還尚未償付的按揭貸款連同違約買方欠付銀行的任何應計利息及罰金。

本集團的擔保期由相關按揭貸款授出日期起，直至買家取得個人房產所有權證或悉數清償按揭貸款(以較早者為準)時為止。

本公司董事認為，本集團於擔保期間不大可能因該等擔保而蒙受虧損，而本集團在違約的情況下可接管有關物業的所有權並出售有關物業，以收回本集團向銀行支付的任何金額。由於本公司董事認為該等擔保的公允價值微不足道，故本集團並未就該等擔保確認任何遞延收入。本公司董事亦認為，倘買方拖欠償還銀行按揭貸款，相關物業的公允市值足以彌補本集團所擔保的未償還按揭貸款。

20. CONTINGENCIES AND COMMITMENTS (continued)

During the current interim period, the Group has provided joint and several liability guarantee amounting to RMB3,200,000,000 to a bank in respect of a bank loan granted to an associate of the Group amounting to RMB2,333,000,000. In the opinion of the directors of the Company, the fair value of guarantee contracts are insignificant at initial recognition. Also, no ECL provision for the guarantee contracts at the end of the reporting period is considered necessary as the default risk is low.

As at the end of the current interim period, the Group has capital commitments amounting to RMB1,648,328,000 (31 December 2019: RMB1,692,469,000) contracted but not provided for in relation to investment properties under development and properties under development for sale.

20. 或然事項及承擔(續)

於本中期期間，本集團就授予本集團聯營公司且金額達人民幣2,333,000,000元的銀行貸款向銀行提供金額達人民幣3,200,000,000元的共同及個別責任擔保。本公司董事認為，於首次確認時擔保合約的公允價值屬微不足道。此外，由於違約風險偏低，故此認為並無必要於報告期末就擔保合約計提預期信貸虧損撥備。

於本中期期間末，本集團就有關在建投資物業及發展中待售物業擁有已訂約但未撥備的資本承擔人民幣1,648,328,000元(二零一九年十二月三十一日：人民幣1,692,469,000元)。

21. RELATED PARTY DISCLOSURES

(a) Transactions with related parties

The Group had the following transaction with a related party:

21. 關聯方披露

(a) 與關聯方進行的交易

本集團與一家關聯方進行的交易如下：

		Six months ended 30 June 截至六月三十日止六個月	
		2020 **二零二零年** ***RMB'000*** ***人民幣千元*** **(Unaudited)** **(未經審核)**	2019 二零一九年 *RMB'000* *人民幣千元* (Unaudited) (未經審核)
Interest expenses paid to Shenzhen Forsafe System Technology Co., Ltd. ("Shenzhen Forsafe"), an entity controlled by ultimate controlling party	向深圳市賦安安全系統有限公司(「深圳賦安」)(一家由最終控股方控制之實體)支付之利息開支	–	1,365

21. RELATED PARTY DISCLOSURES (continued)

21. 關聯方披露(續)

(b) Balance with related parties

(b) 關聯方之結餘

The Group had the following balances with related parties:

本集團與關聯方之結餘如下：

		At 30 June 2020 於二零二零年六月三十日 RMB'000 人民幣千元 (Unaudited) (未經審核)	At 31 December 2019 於二零一九年十二月三十一日 RMB'000 人民幣千元 (Audited) (經審核)
Included in deposit paid, prepayments and other receivables:	計入已付按金、預付款項及其他應收款項：		
– Amounts due from related parties that are controlled by ultimate controlling party	－應收由最終控股方控制之關聯方款項	**40,254**	30,404
– Amounts due from non-controlling interests	－應收非控股權益款項	**14,260**	14,590
Included in accruals, deposits received and other payables:	計入應計費用、已收按金及其他應付款項：		
– Amount due to a related party that is controlled by ultimate controlling party	－應付由最終控股方控制之關聯方款項	**89,484**	28,981
– Amounts due to non-controlling interests	－應付非控股權益款項	**2,146**	2,105

21. RELATED PARTY DISCLOSURES (continued)

(b) Balance with related parties (continued)

As at 30 June 2020, amount due from non-controlling interests amounting to RMB11,385,000 (31 December 2019: RMB11,715,000) is secured by equity interests held by the non-controlling party, interest bearing at 6.37% (2019: 6.37%) per annum and repayable on demand. Remaining balance of amount due from non-controlling interests is unsecured, interest-free and repayable on demand.

(c) Key management personnel compensation

The remuneration of directors who are the Group's key management personnel during the current interim period amounting to RMB5,321,000 (six months ended 30 June 2019: RMB4,343,000).

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Company works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

21. 關聯方披露(續)

(b) 關聯方之結餘(續)

於二零二零年六月三十日，應收非控股權益款項為人民幣11,385,000元(二零一九年十二月三十一日：人民幣11,715,000元)，該款項由非控股方持有之股權作抵押、按年利率6.37%(二零一九年：6.37%)計息及須按要求償還。應收非控股權益款項之餘下結餘為無抵押、免息及須按要求償還。

(c) 主要管理人員薪酬

本集團主要管理人員(即董事)於本中期期間的薪酬為人民幣5,321,000元(截至二零一九年六月三十日止六個月：人民幣4,343,000元)。

22. 金融工具的公允價值計量

本附註提供有關本集團如何釐定多項金融資產及金融負債公允價值的資料。

公允價值計量及估值過程

在估計某項資產或負債的公允價值時，本集團在可得的範圍內使用市場可觀察數據。倘並無第一級輸入數據，本集團會委聘第三方合資格估值師進行估值。本公司管理層與合資格外聘估值師緊密合作，藉以設立適用之估值技術及模型之輸入數據。

本集團部分金融資產與金融負債於各報告期末按公允價值計量。下表提供有關如何釐定該等金融資產及金融負債公允價值的資料(尤其是所採用的估值技術及輸入數據)，以及根據公允價值計量之輸入數據之可觀察程度公允價值計量所歸入之公允價值等級(第一至三級)。

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements and valuation processes (continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

22. 金融工具的公允價值計量(續)

公允價值計量及估值過程(續)

- 第一級公允價值計量由相同資產或負債於活躍市場之報價(未經調整)得出；
- 第二級公允價值計量為於第一級計入之報價以外可直接(即價格)或間接(即價格1產生)觀察資產或負債所得輸入數據所得出；及
- 第三級公允價值計量為包括並無根據可觀察市場數據(不可觀察輸入數據)釐定之資產或負債輸入數據之估值技術所得出。

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

按經常性基準以公允價值計量的本集團金融資產及金融負債的公允價值

Financial assets/ Financial liabilities 金融資產／金融負債	Fair value as at 於以下日期的公允價值 30 June 2020 二零二零年六月三十日 RMB'000 人民幣千元	31 December 2019 二零一九年十二月三十一日 RMB'000 人民幣千元	Fair value hierarchy 公允價值等級	Valuation technique(s) and key input(s) 估值技術及主要輸入數據	Significant unobservable input(s) 主要不可觀察輸入數據
Derivative component of convertible bonds	**84,040**	222,207	Level 3	Binomial option pricing model The fair value is estimated based on the risk free interest rate, discount rate, share price, volatility of the share price of the Company, dividend yield and exercise price.	Volatility of the share price determined by reference to the historical share price of the Company *(Note)*.
可換股債券衍生工具部分	**84,040**	222,207	第三級	二項式期權定價模式 公允價值乃按無風險利率、貼現率、股價、本公司股價波幅、股息率及行使價進行估計。	經參考本公司歷史股價後釐定的股價波幅*(附註)*。
Equity instrument at fair value through other comprehensive income	**473,271**	541,125	Level 1	Quoted bid price in an active market.	N/A
按公允價值計入其他全面收益之股本工具	**473,271**	541,125	第一級	於活躍市場之買入價報價。	不適用

Note: The higher the volatility of the share price of the Company, the higher the fair value of the derivative component of convertible bonds, and vice versa. For the volatility of the share price of the Company used in the fair value measurement for derivative component of convertible bonds, please refer to note 17(b).

附註： 本公司股價波幅愈高，可換股債券衍生工具部分的公允價值則愈高，反之亦然。有關可換股債券衍生工具部分公允價值計量所採用的本公司股價波幅，請參閱附註17(b)。

There is no transfer between different levels of the fair value hierarchy for the periods ended.

於截至該等期間內，公允價值等級各級之間概無轉移。

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

22. 金融工具的公允價值計量(續)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

按經常性基準以公允價值計量的本集團金融資產及金融負債的公允價值(續)

Reconciliation of Level 3 fair value measurements

第三級公允價值計量的對賬

		Derivative component of convertible bonds 可換股債券衍生工具部分 RMB'000 人民幣千元
As at 1 January 2019	於二零一九年一月一日	198,105
Fair value loss recognised in profit or loss	於損益確認的公允價值虧損	20,170
Exchange difference	匯兑差額	3,932
As at 31 December 2019	於二零一九年十二月三十一日	222,207
Fair value gain recognised in profit or loss	於損益確認的公允價值收益	(53,849)
Derecognition of derivatives of CB2023 on the date of substantial modification	於重大變更日期終止確認二零二三年可換股債券衍生工具	(139,683)
Recognition of derivatives of new CB2023 on the date of substantial modification	於重大變更日期確認新二零二三年可換股債券衍生工具	52,118
Exchange difference	匯兑差額	3,247
As at 30 June 2020	於二零二零年六月三十日	**84,040**

The net fair value gain for the period included a gain of RMB53,849,000 relating to derivative component of convertible bonds that are measured at fair value at the end of each reporting period (30 June 2019: a loss of RMB47,160,000). Such fair value gain is included in fair value changes on derivative component of convertible bonds.

本期間公允價值淨收益包括與於各報告期末以公允價值計量可換股債券衍生工具部分有關的收益人民幣53,849,000元(二零一九年六月三十日：虧損人民幣47,160,000元)。該公允價值收益計入可換股債券衍生工具部分的公允價值變動。

22. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except for the senior notes and domestic corporate bond, the directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values.

The fair value of such financial assets and financial liabilities are determined in accordance with general accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The fair value of the senior notes at 30 June 2020 is RMB4,342,680,000 (31 December 2019: RMB2,770,919,000) with reference to the quoted market price of the senior notes on the Singapore Exchange Securities Trading Limited at the end of the reporting period (the last trading day prior to 30 June 2020).

The fair value of the domestic corporate bond as at 30 June 2020 is RMB2,118,598,000 (31 December 2019: RMB2,113,949,000) with reference to the quoted market price of the bond on the Shenzhen Stock Exchange at the end of the reporting period (the last trading day prior to 30 June 2020).

22. 金融工具的公允價值計量(續)

並非按經常性基準以公允價值計量的金融資產及金融負債的公允價值

除優先票據及境內公司債券外，本公司董事認為，在簡明綜合財務報表內按攤銷成本入賬之金融資產及負債之賬面值與其公允價值相若。

有關金融資產及金融負債的公允價值乃根據基於貼現現金流量分析的一般公認定價模式釐定，其中最重要的輸入數據為反映交易對手信貸風險的貼現率。

優先票據於二零二零年六月三十日的公允價值為人民幣4,342,680,000元(二零一九年十二月三十一日：人民幣2,770,919,000元)乃按於報告期末(於二零二零年六月三十日前之最後交易日)新加坡證券交易所有限公司優先票據的市場報價。

境內公司債券於二零二零年六月三十日的公允價值為人民幣2,118,598,000元(二零一九年十二月三十一日：人民幣2,113,949,000元)乃按於報告期末(於二零二零年六月三十日前之最後交易日)深圳證券交易所債券的市場報價。

23. ACQUISITIONS OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

(a) During the year ended 31 December 2019, LVGEM (Suzhou) Real Estate Investment Company Limited ("LVGEM Suzhou"), an indirect wholly-owned subsidiary of the Group as the purchaser entered into a sale and purchase agreement with the non-controlling shareholder of Prosper View Group Limited ("PVGL"), an investment holding company non-wholly owned by the Group, to acquire remaining 49% equity interest of PVGL at the consideration of RMB29,410,000.

Upon completion of the transaction on 15 January 2020, PVGL became a wholly-owned subsidiary of the Company, while the Group's effective equity interests in PVGL increased from 51% to 100%. The difference between the consideration and the non-controlling interests acquired was included in other reserve.

23. 透過收購附屬公司收購資產及負債

(a) 截至二零一九年十二月三十一日止年度，綠景(蘇州)地產投資有限公司(「綠景蘇州」，本集團之間接全資附屬公司，作為買方)與協朗集團有限公司(「協朗」，本集團之非全資投資控股公司)之非控股股東訂立買賣協議，以按代價人民幣29,410,000元收購協朗餘下之49%股權。

於二零二零年一月十五日完成交易後，協朗成為本公司之全資附屬公司，而本集團於協朗之實際股權由51%增至100%。代價與已收購之非控股權益之間之差額計入其他儲備。

23. ACQUISITIONS OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (continued)

(b) As detailed in the announcement of the Company dated 21 May 2019, Shenzhen LVGEM Real Estate Development Co., Ltd ("the Purchaser"), an indirect wholly-owned subsidiary of the Company as the purchaser entered into the Equity Transfer Agreement on 21 May 2019, with Dongguan Lusheng Enterprise Investment Co., Ltd. ("the Vendor"), a company established in the Mainland China with limited liability which was controlled by the family members of Mr. Wong as the seller pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, 100% equity interest in Dongguan LVGEM Real Estate Development Co., Ltd ("the Target Company") at a total consideration of RMB8 million.

The Target Company was principally engaged in the development of a commercial properties project located in Zhangmutou Town, Dongguan City, Guangdong Province, the Mainland China. The acquisition was regarded as acquisition of assets and liabilities. The acquisition was completed on 28 May 2019.

Assets and liabilities recognised at the date of acquisition:

23. 透過收購附屬公司收購資產及負債(續)

(b) 誠如本公司日期為二零一九年五月二十一日之公告所詳述，於二零一九年五月二十一日，深圳市綠景房地產開發有限公司(本公司之間接全資附屬公司，作為買方，「買方」)與東莞市綠晟實業投資有限公司(一間於中國內地成立之有限公司，由黃先生之家族成員控制，作為賣方，「賣方」)訂立股權轉讓協議，據此，買方同意購買而賣方同意出售東莞市綠景房地產開發有限公司(「目標公司」)之100%股權，總代價為人民幣8,000,000元。

目標公司主要從事開發位於中國內地廣東省東莞市樟木頭鎮之商業物業項目。該收購事項被視為收購資產及負債，並於二零一九年五月二十八日完成。

於收購日期確認之資產及負債：

		RMB'000 *人民幣千元*
Assets	**資產**	
Investment properties under development	在建投資物業	291,024
Property, plant and equipment	物業、廠房及設備	146
Properties under development for sale	發展中待售物業	48,907
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	2,481
Other current assets	其他流動資產	847
Bank balances and cash	銀行結餘及現金	306,970
		650,375
Liabilities	**負債**	
Accounts payable	應付賬款	490
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	494,885
Borrowings	借貸	147,000
		642,375
Net assets	**資產淨值**	8,000

23. ACQUISITIONS OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES (continued)

(b) (continued)

Total consideration:

		RMB'000 *人民幣千元*
Cash consideration paid	已付現金代價	8,000

Net cash inflows arising on acquisition:

		RMB'000 *人民幣千元*
Consideration paid in cash	以現金支付的代價	(8,000)
Less: cash and cash equivalent balances acquired	減：已收購現金及現金等價物結餘	306,970
		298,970

23. 透過收購附屬公司收購資產及負債（續）

(b) （續）

總代價：

24. DISPOSAL OF A SUBSIDIARY

During the six months ended 30 June 2019, the Group entered into a sale agreement to dispose of its 100% equity interest in Yiyang Zhonghe Real Estate Co., Ltd ("Yiyang Zhonghe"), a company which owned a piece of land classified as properties under development for sale of RMB27,496,000, to an independent third party. The disposal was completed on 21 February 2019.

24. 出售附屬公司

截至二零一九年六月三十日止六個月期間，本集團訂立銷售協議，以出售其於益陽中核置業有限公司(「益陽中核」，該公司擁有一幅被分類為發展中待售物業之土地人民幣27,496,000元)之100%股權予一名獨立第三方。出售事項於二零一九年二月二十一日完成。

24. DISPOSAL OF A SUBSIDIARY (continued)

24. 出售附屬公司(續)

Assets and liabilities recognised at the date of disposal:

於出售日期確認之資產及負債：

		RMB'000 *人民幣千元*
Assets	**資產**	
Property, plant and equipment	物業、廠房及設備	14
Properties under development for sale	發展中待售物業	42,513
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	319
Bank balances and cash	銀行結餘及現金	1,343
		44,189
Liabilities	**負債**	
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	51,090
Net liabilities	**負債淨額**	(6,901)

The net liabilities of Yiyang Zhonghe at the date of disposal was as follows:

益陽中核於出售日期之負債淨額如下：

		RMB'000 *人民幣千元*
Net liabilities disposed of	已出售負債淨額	(6,901)
Gain on disposal	出售之收益	33,300
Total consideration	總代價	26,399
Satisfied by:	以下列方式支付：	
Cash	現金	26,399

Net cash inflows arising on disposal:

出售帶來的現金流入淨額：

		RMB'000 *人民幣千元*
Total cash consideration received	已收現金代價總額	26,399
Less: cash and cash equivalent balances disposed	減：已出售現金及現金等價物結餘	(1,343)
		25,056

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TO THE SHAREHOLDERS OF
LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

致
綠景(中國)地產投資有限公司股東
(於開曼群島註冊成立之有限公司)

OPINION

We have audited the consolidated financial statements of LVGEM (China) Real Estate Investment Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 205, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 disclosure requirements of the Hong Kong Companies Ordinance.

意見

本核數師(以下簡稱「我們」)已審計列載於第63至205頁綠景(中國)地產投資有限公司(以下簡稱「貴公司」)及其附屬公司(以下簡稱「貴集團」)的綜合財務報表，此綜合財務報表包括於二零一九年十二月三十一日的綜合財務狀況報表與截至該日止年度的綜合損益表、綜合損益及其他全面收益表、綜合權益變動表和綜合現金流量表，以及綜合財務報表附註(包括主要會計政策概要)。

我們認為，該等綜合財務報表已根據香港會計師公會(「香港會計師公會」)所頒佈之《香港財務報告準則》(「香港財務報告準則」)真實而公平地反映了　貴集團於二零一九年十二月三十一日之綜合財務狀況以及其截至該日止年度之綜合財務表現及其綜合現金流量，並已遵守香港《公司條例》之披露規定而妥善編製。

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.

意見的基礎

我們根據香港會計師公會頒佈的《香港審計準則》(「香港審計準則」)進行審核。我們在該等準則下的責任在我們的報告內核數師就審核綜合財務報表須承擔的責任一節內進一步闡述。根據香港會計師公會的職業會計師道德守則(「守則」)，我們獨立於　貴集團，並已遵循守則履行其他道德責任。我們相信，我們所獲得的審核憑證能充足及適當地為我們的審核意見提供基礎。

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.

關鍵審核事項

根據我們的專業判斷，關鍵審核事項為我們審核於本期間的綜合財務報表中最重要的事項。我們在審核整體綜合財務報表及就此達致我們的意見時處理此等事項，而我們不會就此等事項單獨發表意見。

KEY AUDIT MATTERS *(Cont'd)*

Key audit matter

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter as they represented 48% of the Group's total assets, combined with the judgements associated with determining the fair value.

As disclosed in note 13 to the consolidated financial statements, the fair value of completed investment properties amounted to approximately RMB23,567,529,000 as at 31 December 2019 and an increase in fair value recognised in profit or loss amounted to approximately RMB696,378,000 in aggregate for the year then ended. The completed investment properties were located in the People's Republic of China (the "Mainland China"), Hong Kong and the Kingdom of Cambodia ("Cambodia").

As set out in note 4 to the consolidated financial statements, the Group's investment properties were stated at fair value based on the valuation performed by independent professional valuers ("Valuers"). As disclosed in note 13 to the consolidated financial statements, the fair value of completed investment properties have been arrived at using income capitalisation approach and direct comparison approach, respectively, which were dependent on certain key inputs and assumptions in respect of prevailing market conditions such as capitalisation rate and monthly market rent for income capitalisation approach, selling price per square meters for direct comparison approach.

How our audit addressed the key audit matter

Our procedures in relation to the valuation of investment properties included:

- Evaluating the competence, capabilities and objectivity of the Valuers;
- Obtaining an understanding of the valuation processes and significant assumptions to assess if these approaches meet the requirements of HKFRSs and industry norms;
- Evaluating the appropriateness of the valuation methods applied by the Valuers, in particular the valuation techniques and the capitalisation rate, based on our knowledge of the property markets in the Mainland China, Hong Kong and Cambodia; and
- Assessing the reasonableness of other valuation inputs and source data, including monthly market rent for income capitalisation approach, selling price per square meters for direct comparison approach by comparing these estimates, on a sample basis, to entity-specific information such as rental income, tenancy summary, location nearby and size of the investment properties, as well as market data based on our knowledge of the property markets in the Mainland China, Hong Kong and Cambodia.

關鍵審核事項*(續)*

關鍵審核事項

投資物業之估值

我們將投資物業之估值以及與釐定公允價值有關之判斷確定為一項關鍵審核事項，此乃由於投資物業之公允價值佔 貴集團總資產之48%。

誠如綜合財務報表附註13所披露，已完成投資物業於二零一九年十二月三十一日的公允價值約為人民幣23,567,529,000元，而於損益確認之公允價值增幅合共約人民幣696,378,000元乃於截至該日止年度之溢利中入賬。已完成投資物業位於中華人民共和國(「中國內地」)、香港及柬埔寨王國(「柬埔寨」)。

誠如綜合財務報表附註4所載， 貴集團之投資物業乃基於獨立專業估值師行(「估值師」)進行的估值按公允價值列賬。誠如綜合財務報表附註13所披露，已完成投資物業的公允價值分別採用收入資本計算法及直接比較法釐定，有關方法乃依賴有關當前市況之若干關鍵輸入數據及假設，包括收入資本計算法的資本化比率及市場月租，以及直接比較法的每平方米銷售價格。

我們的審計如何處理關鍵審計事項

我們就投資物業估值之程序包括：

- 評估估值師之資歷、能力及客觀性；
- 瞭解估值過程及重大假設，以評估該等方法是否符合《香港財務報告準則》規定及行業慣例；
- 根據我們對中國內地、香港及柬埔寨物業市場之認識，評估估值師所應用的估值方法(尤其是估值技術及資本化比率)是否恰當；及
- 根據我們對中國內地、香港及柬埔寨物業市場之認識，透過按抽樣基準將該等估計與實體之特定資料(例如租金收入、租賃概要、鄰近地區及投資物業之規模)進行比較，評估其他估值輸入數據及來源數據是否合理，包括收入資本計算法的市場月租，及直接比較法的每平方米銷售價格。

KEY AUDIT MATTERS *(Cont'd)*

Key audit matter

Assessment of net realisable value of properties held for sale and properties under development for sale

We identified the assessment of net realisable value of properties held for sale and properties under development for sale as a key audit matter due to the significant judgement involved in the determination of net realisable value (the "NRV") of these properties.

The Group had properties under development for sale of approximately RMB8,165,855,000 and properties held for sale of approximately RMB2,467,237,000 (collectively referred to as "Properties for Sale") as at 31 December 2019, which are situated in the Mainland China, Hong Kong and Cambodia.

As disclosed in note 4 to the consolidated financial statements, the directors of the Company determined the NRV of the properties held for sale by using prevailing market data such as most recent sale transactions, and the NRV of the properties under development for sale was determined by using estimates of future cash flows to be derived from these properties. These estimates required judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, marketing costs (including price discounts required to stimulate sales) and the excepted costs to completion of properties, the legal and regulatory framework and general market conditions.

How our audit addressed the key audit matter

Our procedures in relation to assessment of the NRV of the Properties for Sale included:

- Performing sensitivity analysis to identify the impact that changes in key inputs such as the estimated future selling prices have on the NRV of the Properties for Sale;
- Assessing the appropriateness of the estimated future selling prices of the Properties for Sale, on a sample basis, by comparing them to transaction prices of similar properties in the nearby or relevant locations, or actual selling price of properties sold subsequent to the end of the reporting period in the same project or relevant locations, based on our knowledge of the property markets in the Mainland China, Hong Kong and Cambodia; and
- Challenging the Group's forecast of construction costs, on a sample basis, by comparing to the construction costs for similar units and against signed contracts or quotes with subcontractors.

關鍵審核事項*(續)*

關鍵審核事項

待售物業及發展中待售物業之可變現淨值評估

我們將待售物業及發展中待售物業之可變現淨值評估確定為一項關鍵審核事項，此乃由於釐定該等物業之可變現淨值(「可變現淨值」)涉及重大判斷。

於二零一九年十二月三十一日， 貴集團之發展中待售物業及待售物業(統稱「該等待售物業」)分別約為人民幣8,165,855,000元及約人民幣2,467,237,000元，而有關物業位於中國內地、香港及柬埔寨。

誠如綜合財務報表附註4所披露， 貴公司董事採用最近期銷售交易等當前市場數據釐定待售物業之可變現淨值，而發展中待售物業之可變現淨值乃採用自該等物業衍生之未來現金流估計而釐定。該等估計須參考附近地點的近期銷售交易、推廣費用(包括促銷所需的價格折扣)及有關預計完成物業的費用、法律和監管架構及一般市況，從而對預期的銷售價格作出判斷。

我們的審計如何處理關鍵審計事項

我們就該等待售物業可變現淨額之評估之程序包括：

- 進行敏感度分析，以識別主要輸入數據變動的影響，如估計未來售價對該等待售物業可變現淨額之影響；
- 根據我們對中國內地、香港及柬埔寨物業市場的認識，透過將該等待售物業與鄰近或相關地區之類似物業的售價進行比較，或與於報告期末後出售之物業的實際售格進行比較，抽樣評估該等待售物業之預計未來售價是否恰當；及
- 透過將同類單位的建設成本及與已簽署的合約或分包商的報價進行比較，按抽樣基準質疑 貴集團對建設成本的預測。

KEY AUDIT MATTERS *(Cont'd)*

Key audit matter

Revenue recognised from sales of properties

We identified revenue recognised from sales of properties as a key audit matter as the revenue from sales of properties is significant to the consolidated statement of profit or loss and there is judgement involved in determining the appropriate point at which to recognise revenue from sales of properties.

As disclosed in "Revenue recognition" paragraph under note 3 to the consolidated financial statements, revenue from sales of properties is recognised when the completed property is transferred to customers, being at the point that customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable. The Group has recognised revenue of RMB5,962,446,000 from its property development and sales segment for the year ended 31 December 2019, which is disclosed in note 5 to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures in relation to revenue recognised from sales of properties included:

- Assessing the management's control over the point of time at which revenue from sales of properties is recognised by obtaining an understanding of the management's control process and testing the control on a sample basis; and
- Reviewing the terms stated in the sales and purchase agreements, on a sample basis, and obtaining evidence regarding the completion and the delivery of properties, on a sample basis, including completion certificates and delivery notices, to assess whether the criteria for revenue recognition set out in "Revenue recognition" paragraph under note 3 to the consolidated financial statements have been met.

關鍵審核事項*(續)*

關鍵審核事項

物業銷售確認之收入

由於物業銷售收入就綜合損益表而言屬重大，而就確認物業銷售收入釐定合適時間涉及判斷，故我們將物業銷售確認之收入確定為一項關鍵審核事項。

誠如綜合財務報表附註3「收入確認」一段所披露，物業銷售之收入於竣工物業轉移至客戶時(即該客戶獲得竣工物業的控制權時)確認，且　貴集團現時很有可能有權支付及收取代價。截至二零一九年十二月三十一日止年度，　貴集團的物業開發及銷售分類確認收入人民幣5,962,446,000元，有關詳情披露於綜合財務報表附註5。

我們的審計如何處理關鍵審計事項

我們就物業銷售確認收入之程序包括：

- 透過瞭解管理層之控制過程及按抽樣基準測試控制，評估管理層於確認物業銷售收入時之控制；及
- 抽樣審閱買賣協議所載列之條款，及取得有關物業竣工及交付之證明(包括竣工證明及交付通知)，以評估是否符合綜合財務報表附註3「收入確認」一段所載列有關收入確認之標準。

KEY AUDIT MATTERS *(Cont'd)*

Key audit matter

Provision for land appreciation tax

We identified the provision for land appreciation tax ("LAT") as a key audit matter since the implementation and settlement of this tax varies among various tax jurisdictions in cities of the Mainland China, and the Group has not finalised certain LAT calculations and payments with local tax authorities in the Mainland China. Accordingly, significant judgement is required in determining the amount on the appreciation of land value and its related LAT.

LAT is prepaid when properties are pre-sold to the buyers and is provided when properties are delivered to the buyers and revenue is recognised. As disclosed in note 9 to the consolidated financial statements, current year's provision for LAT amounted to RMB1,023,621,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2019. As disclosed in note 4 to the consolidated financial statements, the Group recognises LAT based on the management's best estimates according to the understanding of the tax rules, which are determined by the appreciation of land value. The amount of the land appreciation is determined with reference to estimated proceeds of the sales of properties less the estimated deductible expenditures, including the cost of land use rights and all property development expenditures.

How our audit addressed the key audit matter

Our procedures in relation to the provision for LAT included:

- Involving our tax specialists in the Mainland China to assess the accuracy of the land appreciation amount calculations based on their knowledge of the relevant tax rules and regulations, in particular to the LAT rate announced by the State Administration of Taxation in the Mainland China; and

- Evaluating the estimated proceeds of the sales of properties and estimated deductible expenditures, adopted by the management by comparing their estimates made in previous years to actual results as well as current year's estimates.

關鍵審核事項*(續)*

關鍵審核事項

土地增值税之計提

我們將土地增值税(「土地增值税」)之計提確定為一項關鍵審核事項，此乃由於中國內地城市不同税收管轄區對土地增值税的執行及結算不盡相同，而　貴集團尚未與中國內地地方税務局落實若干土地增值税的計算及付款方法。因此，須作出重大判斷以釐定土地增值額及其相關土地增值税。

土地增值税於物業預售予買家時已預付，而土地增值税則於物業交付予買家及收益獲確認時已作撥備。誠如綜合財務報表附註9所披露，截至二零一九年十二月三十一日止年度，本年度撥備土地增值税人民幣1,023,621,000元已於綜合損益表內確認。誠如綜合財務報表附註4所披露，　貴集團根據管理層按照其對税務規則之理解作出之最佳估計，即按土地增值額預計確認土地增值税。土地增值金額參考物業銷售減預計可扣税開支之所得款項而釐定，有關可扣税開支包括土地使用權成本以及所有物業開發開支。

我們的審計如何處理關鍵審計事項

我們就土地增值税之計提之程序包括：

- 中國內地税務專家基於他們對相關税務規則及法規(尤其是中國內地國家税務總局公佈之土地增值税率)之理解評估計算土地增值額之準確度；及

- 透過比較管理層於過往年度對實際業績作出之估計及本年度的估計，評估彼等採用之估計銷售物業所得款項及估計可扣税開支。

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

其他資料

貴公司董事須對其他資料承擔責任。其他資料包括載於本年報的資料，惟不包括綜合財務報表及我們就此作出的核數師報告。

我們對綜合財務報表作出的意見並無涵蓋其他資料，而我們不會對其他資料發表任何形式的核證結論。

就我們審核綜合財務報表而言，我們的責任為閱讀其他資料，從而考慮其他資料是否與綜合財務報表或我們在審核過程中獲悉的資料存在重大不符，或似乎存在重大錯誤陳述。倘若我們基於已進行的工作認為其他資料出現一項重大錯誤陳述，我們須報告有關事實。我們毋須就此作出報告。

董事及管治層就綜合財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的《香港財務報告準則》及香港《公司條例》的披露要求編製綜合財務報表，以令綜合財務報表作出真實而公平的反映，及落實其認為編製綜合財務報表所必要的內部控制，以使綜合財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述。

在編製綜合財務報表時，董事須負責評估　貴集團持續經營的能力，並披露與持續經營有關的事項(如適用)。除非董事擬將　貴集團清盤或停止營運，或除此之外並無其他實際可行的辦法，否則須採用以持續經營為基礎的會計法。

該等管治層負責監督　貴集團的財務報告流程。

核數師就審核綜合財務報表須承擔的責任

我們的目標為合理確定此等綜合財務報表整體而言不會存在由於欺詐或錯誤而導致的重大錯誤陳述，並按照委任之協定條款向全體股東發出載有我們意見的核數師報告。除此之外，本報告別無其他目的。我們不會就本報告內容向任何其他人士負上或承擔任何責任。合理確定屬高層次的核證，惟根據《香港審計準則》進行的審核工作不能保證總能察覺所存在的重大錯誤陳述。錯誤陳述可因欺詐或錯誤產生，倘個別或整體在合理預期情況下可影響使用者根據該等綜合財務報表作出的經濟決定時，則被視為重大錯誤陳述。

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

核數師就審核綜合財務報表須承擔的責任 *（續）*

在根據《香港審計準則》進行審計的過程中，我們運用專業判斷，保持專業懷疑態度。我們亦：

- 識別及評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險、設計及執行審計程序以應對該等風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述或凌駕內部監控的情況，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。

- 了解與審計相關的內部監控，以設計適當的審計程序，惟並非旨在對　貴集團內部監控的有效性發表意見。

- 評估董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。

- 對董事採用持續經營會計法的恰當性作出結論，並根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對　貴集團的持續經營能力產生重大疑慮。倘我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露。或倘有關披露不足，則修訂我們意見。我們結論乃基於截至核數師報告日期止所取得的審計憑證。然而，未來事項或情況可能導致　貴集團無法持續經營。

- 評估綜合財務報表的整體呈報方式、結構及內容，包括披露資料，以及綜合財務報表是否中肯反映相關交易和事項。

- 就　貴集團內實體或業務活動的財務資料獲取充足及適當的審計憑證，以便對綜合財務報表發表意見。我們負責　貴集團審計的方向、監督及執行。我們為審計意見承擔全部責任。

我們與管治層就(其中包括)審計的計劃範圍、時間安排及重大審計發現進行溝通，該等發現包括我們在審計過程中識別的內部監控的任何重大缺失。

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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 the independent auditor's report is Yuen Wing Hang.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 March 2020

核數師就審核綜合財務報表須承擔的責任 *（續）*

我們亦向管治層作出聲明，指出我們已符合有關獨立性的相關道德要求，並與彼等溝通可能被合理認為會影響我們獨立性的所有關係及其他事宜以及相關防範措施（如適用）。

從與管治層溝通的事項中，我們釐定對本期間綜合財務報表的審計至關重要的事項，因而構成關鍵審計事項。我們在核數師報告中描述該等事項，除非法律或法規不允許公開披露該等事項，或在極端罕見的情況下，倘合理預期在我們報告中溝通某事項造成的負面後果超出產生的公眾利益，則我們決定不應在報告中傳達該事項。

出具獨立核數師報告的審計項目的項目合夥人為袁永恒。

德勤 • 關黃陳方會計師行
執業會計師

香港
二零二零年三月三十日

Consolidated Statement of Profit or Loss
綜合損益表

		NOTES 附註	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Revenue	**收益**	5	**6,902,448**	4,515,685
Cost of sales	銷售成本		**(2,472,093)**	(1,829,515)
Gross profit	**毛利**		**4,430,355**	2,686,170
Other income, other gains and losses	其他收入、其他收益及虧損	6	**112,292**	155,095
Selling expenses	銷售開支		**(134,059)**	(132,982)
Administrative expenses	行政開支		**(461,498)**	(390,433)
Fair value changes on investment properties	投資物業的公允價值變動	13	**696,378**	323,461
Fair value changes on derivative component of convertible bonds	可換股債券衍生工具部分的公允價值變動	34	**(20,170)**	172,192
Finance costs	融資成本	7	**(1,256,165)**	(657,995)
Share of results of a joint venture	應佔一間合營公司業績		**(2)**	(8)
Profit before tax	**除税前盈利**	8	**3,367,131**	2,155,500
Income tax expense	所得税開支	9	**(1,617,168)**	(925,097)
Profit for the year	**年度盈利**		**1,749,963**	1,230,403
Profit (loss) for the year attributable to:	**以下人士應佔年度盈利(虧損):**			
Owners of the Company	本公司股東		**1,749,884**	1,237,167
Non-controlling interests	非控股權益		**79**	(6,764)
			1,749,963	1,230,403
			RMB cents 人民幣分	RMB cents 人民幣分
Earnings per share attributable to the owners of the Company during the year	**年內本公司股東應佔每股盈利**	12		
– Basic	**– 基本**		**35.12**	25.21
– Diluted	**– 攤薄**		**20.73**	13.60

Consolidated Statement of Profit or Loss and Other Comprehensive Income
綜合損益及其他全面收益表

For the year ended 31 December 2019
截至二零一九年十二月三十一日止年度

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Profit for the year	**年內盈利**	**1,749,963**	1,230,403
Other comprehensive (expense) income	**其他全面(開支)收益**		
Item that may be subsequently reclassified to profit or loss:	***隨後或會重新分類至損益之項目：***		
Exchange differences arising on translation	匯兑產生的換算差額	**(31,311)**	(59,930)
Item that will not be reclassified to profit or loss:	***不會重新分類至損益之項目：***		
Fair value changes on investment in equity instrument at fair value through other comprehensive income, net of tax	按公允價值計入其他全面收益之股本工具投資之公允價值變動(扣除税項)	**37,732**	34,917
Other comprehensive income (expense) for the year	**年度其他全面收益(開支)**	**6,421**	(25,013)
Total comprehensive income for the year	**年度全面收益總額**	**1,756,384**	1,205,390
Total comprehensive income (expense) attributable to:	**以下人士應佔全面收益(開支)總額：**		
Owners of the Company	本公司股東	**1,756,905**	1,211,876
Non-controlling interests	非控股權益	**(521)**	(6,486)
		1,756,384	1,205,390

At 31 December 2019
於二零一九年十二月三十一日

		NOTES 附註	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Non-current assets	**非流動資產**			
Investment properties	投資物業	13	**23,567,529**	22,117,251
Property, plant and equipment	物業、廠房及設備	14	**996,014**	458,393
Goodwill	商譽	15	**231,602**	231,602
Interest in a joint venture	於一間合營公司的權益	16	**6,058**	6,060
Interest in an associate	於一間聯營公司的權益	17	**–**	–
Amount due from a joint venture	應收一間合營公司款項	16	**522,318**	522,318
Equity instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之股本工具	19	**541,125**	490,816
Deferred tax assets	遞延稅項資產	20	**565,713**	345,030
Deposit paid	已付按金	21	**29,410**	–
			26,459,769	24,171,470
Current assets	**流動資產**			
Properties under development for sale	發展中待售物業	22	**8,165,855**	7,407,278
Properties held for sale	待售物業	23	**2,467,237**	3,302,382
Other inventories	其他存貨	24	**738**	629
Accounts receivable	應收賬款	25	**31,212**	11,576
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	26	**3,230,928**	890,294
Financial assets at fair value through profit or loss	按公允價值計入損益之金融資產		**–**	10,559
Debt instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之債務工具	18	**–**	20,000
Tax recoverable	可收回稅款		**33,562**	8,048
Restricted bank deposits	受限制銀行存款	27	**2,804,061**	3,915,826
Bank balances and cash	銀行結餘及現金	28	**5,542,921**	3,674,042
			22,276,514	19,240,634
Current liabilities	**流動負債**			
Accounts payable	應付賬款	29	**1,111,831**	1,383,514
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	30	**673,358**	744,814
Contract liabilities	合同負債	31	**2,505,265**	2,268,288
Lease liabilities	租賃負債	32	**22,674**	–
Tax liabilities	稅項負債		**2,398,675**	1,468,779
Borrowings	借貸	33	**4,306,274**	3,232,448
Senior notes and bond	優先票據及債券	35	**5,027,123**	2,591,909
Debt component of convertible bonds	可換股債券債務部分	34(a)	**1,493,257**	–
Derivative component of convertible bonds	可換股債券衍生工具部分	34(b)	**222,207**	–
			17,760,664	11,689,752
Net current assets	**流動資產淨值**		**4,515,850**	7,550,882
Total assets less current liabilities	**總資產減流動負債**		**30,975,619**	31,722,352

Consolidated Statement of Financial Position
綜合財務狀況報表

At 31 December 2019
於二零一九年十二月三十一日

		NOTES 附註	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Non-current liabilities	**非流動負債**			
Borrowings	借貸	33	**15,149,805**	13,309,348
Senior notes and bond	優先票據及債券	35	**–**	2,809,060
Debt component of convertible bonds	可換股債券債務部分	34(a)	**–**	1,381,645
Derivative component of convertible bonds	可換股債券衍生工具部分	34(b)	**–**	198,105
Lease liabilities	租賃負債	32	**95,380**	–
Deferred tax liabilities	遞延稅項負債	20	**2,695,601**	2,585,251
			17,940,786	20,283,409
Net assets	**資產淨值**		**13,034,833**	11,438,943
Capital and reserves	**股本及儲備**			
Share capital	股本	36	**42,060**	41,141
Reserves	儲備	37	**12,885,799**	11,290,307
Equity attributable to owners of the Company	本公司股東應佔權益		**12,927,859**	11,331,448
Non-controlling interests	非控股權益		**106,974**	107,495
Total equity	**權益總額**		**13,034,833**	11,438,943

The consolidated financial statements on pages 63 to 205 were approved and authorised for issue by the board of directors on 30 March 2020 and are signed on its behalf by:

第63至205頁之綜合財務報表已獲董事會於二零二零年三月三十日批准及授權刊發，並由以下董事代表簽署：

HUANG Jingshu
黃敬舒
CHAIRMAN AND EXECUTIVE DIRECTOR
主席兼執行董事

SIU Chi Hung
蕭志雄
EXECUTIVE DIRECTOR
執行董事

		Attributable to owners of the Company 本公司股東應佔權益											
		Share capital 股本 RMB'000 人民幣千元	Share premium 股份溢價 RMB'000 人民幣千元	Convertible preference shares 可換股優先股 RMB'000 人民幣千元	Other reserves 其他儲備 RMB'000 人民幣千元	Exchange reserve 匯兑儲備 RMB'000 人民幣千元	Investment revaluation reserve 投資重估儲備 RMB'000 人民幣千元	Share option reserve 購股權儲備 RMB'000 人民幣千元	Statutory reserve 法定儲備 RMB'000 人民幣千元	Retained profits 保留盈利 RMB'000 人民幣千元	Sub-total 小計 RMB'000 人民幣千元	Non-controlling interests 非控股權益 RMB'000 人民幣千元	Total equity 權益總額 RMB'000 人民幣千元
Balance as at 1 January 2018	於二零一八年一月一日的結餘	39,121	6,300,567	5,959,114	(11,235,356)	119,608	75,744	208,337	149,812	8,219,115	9,836,062	233,141	10,069,203
Profit (loss) for the year	年度盈利(虧損)	–	–	–	–	–	–	–	–	1,237,167	1,237,167	(6,764)	1,230,403
Fair value changes on investments in equity instrument at fair value through other comprehensive income, net of tax	按公允價值計入其他全面收益之股本工具投資之公允價值變動(扣除税項)	–	–	–	–	–	34,917	–	–	–	34,917	–	34,917
Exchange differences arising on translation	匯兑產生的換算差額	–	–	–	–	(60,208)	–	–	–	–	(60,208)	278	(59,930)
Total comprehensive (expense) income for the year	年度全面開支(收益)總額	–	–	–	–	(60,208)	34,917	–	–	1,237,167	1,211,876	(6,486)	1,205,390
Recognition of equity-settled share-based payments *(note 40)*	確認以股權結算以股份支付的款項*(附註40)*	–	–	–	–	–	–	21,959	–	–	21,959	–	21,959
Conversion of convertible bonds *(note 34)*	兑換可換股債券*(附註34)*	240	70,145	–	–	–	–	–	–	–	70,385	–	70,385
Issue of ordinary shares *(note 36)*	發行普通股*(附註36)*	1,722	495,898	–	–	–	–	–	–	–	497,620	–	497,620
Issue of convertible preference shares *(note 37)*	發行可換股優先股*(附註37)*	–	–	287,047	–	–	–	–	–	–	287,047	–	287,047
Acquisition of a subsidiary and acquisition of non-controlling interest in a subsidiary *(note 38(b))*	收購一間附屬公司及收購一間附屬公司之非控股權益*(附註38(b))*	–	–	–	(398,435)	–	–	–	–	–	(398,435)	1,386	(397,049)
Acquisition of an additional interest in a subsidiary	增加收購於一間附屬公司的權益	–	–	–	(4,096)	–	–	–	–	–	(4,096)	(119,267)	(123,363)
Lapse of share options	購股權失效	–	–	–	–	–	–	(2,039)	–	2,039	–	–	–
Exercise of share options	行使購股權	58	15,999	–	–	–	–	(5,287)	–	–	10,770	–	10,770
Transfer to statutory reserve	轉撥至法定儲備	–	–	–	–	–	–	–	71,564	(71,564)	–	–	–
Dividend declared and made *(note 11)*	已宣派及派付的股息*(附註11)*	–	–	–	–	–	–	–	–	(201,740)	(201,740)	(1,279)	(203,019)
Balance as at 31 December 2018	於二零一八年十二月三十一日的結餘	41,141	6,882,609	6,246,161	(11,637,887)	59,400	110,661	222,970	221,376	9,185,017	11,331,448	107,495	11,438,943
Adjustment *(note 2)*	調整*(附註2)*	–	–	–	–	–	–	–	–	66,525	66,525	–	66,525
Balance as at 1 January 2019 (restated)	於二零一九年一月一日的結餘(經重列)	41,141	6,882,609	6,246,161	(11,637,887)	59,400	110,661	222,970	221,376	9,251,542	11,397,973	107,495	11,505,468
Profit for the year	年度盈利	–	–	–	–	–	–	–	–	1,749,884	1,749,884	79	1,749,963
Fair value changes on investments in equity instrument at fair value through other comprehensive income, net of tax	按公允價值計入其他全面收益之股本工具投資之公允價值變動(扣除税項)	–	–	–	–	–	37,732	–	–	–	37,732	–	37,732
Exchange differences arising on translation	匯兑產生的換算差額	–	–	–	–	(30,711)	–	–	–	–	(30,711)	(600)	(31,311)
Total comprehensive (expense) income for the year	年度全面(開支)收益總額	–	–	–	–	(30,711)	37,732	–	–	1,749,884	1,756,905	(521)	1,756,384
Conversion of convertible preference shares *(note 36)*	兑換可換股優先股*(附註36)*	880	180,376	(181,256)	–	–	–	–	–	–	–	–	–
Lapse of share options	購股權失效	–	–	–	–	–	–	(8,582)	–	8,582	–	–	–
Exercise of share options	行使購股權	39	10,819	–	–	–	–	(3,670)	–	–	7,188	–	7,188
Transfer to statutory reserve	轉撥至法定儲備	–	–	–	–	–	–	–	92,249	(92,249)	–	–	–
Dividend declared and made *(note 11)*	已宣派及派付的股息*(附註11)*	–	–	–	–	–	–	–	–	(234,207)	(234,207)	–	(234,207)
Balance as at 31 December 2019	於二零一九年十二月三十一日的結餘	42,060	7,073,804	6,064,905	(11,637,887)	28,689	148,393	210,718	313,625	10,683,552	12,927,859	106,974	13,034,833

Consolidated Statement of Cash Flows
綜合現金流量表

For the year ended 31 December 2019
截至二零一九年十二月三十一日止年度

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Operating activities	**經營活動**		
Profit before tax	除税前盈利	**3,367,131**	2,155,500
Adjustments for:	調整項目：		
Depreciation	折舊	**37,399**	40,529
Loss on disposal of property, plant and equipment	出售物業、廠房及設備的虧損	**925**	2
Loss on disposal of investment properties	出售投資物業的虧損	**–**	3,299
Gain on disposal of a subsidiary	出售附屬公司的收益	**(33,300)**	–
Fair value changes on investment properties	投資物業的公允價值變動	**(696,378)**	(323,461)
Fair value changes on derivative component of convertible bonds	可換股債券衍生工具部分的公允價值變動	**20,170**	(172,192)
Fair value changes on financial assets at fair value through profit or loss	按公允價值計入損益之金融資產之公允價值變動	**–**	47
Share of results of a joint venture	應佔一間合營公司業績	**2**	8
Reversal of impairment loss on accounts receivable	撥回應收款項減值虧損	**(59)**	(39)
Equity-settled share-based payments	以股權結算以股份支付的款項	**–**	21,959
Recovery of other receivables previously written-off	撥回以前已撇銷的其他應收款項	**–**	(1,500)
Interest income	利息收入	**(93,570)**	(103,905)
Investment income	投資收入	**(418)**	(5,816)
Dividend income	股息收入	**(19,745)**	(15,665)
Finance costs	融資成本	**1,256,165**	657,995
Loss on non-substantial modification of financial liabilities at amortised cost	按攤銷成本列賬之金融負債之非重大變更虧損	**57,287**	–
Loss on early redemption of financial liabilities at amortised cost	提前贖回按攤銷成本列賬之金融負債之虧損	**1,099**	–
Exchange difference	匯兑差額	**66,761**	51,288
Operating cash flows before movements in working capital	營運資金變動前的經營現金流量	**3,963,469**	2,308,049
Increase in properties under development for sale and properties held for sale	發展中待售物業及待售物業增加	**(347,813)**	(1,380,684)
(Increase) decrease in other inventories	其他存貨(增加)減少	**(109)**	516
(Increase) decrease in accounts receivable	應收賬款(增加)減少	**(19,034)**	365,755
Decrease in deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項減少	**72,165**	124,621
(Decrease) increase in accounts payable	應付賬款(減少)增加	**(272,234)**	783,265
Increase in contract liabilities	合同負債增加	**236,977**	2,268,288
Decrease in accruals, deposits received and other payables	應計費用、已收按金及其他應付款項減少	**(1,636,266)**	(1,193,879)
Cash from operations	經營活動所得的現金	**1,997,155**	3,275,931
Income taxes paid	已付所得税	**(857,022)**	(520,338)
Net cash from operating activities	**經營活動所得現金淨額**	**1,140,133**	2,755,593

		NOTES 附註	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Investing activities	**投資活動**			
Placement of restricted bank deposits	存放受限制銀行存款		**(2,922,449)**	(6,795,462)
Consideration paid for acquisition of a subsidiary in prior year	於過往年度收購附屬公司之已付代價		**–**	(1,590,000)
Repayment of consideration payable	支付應付代價		**–**	(2,068,852)
Net cash inflow arising from acquisition of assets and liabilities through acquisition of a subsidiary	來自透過收購一間附屬公司收購資產及負債的現金流入淨額	38	**298,970**	–
Additional costs of investment properties	投資物業的額外成本		**(177,920)**	(1,189,777)
Advances to related parties	向關聯方支付墊款		**(1,701,251)**	(1,126,965)
Advance to a non-controlling interest	向非控股權益墊款		**–**	(15,734)
Placement of short-term time deposits with original maturity beyond three months but within one year	存放原定於三個月以上但一年內到期的短期存款		**(447,605)**	(442,133)
Purchase of financial assets at fair value through profit or loss	購置按公允價值計入損益之金融資產		**(21,873)**	(284,342)
Purchase of property, plant and equipment	購置物業、廠房及設備		**(52,201)**	(78,306)
Purchases of debt instruments at fair value through other comprehensive income	購置按公允價值計入其他全面收益之債務工具		**(225,064)**	(20,000)
Purchases of financial assets at fair value through profit or loss	購置按公允價值計入損益之金融資產		**–**	(10,736)
Withdrawal of restricted bank deposits	提取受限制銀行存款		**4,037,303**	4,998,888
Repayment from related parties	關聯方還款		**988,723**	1,036,999
Repayment from a non-controlling interest	非控股權益還款		**1,629**	3,227
Withdrawal of short-term deposits with original maturity beyond three months but within one year	提取原定於三個月以上但一年內到期的短期存款		**442,133**	624,929
Proceeds from disposal of financial assets at fair value through profit or loss	出售按公允價值計入損益之金融資產所得款項		**32,850**	434,342
Interest received	已收利息		**65,216**	87,591
Dividend income received	已收股息收入		**19,745**	15,665
Proceeds from disposal of investment properties	出售投資物業所得款項		**–**	1,536
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項		**48**	135
Repayment from a joint venture	一間合營公司還款		**–**	5
Proceeds from disposal of a subsidiary	出售一間附屬公司所得款項	39	**25,056**	–
Proceeds from disposal of debt instruments at fair value through other comprehensive income	出售按公允價值計入其他全面收益之債務工具所得款項		**245,064**	–
Net cash from (used in) investing activities	**投資活動所得(所用)現金淨額**		**608,374**	(6,418,990)

Consolidated Statement of Cash Flows
綜合現金流量表

For the year ended 31 December 2019
截至二零一九年十二月三十一日止年度

		NOTE 附註	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Financing activities	**融資活動**			
Repayments of borrowings	償還借貸		**(8,301,256)**	(4,994,599)
Repayments of bonds	償還債券		**(486,474)**	–
Interest paid	已付利息		**(1,709,740)**	(1,231,136)
Dividend paid	已付股息		**(234,207)**	(203,019)
Repayment of lease liabilities	償還租賃負債		**(13,669)**	–
Deposit paid for acquisition of additional interests in a subsidiary	收購於一間附屬公司額外權益的已付按金	21	**(29,410)**	–
Acquisition of an additional interest in a subsidiary	增加收購於一間附屬公司的權益		**–**	(75,348)
Proceeds from new borrowings	新造借貸所得款項		**10,863,647**	8,286,284
Proceeds from issue of convertible bonds	發行可換股債券所得款項		**–**	959,968
Issue of new shares upon exercise of share options	行使購股權以發行新股		**7,118**	10,770
Proceeds from issue of new shares	發行新股所得款項		**–**	497,620
Proceeds from issue of convertible preference shares	發行可換股優先股所得款項		**–**	287,047
Capital contribution by non-controlling shareholders of subsidiaries	附屬公司之非控股股東之出資		**–**	1,386
Net cash from financing activities	**融資活動所得的現金淨額**		**96,009**	3,538,973
Net increase (decrease) in cash and cash equivalents	**現金及現金等價物增加(減少)淨額**		**1,844,516**	(124,424)
Effect of foreign exchange rate changes	**外匯匯率變動的影響**		**18,891**	6,099
Cash and cash equivalents at beginning of the year	**年初現金及現金等價物**		**3,231,909**	3,350,234
Cash and cash equivalents at end of the year	**年末現金及現金等價物**		**5,095,316**	3,231,909
Represented by:	指：			
Cash and cash equivalents	現金及現金等價物		**5,095,316**	3,231,909
Add: Fixed deposits with original maturity date more than three months but within one year	加：原到期日為多於三個月但少於一年的定期存款		**447,605**	442,133
Bank balances and cash	**銀行結餘及現金**		**5,542,921**	3,674,042

1. GENERAL

LVGEM (China) Real Estate Investment Company Limited (the "Company") was incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the Company's registered office and principal place of business in Hong Kong are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Level 5, NEO, 123 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong respectively. Its ultimate controlling party is Mr. WONG Hong King ("Mr. Wong"), the father of Ms. HUANG Jingshu, the Chairman of the Company, and Mr. HUANG Hao Yuan, an Executive Director of the Company.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 50.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

1. 一般資料

綠景(中國)地產投資有限公司(「本公司」)為一家於開曼群島註冊成立之有限公司，其股份於香港聯合交易所有限公司(「聯交所」)主板上市。本公司註冊辦事處及香港主要營業地點之地址分別為P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands及香港九龍觀塘海濱道123號綠景NEO大廈5樓。其最終控制方為黃康境先生(「黃先生」)，彼乃本公司主席黃敬舒女士及本公司執行董事黃浩源先生之父親。

本公司為一間投資控股公司。其主要附屬公司的業務載於附註50。

綜合財務報表以人民幣(「人民幣」)呈列，人民幣亦為本公司的功能貨幣。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (together the "Group") has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)

於本年度強制生效之新訂及經修訂香港財務報告準則

本公司及其附屬公司(統稱「本集團」)已於本年度首次應用以下由香港會計師公會(「香港會計師公會」)頒佈的新訂及經修訂香港財務報告準則：

香港財務報告準則第16號	租賃
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
香港財務報告準則第9號(修訂本)	具有負補償之提前還款特點
香港會計準則第19號(修訂本)	計劃修訂、縮減或結算
香港會計準則第28號(修訂本)	於聯營公司及合營公司之長期權益
香港財務報告準則(修訂本)	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

除下文所述者外，於本年度應用該等新訂及經修訂香港財務報告準則對本集團於本年度及以往年度的財務狀況及表現及／或載於該等綜合財務報表之披露並無重大影響。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year period. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related leases liabilities by applying HKFRS 16.C8(b)(ii) transition.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. applied a single discount rate to a portfolio of leases with a similar remaining term for similar class of underlying assets in similar economic environment.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 9.5%.

Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under deposits received, prepayment and other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and should be adjusted to reflect the discounting effect at transition. The impact of this on the Group is insignificant.

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)*(續)*

香港財務報告準則第16號租賃

於本年度期間，本集團首次應用香港財務報告準則第16號。香港財務報告準則第16號取代香港會計準則第17號*租賃*(「香港會計準則第17號」)及相關詮釋。

租賃的定義

本集團選擇使用實際權宜方法，從而將香港財務報告準則第16號應用於先前應用香港會計準則第17號及香港(國際財務報告詮釋委員會)－詮釋第4號*釐定安排是否包含租賃*而識別為租賃之合約，且不將此準則應用於先前未識別為包含租賃之合約。因此，本集團並無重新評估初始應用日期前已存在之合約。

就於二零一九年一月一日或之後訂立或修改的合約而言，本集團根據香港財務報告準則第16號所載有關評估合約是否包含租賃的規定應用租賃的定義。

作為承租人

本集團已追溯應用香港財務報告準則第16號，而累計影響於初始應用日期二零一九年一月一日確認。

於二零一九年一月一日，本集團透過應用香港財務報告準則第16.C8(b)(ii)號過渡確認額外租賃負債及使用權資產，金額相等於相關租賃負債。

於過渡期間根據香港財務報告準則第16號應用經修訂追溯法時，本集團按個別租賃基準對先前根據香港會計準則第17號分類為經營租賃的租賃採用以下實際權宜方法，惟以與相關租賃合約有關者為限：

i. 選擇不就租賃期於初始應用日期起計12個月內結束的租賃確認使用權資產及租賃負債；及

ii. 就類似經濟環境內相似類別相關資產的類似剩餘年期的租賃組合應用單一貼現率。

當就先前分類為經營租賃的租賃確認租賃負債時，本集團於初始應用日期應用相關集團實體的遞增借款利率。所應用的加權平均遞增借款利率為9.5%。

於應用香港財務報告準則第16號前，本集團將已付可退還租金按金視為於已收按金、預付款項及其他應收款項下香港會計準則第17號適用的租賃權利及責任。根據香港財務報告準則第16號下租賃付款的定義，該等按金並非與使用相關資產權利有關的付款，並須作出調整以反映過渡時的貼現影響。此做法對本集團的影響不大。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

HKFRS 16 Leases *(Cont'd)*

As a lessee (Cont'd)

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)*(續)*

香港財務報告準則第16號租賃*(續)*

作為承租人(續)

		At 1 January 2019 於二零一九年一月一日 RMB$'000 人民幣千元
Operating lease commitments disclosed as at 31 December 2018	於二零一八年十二月三十一日披露的經營租賃承擔	209,469
Lease liabilities discounted at relevant incremental borrowing rates	租賃負債按相關遞增借款利率進行貼現	134,214
Less: Recognition exemption – short-term leases	減：確認豁免－短期租賃	(2,491)
Lease liabilities as at 1 January 2019	於二零一九年一月一日的租賃負債	131,723
Analysed as	按以下類別進行分析	
Current	流動	24,328
Non-current	非流動	107,395
		131,723

The carrying amount of right of use assets under sub-lease (classified as investment properties) as at 1 January 2019 comprises the following:

於二零一九年一月一日，分租賃項下的使用權資產(分類為投資物業)的賬面值包括以下各項：

		Note 附註	Investment properties 投資物業 RMB'000 人民幣千元
As at 31 December 2018	於二零一八年十二月三十一日		22,117,251
Right-of-use assets leased out under operating leases recognised upon application of HKFRS 16	於應用香港財務報告準則第16號後確認以經營租賃租出的使用權資產		131,723
Adjustment to fair value of right-of-use assets accounted for as investment properties at 1 January 2019	對於二零一九年一月一日入賬列作投資物業的使用權資產的公允價值調整	(a)	88,700
As at 1 January 2019	於二零一九年一月一日		22,337,674

Note:

(a) The Group subleases certain premises out under operating leases. Accordingly, the related right-of-use assets are classified as investment properties and are measured at fair value on the initial application of HKFRS 16 on 1 January 2019, resulting in an adjustment of RMB88,700,000 to the right-of-use assets classified as investment properties, and a corresponding credit to retained profits. The related tax effect of RMB22,175,000 was recognised as deferred tax liabilities and included in adjustment to retained profits.

附註：

(a) 本集團以經營租賃分租若干物業。因此，於二零一九年一月一日，相關使用權資產被分類為投資物業，並就初次應用香港財務報告準則第16號按公允價值計量，導致對分類為投資物業之使用權資產作出調整人民幣88,700,000元，並相應計入保留盈利。相關稅務影響人民幣22,175,000元確認為遞延稅項負債，並計入保留盈利調整。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

HKFRS 16 Leases *(Cont'd)*

As a lessor

In accordance with the transitional provisions in HKFRS 16, except for sub-leases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. The impact to the Group as a lessor as at 1 January 2019 is insignificant.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under accruals, deposits received and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and should be adjusted to reflect the discounting effect at transition. The impact of this on the Group is insignificant.

The following table summarises the impact of transition to HKFRS 16 on retained profits at 1 January 2019.

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)*(續)*

香港財務報告準則第16號租賃*(續)*

作為出租人

根據香港財務報告準則第16號的過渡條文，除本集團作為中間出租人的分租賃外，本集團毋須對本集團作為出租人的租賃的過渡作出任何調整，惟須自初始應用日期起根據香港財務報告準則第16號將該等租賃入賬，及並無重列比較資料。於二零一九年一月一日對本集團作為出租人的影響不大。

於應用香港財務報告準則第16號前，本集團將已收可退還租金按金視為於應計費用、已收按金及其他應付款項下香港會計準則第17號適用的租賃權利及責任。根據香港財務報告準則第16號下租賃付款的定義，該等按金並非與使用權資產有關的付款，並須作出調整以反映過渡時的貼現影響。此做法對本集團的影響不大。

下表概述過渡至香港財務報告準則第16號對於二零一九年一月一日保留盈利的影響。

		Note 附註	Impact of adopting HKFRS 16 at 1 January 2019 於二零一九年一月一日採納香港財務報告準則第16號的影響 RMB'000 人民幣千元
Retained profits	**保留盈利**		
Fair value changes on investment properties	投資物業的公允價值變動	(a)	88,700
Tax effects	稅務影響	(a)	(22,175)
Impact at 1 January 2019	於二零一九年一月一日的影響		66,525

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

以下調整乃對於二零一九年一月一日簡明綜合財務狀況報表確認的款項作出。不受變動影響的項目不包括在內。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)*(續)*

HKFRS 16 Leases *(Cont'd)*

香港財務報告準則第16號租賃*(續)*

As a lessor (Cont'd)

作為出租人(續)

		Carrying amounts previously reported at 31 December 2018 於二零一八年十二月三十一日先前呈報的賬面值 RMB'000 人民幣千元	Adjustments 調整 RMB'000 人民幣千元	Carrying amounts under HKFRS 16 at 1 January 2019 於二零一九年一月一日根據香港財務報告準則第16號的賬面值 RMB'000 人民幣千元
Non-current Assets	**非流動資產**			
Investment properties	投資物業	22,117,251	220,423	22,337,674
Current Liabilities	**流動負債**			
Lease liabilities	租賃負債	–	24,328	24,328
Non-current Liabilities	**非流動負債**			
Deferred tax liabilities	遞延税項負債	2,585,251	22,175	2,607,426
Lease liabilities	租賃負債	–	107,395	107,395
Capital and Reserves	**資本及儲備**			
Share premium and reserves	股份溢價及儲備	11,290,307	66,525	11,356,832

New and amendments to HKFRSs in issue but not yet effective

已頒佈但尚未生效之新訂及經修訂香港財務報告準則

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

本集團並無提早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：

HKFRS 17	Insurance Contracts[1]	香港財務報告準則第17號	保險合約[1]
Amendments to HKFRS 3	Definition of a Business[2]	香港會計準則第3號(修訂本)	業務之定義[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]	香港財務報告準則第10號及香港會計準則第28號(修訂本)	投資者與其聯營公司或合營公司之間的資產出售或注資[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]	香港會計準則第1號及香港會計準則第8號(修訂本)	重大性之定義[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]	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[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

1 於二零二一年一月一日或以後開始的年度期間生效。
2 對收購日期為於二零二零年一月一日或以後開始的首個年度期間初或以後的業務合併及資產收購生效。
3 於釐定日期或以後開始的年度期間生效。
4 於二零二零年一月一日或以後開始的年度期間生效。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

New and amendments to HKFRSs in issue but not yet effective *(Cont'd)*

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)*(續)*

已頒佈但尚未生效之新訂及經修訂香港財務報告準則*(續)*

除上文之新訂及經修訂香港財務報告準則外，經修訂財務報告之概念框架於二零一八年頒佈。其相應修訂《香港財務報告準則之概念框架指引之修訂》將於二零二零年一月一日或以後開始的年度期間生效。

除下文所述之新訂及經修訂香港財務報告準則外，本公司董事預期應用所有新訂及經修訂香港財務報告準則於可見未來將不會對綜合財務報表造成重大影響。

香港會計準則第1號及香港會計準則第8號(修訂本)重大性之定義

該等修訂透過載入有關作出重大判斷的額外指引及解釋，對重大性之定義進行修訂。尤其是有關修訂：

- 包含「掩蓋」重要資料的概念，其與遺漏或誤報資料有類似影響；
- 就影響使用者重要性的範圍以「可合理預期影響」取代「可影響」；及
- 包含使用詞彙「主要使用者」，而非僅指「使用者」，於決定在財務報表披露何等資料時，該用語被視為過於廣義。

該等修訂亦與所有香港財務報告準則的定義一致，並將在本集團於二零二零年一月一日開始的年度期間強制生效。預期應用該等修訂不會對本集團的財務狀況及表現造成重大影響，惟可能影響於綜合財務報表中的呈列方式及披露。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)*(續)*

二零一八年財務報告概念框架(「新框架」)及提述香港財務報告準則概念框架的修訂

新框架：

- 重新引入管理及審慎此等術語；
- 引入著重權利的新資產定義以及範圍可能比所取代定義更廣的新負債定義，惟不會改變負債與股本工具之間的區別；
- 討論歷史成本及現值計量，並就如何為某一資產或負債選擇計量基準提供額外指引；
- 指出財務表現主要計量標準為損益，且僅於特殊情況下方會使用其他全面收益，且僅用於資產或負債現值變動所產生的收入或開支；及
- 討論不確定因素、終止確認、會計單位、報告實體及合併財務報表。

相應修訂已作出，致使有關若干香港財務報告準則中的提述已更新至符合新框架，惟部分香港財務報告準則仍參考該框架的先前版本。該等修訂於二零二零年一月一日或之後開始的年度期間生效，並可提早應用。除仍參考該框架先前版本的特定準則外，本集團將於其生效日期按新框架決定會計政策，尤其是會計準則未有處理的交易、事件或條件。

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. 主要會計政策

綜合財務報表乃根據香港會計師公會頒佈的香港財務報告準則而編製。此外，綜合財務報表包括聯交所證券上市規則(「上市規則」)及香港公司條例的適用披露規定。

於各報告期末，除下文所載會計政策闡釋的投資物業及若干金融工具按公允價值計量外，綜合財務報表乃按歷史成本基準編製。

歷史成本一般按換取貨品及服務所付出代價之公允價值計量。

公允價值是於計量日期市場參與者於有序交易中出售資產可收取或轉讓負債須支付的價格，而不論該價格是否直接可觀察或可使用其他估值技術估計。若市場參與者於計量日期對資產或負債定價時會考慮資產或負債的特點，則本集團於估計資產或負債的公允價值時會考慮該等特點。此等綜合財務報表中作計量及／或披露用途的公允價值乃按此基準釐定，惟屬於香港財務報告準則第2號以股份為基礎的付款範圍的以股份為基礎之付款交易、根據香港財務報告準則第16號(自二零一九年一月一日起)或香港會計準則第17號(於應用香港財務報告準則第16號前)入賬的租賃交易，以及與公允價值有部份相若地方但並非公允價值的計量，譬如香港會計準則第2號存貨內的可變現淨額或香港會計準則第36號資產減值的使用價值除外。

非金融資產的公允價值計量須考慮市場參與者充分利用該資產或充分利用該資產向另一市場參與者進行銷售從而產生經濟效益的能力。

此外，就財務申報而言，公允價值計量根據公允價值計量的輸入數據可觀察程度及公允價值計量的輸入數據對其整體的重要性分類為第一級、第二級或第三級，詳情如下：

- 第一級輸入數據是實體於計量日期可以取得的相同資產或負債於活躍市場之報價(未經調整)；
- 第二級輸入數據是就資產或負債直接或間接地可觀察之輸入數據(第一級內包括的報價除外)；及
- 第三級輸入數據是資產或負債的不可觀察輸入數據。

主要會計政策載列於下文。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. 主要會計政策*(續)*

綜合基準

綜合財務報表包括本公司及其所控制之實體及其附屬公司之財務報表。當本公司符合以下要素時，則本公司取得控制權：

- 可對投資對象行使權力；
- 因參與投資對象業務而承擔浮動回報的風險或享有權利；及
- 有能力使用其權力影響其回報。

倘有事實及情況顯示上述三項控制權要素有一項或以上出現變動，本公司會重新評估其是否對投資對象擁有控制權。

附屬公司之綜合入賬於本集團取得有關附屬公司之控制權起開始，並於本集團失去有關附屬公司之控制權時終止。具體而言，年內所收購或出售附屬公司之收入及開支乃自本集團取得控制權之日期起計入綜合損益表，直至本集團不再控制有關附屬公司之日期為止。

損益及其他全面收益之每個項目乃歸屬於本公司股東及非控股權益。附屬公司之全面收益總額歸屬於本公司股東及非控股權益，即使此舉會導致非控股權益產生虧絀結餘。

於必要時，將對附屬公司之財務報表作出調整，以令彼等之會計政策與本集團之會計政策一致。

有關本集團成員公司之間交易的所有集團內公司間之資產及負債、權益、收入、支出及現金流量於綜合入賬時悉數對銷。

附屬公司的非控股權益從本集團權益中獨立呈列，指現時擁有的權益且賦予持有人權利於清盤時按比例分佔相關附屬公司淨資產。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation *(Cont'd)*

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. 主要會計政策*(續)*

綜合基準*(續)*

本集團於現有附屬公司的權益變動

未導致本集團失去對附屬公司控制權的本集團於附屬公司的權益變動以權益交易列賬。為反映其於附屬公司的相關權益變動(包括根據本集團與非控股權益之權益比例重新歸屬本集團與非控股權益之相關儲備),本集團的相關權益部分及非控股權益的賬面值會作出調整。

非控股權益於重新分配相關權益部分後所作調整數額與已付或已收代價公允價值之間的任何差額直接於權益內確認,並歸屬於本公司股東。

當本集團失去附屬公司的控制權時,該附屬公司之資產及負債以及非控股權益(如有)會被確認。收益或虧損於損益確認,並按以下兩者的差額計算得出:(i)已收代價的公允價值任何留存權益的公允價值的總和;及(ii)本公司股東應佔附屬公司資產(包括商譽)及負債的賬面值。先前就該附屬公司於其他全面收益確認的所有金額,按猶如本集團已直接出售該附屬公司的相關資產或負債入賬處理(即按適用的國際財務報告準則所規定/許可,重新分類至損益或轉撥至另一類權益)。前附屬公司於失去控制權日時任何保留投資的公平值視為初始確認香港財務報告準則第9號項下後續會計處理之公平值或(倘適用)初始確認聯營公司或合營公司投資的成本。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. 主要會計政策*(續)*

業務合併

收購業務採用收購法入賬。業務合併之轉撥代價按公允價值計量，而計算方法為本集團所轉讓之資產於收購日之公允價值、本集團向被收購方原擁有人產生之負債及本集團於交換被收購方之控制權發行之股權。有關收購之費用於產生時一般於損益中確認。

於收購日，所收購之可識別資產及所承擔之負債按公允價值確認，惟下文所述者除外：

- 遞延稅項資產或負債及與僱員福利安排有關之資產或負債，分別根據香港會計準則第12號所得稅及香港會計準則第19號僱員福利確認並計量；
- 與被收購公司以股份為基礎之付款安排或以本集團訂立以股份為基礎之付款安排取代被收購公司以股份為基礎之付款安排相關之負債或股本工具乃於收購日期根據香港財務報告準則第2號*以股份為基礎之付款*計量(見下文會計政策)；
- 根據香港財務報告準則第5號*持作出售之非流動資產及已終止經營業務*分類為持作出售之資產(或出售組別)則根據該準則計量；及
- 租賃負債按剩餘租賃付款(定義見香港財務報告準則第16號)的現值確認及計量，猶如已收購的租賃於收購日期為新租賃。使用權資產按與相關租賃負債相同的金額確認及計量，並進行調整以反映與市場條件相比租賃的有利或不利條款。

商譽是以所轉撥之代價、於被收購方中所佔任何非控股權益金額及收購方以往持有被收購方股權(如有)之公允價值之總和，減所收購之可識別資產及所承擔之負債於收購日期之淨值後，所超出之差額計值。倘經過重新評估後，所收購之可識別淨資產與所承擔負債之淨額高於轉撥之代價、於被收購方中所佔任何非控股權益之金額與收購方先前持有被收購方之權益(如有)之公允價值之總和，則差額即時於損益內確認為議價收購收益。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Business combinations *(Cont'd)*

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. 主要會計政策*(續)*

業務合併*(續)*

屬現時擁有之權益且於清盤時讓持有人有權按比例分佔相關附屬公司之資產淨值之非控股權益，初步按非控股權益應佔被收購方可識別資產淨值的已確認金額比例或按公允價值計量。計量基準視乎每項交易而作出選擇。

於業務合併乃分階段完成時，本集團先前持有之被收購方股權乃按於收購日期(即本集團獲得控制權之日期)之公允價值重新計量，而所產生之收益或虧損(如有)乃於損益內或其他全面收益(按適用者)確認。倘本集團已出售先前所持有的股權，則於收購日期前根據香港財務報告準則第9號／香港會計準則第39號計量並已於其他全面收益確認因於被收購方權益而產生之金額，將按所規定的相同基準入賬。

倘業務合併之初步會計處理於合併發生之報告期末尚未完成，則本集團呈報未完成會計處理之項目之臨時數額。該等臨時數額會於計量期間(見上文)內追溯調整，並確認額外資產或負債，以反映所取得於收購日期已存在而據所知可能影響該日已確認數額之相關事實與情況之新資料。

收購附屬公司並不構成一項業務

當本集團收購一組並不構成業務之資產及負債時，本集團透過首先向其後以公允價值模式計量之投資物業及金融資產／金融負債按相關公允價值分配收購價，以識別及確認所收購個別可識別資產及所承擔負債，而收購價餘下結餘其後按其於購買日期之相關公允價值為基準分配至其他可識別資產及負債。有關交易並不會產生商譽或議價收購收益。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represents the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group dispose of an operation within the cash-generating unit (or a cash-generating unit within group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

Investments in an associate and a joint venture

An associate is an entity over which the Group has 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 joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. 主要會計政策*(續)*

商譽

因收購業務產生之商譽乃按業務收購日期釐定之成本(見上文會計政策)減累計減值虧損(如有)列賬。

就減值測試而言，商譽乃分配至預期從合併之協同效應中獲利之本集團各現金產生單位(或現金產生單位組別)，即指就內部管理而言監察商譽的最低水平，且不大於經營分部。

本集團每年會就獲分配商譽之現金產生單位(或現金產生單位組別)進行減值測試，或於有跡象顯示該單位可能已經減值時更頻繁地進行測試。就於報告期內收購產生之商譽而言，已獲分配商譽之現金產生單位(或現金產生單位組別)於報告期末前進行減值測試。可收回數額少於其賬面值，則本集團會首先分配減值虧損以減少任何商譽之賬面值，再根據該單位(或現金產生單位組別)之各項資產之賬面值按比例分配予其他資產。

出售相關現金產生單位或現金產生單位組別中任何現金產生單位時，釐定出售損益時須計入商譽之應佔金額。當本集團出售現金產生單位(或現金產生單位組別中的一個現金產生單位)內的業務時，所出售商譽金額按所出售業務(或現金產生單位)與所保留現金單位(或現金產生單位組別)部分的相對價值計量。

本集團就因收購合營公司產生之商譽的政策如下文所述。

投資聯營公司及合營公司

聯營公司指本集團對其有重大影響力的實體。重大影響力指有權參與投資對象的財務及經營決策，而並非對該等政策擁有控制權或共同控制權。

合營公司指一項聯合安排，對安排擁有共同控制權之訂約方據此對聯合安排之資產淨值擁有權利。共同控制是指按照合約約定對某項安排所共有的控制，共同控制僅在當相關活動要求共同享有控制權之各方作出一致同意之決定時存在。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments in an associate and a joint venture *(Cont'd)*

The results and assets and liabilities of an associate or a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or the joint venture. Changes in net assets of the associate/the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate/the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. 主要會計政策*(續)*

投資聯營公司及合營公司*(續)*

聯營公司或合營公司的業績、資產及負債按權益法計入此綜合財務報表中。按照權益法，於聯營公司或合營公司之投資乃按成本於綜合財務狀況報表中首次確認，並於其後就確認本集團應佔聯營公司或合營公司之損益及其他全面收益而作出調整。聯營公司／合營公司之資產淨值變動(損益及其他全面收益除外)不會列賬，惟有關變動導致本集團持有之所有權權益有所變動則另作別論。倘本集團所佔於聯營公司或合營公司之虧損等於或超越本集團於聯營公司或合營公司應佔權益(包括任何實際上構成本集團於聯營公司／合營公司投資淨值其中部分之長遠權益)，本集團應不再確認應佔的虧損。確認額外虧損只限於集團須受合法或結構性責任或代聯營公司或合營公司支付款項。

於聯營公司或合營公司之投資採用權益會計法自被投資者成為合營公司當日起入賬。於收購聯營公司或合營公司之投資時，投資成本超過本集團應佔被投資者之可識別資產及負債之公允價值淨值之任何部份均確認為商譽，並計入投資之賬面值。本集團應佔可識別資產及負債之公允價值淨值超過投資成本之任何部份(經重新評估後)於收購投資之期間即時確認為損益。

本集團評估是否具客觀證據證明於聯營公司或合營公司之權益可能減值。倘存在任何客觀證據，該項投資之全部賬面值(包括商譽)會根據香港會計準則第36號以單一項資產的方式進行減值測試，方法是比較其可收回金額(即使用價值與公允價值減出售成本之較高者)與賬面值。任何已確認之減值虧損構成該項投資之賬面值的一部份，有關減值虧損之任何撥回乃於該項投資之可收回金額其後增加之情況根據香港會計準則第36號確認。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments in an associate and a joint venture *(Cont'd)*

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or the joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the joint venture that are not related to the Group.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. 主要會計政策*(續)*

投資聯營公司及合營公司*(續)*

倘本集團削減其於聯營公司或合營公司之所有權權益而本集團繼續採用權益法，若有關收益或虧損會於出售相關資產或負債時重新分類至損益，則本集團會將先前已於其他全面收益確認與削減所有權權益有關之收益或虧損部分重新分類至損益。

倘集團實體與本集團之聯營公司或合營公司進行交易，僅在合營公司之權益與本集團無關之情況下，與聯營公司或合營公司進行交易所產生之盈利及虧損，方會於本集團之綜合財務報表中確認。

來自客戶合約的收益

本集團於(或當)完成履約責任時(即於與特定履約責任相關的貨品或服務的「控制權」轉移予客戶時)確認收益。

履約責任指一項明確貨品或服務(或一批貨品或服務)或一系列大致相同的明確貨品或服務。

倘符合以下其中一項條件，則控制權為隨時間轉移，而收益則參考相關履約責任的完成進度隨時間確認：

- 客戶於本集團履約時同時收取及消耗本集團履約所提供的利益；
- 本集團的履約創造或提升客戶於本集團履約時控制的資產；或
- 本集團的履約並無創造對本集團具有替代用途的資產，而本集團擁有強制執行權收取至今已履約部分的款項。

否則，收益於客戶獲得明確商品或服務控制權時確認。

合約負債指本集團因自客戶收取代價(或到期收取的代價)，而須向客戶轉讓貨品或服務的責任。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue from contracts with customers *(Cont'd)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

For property management service, the Group recognises revenue in the amount to which the entity has a right to invoice, as the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

Existence of significant financing component

For sales of properties, in determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (e.g. sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. 主要會計政策*(續)*

來自客戶合約的收益*(續)*

隨時間確認收益：計量完全履行履約責任的進展情況

就物業管理服務而言，當本集團擁有可收取來自客戶的代價之權利時，而代價之金額與實體客戶迄今為止達致之表現價值直接對應，則本集團可按實體有權開具發票的金額確認收益。

存在重大融資部分

就物業銷售，釐定交易價時，倘協定之付款時間(明示或暗示)為客戶或本集團提供有關向客戶轉讓貨品或服務之重大融資利益，本集團會就貨幣時間價值之影響調整承諾代價金額。於該等情況下，合約即包含重大融資部分。不論融資承諾是否明確列於合約或隱含在合約訂約方協定之付款條款中，均可能存在重大融資部分。

對於付款與轉讓相關貨品或服務相隔期間不足一年之合約，本集團應用可行權宜之計，而不就任何重大融資部分調整交易價。

就於轉移本集團已就重大融資而調整已承諾之代價金額之相關貨品或服務前自客戶收取之預付款項而言，本集團應用將於本集團與客戶之間於合約開始之獨立融資交易中反映之折現率。於預付款項期間收取相關利息開支，且轉移相關貨品及服務按相同基準入賬列作其他借貸成本。

獲得合約之增量成本

獲得合約之增量成本指本集團取得客戶合約所產生之成本，倘未獲得該合約，則不會產生有關成本。

倘預期可收回有關成本(如銷售佣金)，則本集團確認該等成本為一項資產。所確認資產隨後按與向客戶轉讓有關該資產之貨品或服務一致之系統基準攤銷至損益。

倘該等成本將在一年內悉數攤銷至損益，則本集團將應用可行權宜方法，支銷所有增量成本以獲得合約。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Lease

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 2)

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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2)

Short-term leases

The Group applies the short-term lease recognition exemption to leases of rental premises 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 expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets that meet the definition of investment property are presented within "investment properties".

3. 主要會計政策*(續)*

租賃

租賃的定義(根據附註2所述的過渡安排應用香港財務報告準則第16號後)

倘一份合約為換取代價而給予於一段時間內控制一項已識別資產使用的權利，則該合約屬租賃或包含租賃。

就於初始應用日期或之後訂立或修訂或產生自業務合併的合約而言，本集團根據香港財務報告準則第16號的定義於合約開始、修改日期或收購日期(如適用)評估該合約是否屬租賃或包含租賃。除非合約的條款及條件其後出現變動，否則將不會重新評估有關合約。

本集團作為承租人(根據附註2所述的過渡安排應用香港財務報告準則第16號後)

短期租賃

本集團對租賃期為自開始日期起計12個月或以下且不包含購買權的租賃物業租賃應用短期租賃確認豁免。短期租賃的租賃付款於租賃期內按直線法或其他系統基準確認為開支。

使用權資產

使用權資產的成本包括：

- 租賃負債的初始計量金額；
- 於開始日期或之前支付的任何租賃付款，減任何已收取的租賃優惠；
- 本集團產生的任何初始直接成本；及
- 本集團於拆除及拆遷相關資產、復原相關資產所在場地或復原相關資產至租賃的條款及條件所規定的狀況時估計產生的成本。

除該等分類為投資物業且按公允價值模式計量的使用權資產外，使用權資產按成本減任何累計折舊及減值虧損計量，並就租賃負債的任何重新計量作出調整。

使用權資產按其估計可使用年期及租期的較短者以直線法折舊。

符合投資物業定義的使用權資產則於「投資物業」內呈列。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Lease *(Cont'd)*

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in note 2) (Cont'd)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as lessee (prior to 1 January 2019)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

The Group as lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

3. 主要會計政策*(續)*

租賃*(續)*

本集團作為承租人(根據附註2所述的過渡安排應用香港財務報告準則第16號後)(續)

可退還租金按金

已付可退還租金按金根據香港財務報告準則第9號入賬及初步按公允價值計量。於初步確認時對公允價值的調整被視為額外租賃付款，並計入使用權資產成本。

租賃負債

於租賃開始日期，本集團按當日未支付的租賃付款現值確認及計量租賃負債。本集團會使用租賃開始日期的遞增借款利率計算租賃付款現值。

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。

於開始日期後，租賃負債按利息增長及租賃付款進行調整。

本集團在綜合財務狀況表中將租賃負債作為單獨的項目呈列。

本集團作為承租人(於二零一九年一月一日前)

經營租賃付款於租賃期內按直線法確認為開支。

本集團作為出租人

租賃之分類及計量

本集團為出租人之租賃乃分類為融資或經營租賃。當租賃條款將相關資產擁有權附帶的絕大部分風險及回報轉移至承租人時，該合約乃分類為融資租賃。所有其他租賃乃分類為經營租賃。

經營租賃之租金收入乃按有關租賃之租期以直線法於損益中確認。協商及安排經營租賃所產生之初步直接成本乃加至租賃資產之賬面值，而有關成本按租期以直線法確認為開支，惟投資物業以公允價值模式計量除外。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Lease *(Cont'd)*

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. 主要會計政策*(續)*

租賃*(續)*

本集團作為出租人(根據附註2所述的過渡安排應用香港財務報告準則第16號後)

將代價分配至合約各組成部分

當合約包括租賃及非租賃部份時，本集團應用香港財務報告準則第15號將合約的代價分配至租賃及非租賃部分。非租賃部分因彼等的相對單獨售價而與租賃部分分開呈列。

可退還租賃按金

已收可退還租金按金根據香港財務報告準則第9號入賬並初步按公允價值計量。於初步確認時對公允價值的調整被視為來自承租人的額外租賃付款。

分租

當本集團為中間出租人時，本集團將主租賃及分租作為兩份獨立合約入賬。分租乃參考來自主租賃的使用權資產(而非相關資產)分類為融資或經營租賃。

租賃修訂

本集團將經營租賃修訂自修訂生效日期起作為新租賃入賬，並將有關原定租賃的任何預付或應計租賃付款視為新租賃的租賃付款的一部分。

外幣

於編製各個別集團實體之財務報表時，以該實體功能貨幣以外之貨幣(外幣)進行之交易按交易日期之現行匯率予以確認。於各報告期末，以外幣列值之貨幣項目按有關日期現行之匯率予以重新換算。按歷史成本計量以外幣列值之非貨幣項目不予重新換算。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies *(Cont'd)*

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve attributed to non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. For properties under development for which revenue is recognised over time, the Group ceases to capitalise borrowing costs as soon as the properties are ready for the Group's intended sale.

Effective 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. 主要會計政策*(續)*

外幣*(續)*

因結算貨幣項目及重新換算貨幣項目而產生之匯兑差額，於其產生期間在損益內確認，惟應收或應付海外業務而結算並無計劃亦不可能發生(因此構成海外業務投資淨額之一部分)之貨幣項目之匯兑差額外，該等匯兑差額初步於其他綜合收益內確認，並於出售海外業務時自權益重新分類至損益。

就呈報綜合財務報表而言，本集團海外業務的資產及負債乃按各報告期末的現行匯率換算為本集團的呈報貨幣(即人民幣)。收入及開支項目則按期內的平均匯率換算，除非匯率於該期間內出現大幅波動則另作別論；於該情況，則採用交易當日現行匯率。所產生的匯兑差額(如有)乃於其他全面收益確認及於匯兑儲備項下之權益累計(於適當時撥作非控股權益)。

出售海外業務時(即出售本集團於海外業務的全部權益、或出售涉及失去包括海外業務的附屬公司的控制權)，本公司擁有人就該等業務應佔的所有累計的匯兑差額乃重新分類至損益。

此外，就部分出售不導致本集團失去附屬公司之控制權而言，累計匯兑差額分佔部分重新歸類至非控股權益且不會於損益內予以確認。

借貸成本

與收購、興建或生產合格資產(須用一段較長時間達致其擬定用途或出售的資產)直接有關的借貸成本會計入該等資產的成本，直至資產大致上達致其擬定用途或出售時為止。就隨時間確認收益的發展中物業而言，本集團於物業可用於本集團之擬定銷售用途時，會盡快暫停將借貸成本撥作資本。

任何於相關資產可用於其擬定用途或作銷售後仍為尚未支付的特定借貸會計入用作計算一般借貸資本化比率之一般借貸，自二零一九年一月一日起生效，

所有其他借貸成本均於其產生期間於損益賬確認。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in share option reserve. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3. 主要會計政策*(續)*

政府補貼

政府補貼於合理確定本集團將會符合政府補貼附帶的條件及將會獲得補貼時，方會確認入賬。

作為彌補已產生開支或虧損，或向本集團提供並無未來相關成本的即時財務援助而應收的政府補貼，在成為應收款項期間內於損益中確認。

退休福利成本

界定供款退休福利計劃的付款乃於僱員提供服務並因而享有供款權利時確認為開支。

短期及其他長期僱員福利

短期僱員福利於僱員提供服務時按預期支付福利的未折現金額確認。所有短期僱員福利均確認為開支，除非有另一項香港財務報告準則規定或允許將福利計入資產成本則作別論。

僱員累計福利(如工資及薪金、年假及病假)於扣除任何已付金額後確認為負債。

以股份支付的款項

以股權結算以股份支付之付款交易

授予僱員之購股權

向僱員和其他提供類似服務人士以股權結算以股份支付之付款按照股本工具於授出日期的公平值計量。

以股權結算以股份支付之付款按授出日期釐定的公平值(並無計及所有非市場歸屬條件)乃根據本集團對最終將歸屬的股本工具之估計，於歸屬期內以直線法支銷，而相應增加計入購股權儲備。於各報告期末，本集團根據所有相關非市場歸屬條件的評估修訂預期歸屬股本工具的估計數目。修訂原有估計的影響(如有)於損益內確認，令累計開支反映經修訂的估計，並相應調整至購股權儲備。

當購股權獲行使時，先前於購股權儲備中確認之款項將轉撥至股份溢價。當購股權於歸屬日期後被沒收或於屆滿日仍未獲行使，先前於購股權儲備中確認之款項將轉撥至保留溢利。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, and interests in an associate and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. 主要會計政策*(續)*

稅項

所得稅開支乃指即期應付稅項及遞延稅項的總額。

即期應付稅項乃按年內應課稅溢利計算。應課稅溢利與稅前溢利有所不同，此乃由於在其他年度應課稅或可減免之收入或開支項目以及毋須課稅或不可減免的項目。本集團的即期稅項負債乃使用於報告期末已頒佈或實質頒佈的稅率計算。

遞延稅項於綜合財務報表內資產及負債賬面值與用作計算應課稅溢利的相應稅基的暫時差額確認。遞延稅項負債一般會就所有應課稅的暫時差額確認，而遞延稅項資產一般乃按可能出現可動用可減免的暫時差額的應課稅溢利時確認所有扣減暫時差額。若於一項交易中，因業務合併以外原因初步確認資產及負債而引致不影響應課稅溢利及會計溢利的暫時差額，則不會確認該等遞延稅項資產及負債。此外，若暫時差額是源自商譽之初始確認，則不確認遞延稅項負債。

遞延稅項負債乃按因於附屬公司的投資以及於聯營公司及合營公司的權益有關的應課稅暫時差額而確認，惟若本集團能控制暫時差額的撥回及暫時差額於可見將來可能不會撥回的情況則除外。與該等投資及權益相關的可扣減暫時差額產生的遞延稅項資產僅於可能將有足夠應課稅溢利以應用暫時差額且預期將於可見將來撥回時方始確認。

遞延稅項資產的賬面值於各報告期末作審閱，並在不再可能有足夠應課稅溢利收回全部或部分資產時作扣減。

遞延稅項資產及負債乃按預期於償還負債或資產變現期間適用的稅率計量，所根據的稅率(及稅法)乃於報告期末已頒佈或實質上已頒佈者。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation *(Cont'd)*

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right- of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. 主要會計政策*(續)*

稅項*(續)*

遞延稅項負債及資產的計量反映本集團於報告期末預期將要收回或償還其資產及負債的賬面值的稅務後果。

就計量遞延稅項負債而言，利用公平值模型計量的投資物業之賬面值乃假設通過銷售全數收回，除非該假設被推翻則除外。當投資物業可予折舊及於本集團的業務模式(其業務目標是隨時間而非透過銷售消耗投資物業所包含的絕大部分經濟利益)內持有時，有關假設會被推翻。

就計量本集團確認使用權資產及相關租賃負債的租賃交易的遞延稅項而言，本集團首先釐定稅項扣減是否歸因於使用權資產或租賃負債。

就稅項扣減歸因於租賃負債的租賃交易而言，本集團對整項租賃交易應用香港會計準則第12號所得稅之規定。與使用權資產及租賃負債相關的暫時性差額會按淨額基準評估。使用權資產折舊超出租賃負債本金部分的租賃付款的金額會產生可扣減暫時性差額淨額。

當即期稅項資產與即期稅項負債可依法相互抵銷，且是與同一稅務機關向同一稅務實體所徵收的所得稅有關時，遞延稅項資產及負債可相互抵銷。

即期及遞延稅項於損益賬確認，惟倘彼等與於其他全面收入確認或直接於權益確認的項目有關。在該情況下，即期及遞延稅項亦分別於其他全面收入確認或直接於權益確認。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than freehold lands and properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Construction in progress in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interest which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. 主要會計政策*(續)*

物業、廠房及設備

物業、廠房及設備為就用於生產或供應貨物或服務或作行政用途持有的有形資產(下文所述之永久業權土地及在建物業除外)。物業、廠房及設備於綜合財務狀況報表以成本減其後累計折舊及其後累計減值虧損(如有)列賬。

永久業權土地並不計提折舊，並按成本減其後累計減值虧損計量。

興建中的在建工程(作生產、供應或行政用途)按成本減任何已確認減值虧損列賬。成本包括使資產達到能夠按照管理層擬定的方式經營所需的位置及條件而直接產生的任何成本，以及就合資格資產而言，根據本集團的會計政策撥作資本的借貸成本。該等資產按其他物業資產的相同基準，在可作擬定用途時開始折舊。

於租賃土地及樓宇的擁有權權益

倘本集團就含有租賃土地及樓宇成分的擁有權權益付款時，則全部代價於租賃土地及樓宇成分之間按初始確認時的相對公允價值的比例分配。

當付款無法在租賃土地及樓宇成分之間可靠分配時，整項物業被一般分類為物業、廠房及設備。

資產(除了永久業權土地及在建工程)會以直線法在其估計使用年期內撇銷其成本減去殘值後確認折舊。估計使用年期、殘值和折舊方法會在每個報告期末覆核，並採用未來適用法對估計變更的影響進行核算。

物業、廠房及設備項目將於出售時或預期繼續使用有關資產亦不會帶來任何未來經濟利益時終止確認。出售或棄用某個物業、廠房及設備項目所產生任何收益或虧損，按有關資產的出售所得款項與其賬面值差額計算，並在損益內確認。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Effective 1 January 2019, investment properties also include leased properties that are recognised as right-of-use assets upon application of HKFRS 16 which are subleased by the Group under operating leases. The carrying amounts of these investment properties include the carrying amount of the related lease liabilities, where appropriate, to avoid double counting.

Investment properties are initially measured at cost, including any directly attributable expenditure. Cost incurred for investment properties under development comprises development expenditure including professional charges directly attributable to the development and borrowing costs, and these costs are capitalised as part of the carrying amount of the investment properties under development during the development period.

Subsequent to initial recognition, investment properties including completed investment properties and investment properties under development, are measured at their fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Effective 1 January 2019, a leased property which is recognised as a right-of-use asset upon application of HKFRS 16 is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If there is a transfer from investment property carried at fair value to owner-occupied property evidenced by the commencement of owner occupation, the property's deemed cost for subsequent accounting shall be its fair value at the date of change in use.

3. 主要會計政策*(續)*

投資物業

投資物業指為賺取租金及／或資本增值而持有的物業(包括作該等用途的在建物業)。

自二零一九年一月一日起，投資物業亦計入於應用香港財務報告準則第16號後確認為使用權資產的租賃物業，而有關租賃物業乃由本集團根據經營租賃進行分租。該等投資物業的賬面值包括相關租賃負債的賬面值(如適用)，以避免重覆計算。

投資物業按成本值(包括任何直接應佔費用)進行初始計量。在發展中投資物業產生之成本包括開發直接相關專業費用及借貸成本等發展開支，該等成本於開發期間資本化為發展中投資物業賬面值的一部分。

於初次確認後，投資物業(包括已完成投資物業及發展中投資物業)乃按其公允價值計量，並就撇除任何預付或應計經營租賃收入而作出調整。投資物業公允價值變動所產生之盈虧於產生期間計入損益。

就在建投資物業而產生的建築成本資本化為在建投資物業賬面值的一部分。

投資物業於出售時或於投資物業永久不可使用及預期其出售不會產生任何未來經濟利益時予以撇除確認。自二零一九年一月一日起，倘本集團(作為中間出租人)將分租分類為融資租賃，於應用香港財務報告準則第16號後確認為使用權資產的租賃物業則會被終止確認。撇除確認該物業所產生之任何收益或虧損(計算為出售所得款項淨額與該資產賬面值間之差額)於該物業被撇除確認之當期計入損益。

倘按公允價值列賬之投資物業轉撥為業主自用物業，並由業主開始自用予以證實，則該物業於其後入賬時之視作成本應為其於改變用途當日之公允價值。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Properties for/under development/properties for sale

Properties for/under development which are intended to be sold upon completion of development and properties for sale are classified as current assets. Except for the leasehold land element which is measured at cost model in accordance with the accounting policies of right-of-use assets upon the application of HKFRS 16, properties for/under development/properties for sale are carried at the lower of cost and net realisable value. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties for/under development for sale are transferred to properties for sale upon completion.

Other inventories

Other inventories comprising consumable stores for own consumption which are recognised at cost, and subsequently at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Transfer from inventories to investment properties carried at fair value

The Group transfers a property from inventories to investment property when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

Impairment on tangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

3. 主要會計政策*(續)*

待發展／發展中物業／待售物業

擬於開發完成後出售的待發展／發展中物業及待售物業被分類為流動資產。除租賃土地部分於應用香港財務報告準則第16號後按照使用權資產之會計政策以成本模式計量外，待發展／發展中物業／待售物業均以成本及可變現淨值兩者之較低者入賬。成本按特定識別基準釐定，包括分配所產生之有關開發成本及(倘適用)撥作資本的借貸成本。可變現淨值指物業估計售價減完成之估計成本及進行銷售之估計必要成本。

待發展／發展中待售物業於完成後轉撥至待售物業。

其他存貨

其他存貨包括供本身消耗的消耗品庫存材料，乃按成本確認，而隨後以成本及可變現淨值兩者之較低者確認。存貨成本乃以加權平均法釐定。可變現淨值指存貨的估計售價減所有估計完成成本及進行銷售之估計必要成本。

從存貨轉撥至以公允價值列賬的投資物業

當持有物業的目的發生改變至賺取租金或／及實現資本增值，而非於日常業務過程中出售(以向另一方提供經營租賃開始為證)時，本集團將物業從存貨轉撥至投資物業。於轉撥日期之物業公允價值與其先前賬面金額之間的任何差異於損益確認。

除商譽外有形資產減值

本集團會於報告期末審閱其有形資產之賬面值，以確定有否任何跡象顯示該等資產已出現減值虧損。倘有任何該等跡象存在，須估計相關資產可收回金額以釐定減值虧損程度(如有)。

有形資產之可收回金額乃按個別基準進行估計。倘無法按個別基準估計可回收金額，本集團會估計該資產所屬現金產生單位的可回收金額。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment on tangible assets other than goodwill *(Cont'd)*

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. 主要會計政策*(續)*

除商譽外有形資產減值*(續)*

此外，本集團對是否有跡象顯示公司資產可能出現減值進行評估。倘存在有關跡象，於可識別合理一致的分配基準時，公司資產亦會分配至個別現金產生單位，否則有關資產會分配至可識別合理一致分配基準的現金產生單位最小組別。

可收回金額乃公允價值扣除出售成本與使用價值之較高者。在評估使用價值時，估計未來現金流量將使用稅前貼現率貼現至其現值，以反映目前貨幣時間值之市場評估及未調整未來現金流估計之資產(或現金產生單位)之特定風險。

倘資產(或現金產生單位)可收回金額估計低於其賬面值，則該資產(或現金產生單位)賬面值將扣減至其可收回金額。就未能按合理一致的基準分配至現金產生單位的企業資產或部分企業資產，本集團會比較一個組別的現金產生單位賬面值(包括已分配至該組現金產生單位的企業資產或部分企業資產的賬面值)與該組現金產生單位的可收回金額。於分配減值虧損時，首先分配減值虧損以減低任何商譽的賬面值(如適用)，然後根據該單位或該組現金產生單位內各項資產的賬面值按比例分配至其他資產。資產的賬面值不會被減少至低於其公允價值減出售成本(如可計量)、其使用價值(如可釐定)及零之最高者。以其他方式分配至資產的減值虧損金額按比例分配至該單位的其他資產。減值虧損應即時於損益內確認。

倘若減值虧損其後撥回，則該資產(或現金產生單位或一組現金產生單位)之賬面值會增加至修訂後之估計可收回款額，惟所增加之賬面值數額不得超過倘以往年度該資產(或現金產生單位或一組現金產生單位)未有確認減值虧損之賬面值。減值虧損撥回會即時於損益賬內確認。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. 主要會計政策*(續)*

撥備

倘本集團因過去事件而承擔現有責任(法定或推定)，而本集團很可能須履行該責任，並可就該責任之金額作出可靠估計時，則會確認撥備。

確認為撥備之金額為於報告期結束時履行現時責任所需代價之最佳估計，而估計乃經考慮圍繞責任之風險及不確定性而作出。倘撥備以估計履行現有責任之現金流量計量時，其賬面值為該等現金流量之現值(倘貨幣時間值之影響屬重大)。

金融工具

倘集團實體成為工具合約條文的訂約方，則確認金融資產及金融負債。所有常規購買或出售金融資產均按交易日基準確認及終止確認。常規購買或出售的方式乃購買或銷售金融資產，並要求於市場上按規則或慣例設定之時間框架內交付資產。

財務資產及財務負債初步按公允價值計量，惟來自與客戶訂立合約的貿易應收款項初始按香港財務報告準則第15號計量。與收購或發行直接相關之財務資產及財務負債(透過損益按公允價值列賬的金融資產或金融負債除外)，於初步確認時加入財務資產或財務負債(如適用)的公允價值，或自財務資產或財務負債(如適用)的公允價值中扣除。與收購金融資產或透過損益按公允價值列賬的金融負債直接相關之交易成本會即時於損益內確認。

實際利率法為計算金融資產或金融負債攤銷成本及於有關期間分配利息收入及利息開支之方法。實際利率為可準確將金融資產或金融負債在預計年期或較短期間內(如適用)產生之估計未來現金收入及付款(包括構成實際利率不可或缺部分之已付或已收之一切費用及點數、交易成本及其他溢價或折價)折算為初步確認時之賬面淨值之利率。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost of FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產

金融資產之分類及其後計量

符合以下條件的金融資產其後按攤銷成本計量：

- 目的為收取合約現金流的業務模式下持有的金融資產；及
- 合約條款引述於特定日期產生僅為支付本金及未償還本金利息的現金流量。

符合以下條件的金融資產其後按公允價值計入其他全面收益(「按公允價值計入其他全面收益」)之方式計量：

- 目的為出售及收取合約現金流量的業務模式下持有的金融資產；及
- 合約條款引述於特定日期產生僅為支付本金及未償還本金利息的現金流量。

所有其他金融資產其後按公允價值計入損益(「按公允價值計入損益」)計量，倘該股權投資並非持作買賣或收購方應用香港財務報告準則第3號「業務合併」於業務合併中確認或然代價，於初始應用香港財務報告準則第9號／初始確認金融資產日期本集團可作不可撤回之選擇於其他全面收益(「其他全面收益」)內呈列股權投資其後的公允價值變動除外。

在下列情況下，金融資產為持作買賣：

- 主要為於短期內出售而收購；或
- 初步確認屬於本集團合併管理之可識別金融工具組合之一部份，並具有最近實際短期獲利模式；或
- 並未被指定且可有效作為對沖工具之衍生工具。

此外，本集團可不可撤回地指定須按攤銷成本計量或按公允價值計入其他全面收益之金融資產以按公允價值計入損益之方式計量，前提為有關指定可消除或大幅減少會計錯配。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets *(Cont'd)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產之分類及其後計量*(續)*

(i) 攤銷成本及利息收入

金融資產之利息收入使用實際利率法確認及其後按攤銷成本計量，債務工具／應收款項其後以按公允價值計入其他全面收益之方式計量。利息收入乃通過對金融資產之賬面總值應用實際利率計算得出，惟其後成為信貸減值之金融資產除外(見下文)。就其後成為信貸減值之金融資產而言，利息收入透過對下一報告期間金融資產之攤銷成本應用實際利率予以確認。倘信貸減值金融工具之信貸風險有所改善，以致金融資產不再出現信貸減值，則利息收入透過於資產被釐定為不再出現信貸減值後之報告期間開始時，對金融資產賬面總值應用實際利率予以確認。

(ii) 分類為按公允價值計入其他全面收益之債務工具

由於採用實際利率法計算之利息收入而分類為按公允價值計入其他全面收益之債務工具賬面值之其後變動於損益中確認。該等債務工具賬面值之所有其他變動於其他全面收益中確認，並於投資重估儲備項下累計。減值撥備於損益中確認，並在不減少該等債務工具賬面值的情況下對其他全面收益作出相應調整。倘該等債務工具按攤銷成本計量，則在損益中確認之金額與本應在損益中確認之金額相同。當該等債務工具終止確認時，先前於其他全面收益中確認之累計收益或虧損重新分類至損益。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets *(Cont'd)*

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, other gains and losses" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including accounts receivable, deposits paid, other receivables, amounts due from a joint venture, restricted bank deposits, bank balances) and financial guarantee contracts which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產之分類及其後計量*(續)*

(iii) 指定為按公允價值計入其他全面收益之股本工具

按公允價值計入其他全面收益之股本工具投資其後按公允價值計量，其公允價值變動產生之收益及虧損於其他全面收益中確認，並於投資重估儲備項下累計；且毋須進行減值評估。累計收益或虧損不會於出售股權投資後重新分類至損益，且將繼續於投資重估儲備內持有。

當本集團收取股息的權利獲確立時，該等股本工具投資的股息於損益內確認，除非股息明確表示收回部分投資成本。股息計入損益內「其他收入、其他收益及虧損」項目中。

(iv) 按公允價值計入損益之金融資產

不符合按攤銷成本或按公允價值計入其他全面收益計量之標準之金融資產乃按公允價值計入損益計量。

按公允價值計入損益之金融資產於各報告期末按公允價值計量，而任何公允價值收益或虧損均於損益內確認。於損益內確認之收益或虧損淨額包括就金融資產賺取之任何股息或利息。

金融資產減值

本集團根據預期信貸虧損(「預期信貸虧損」)模式對金融資產(包括應收賬款、已付按金、其他應收款項、應收一間合營公司款項、受限制銀行存款、銀行結餘)及根據香港財務報告準則第9號須受限於減值的財務擔保合約進行減值評估。預期信貸虧損金額於各報告日期予以更新，以反映信貸風險自初始確認以來的變動。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Impairment of financial assets *(Cont'd)*

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable without significant financing component. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產減值*(續)*

存續期預期信貸虧損指於相關工具預計年期內所有可能的違約事件將產生的預期信貸虧損。相反，12個月預期信貸虧損(「12個月預期信貸虧損」)指於報告日期後12個月內可能發生的違約事件預計產生的該部分有效期預期信貸虧損。評估乃根據本集團過往信貸虧損經驗進行，並就債務人特定因素、整體經濟環境及報告日期當前情況及預測未來情況的評估作出調整。

本集團一直就並無重大融資組成部分的應收賬款確認存續期預期信貸虧損。本集團就該等資產之預期信貸虧損使用撥備矩陣配合適當分組作集體評估。

對於所有其他工具而言，本集團按12個月預期信貸虧損等額計量虧損撥備，除非信貸風險自初始確認以來顯著上升，本集團確認存續期預期信貸虧損。評估是否應確認存續期預期信貸虧損的依據，是自初始確認以來發生違約的可能性或風險顯著上升。

(i) 信貸風險顯著上升

評估信貸風險自初始確認以來是否顯著上升時，本集團會比較金融工具於報告日期發生違約的風險與金融工具於初始確認日期發生違約的風險。作出評估時，本集團會考慮合理及具支持性的定量及定性資料，包括過往經驗及可以合理成本及精力獲取的前瞻性資料。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Impairment of financial assets *(Cont'd)*

(i) Significant increase in credit risk *(Cont'd)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產減值*(續)*

(i) 信貸風險顯著上升*(續)*

具體而言，評估信貸風險是否顯著上升時會考慮以下資料：

- 金融工具外部(如有)或內部信貸測評的實際或預期顯著惡化；
- 信貸風險的外部市場指標顯著惡化，例如債務人的信貸息差、信用違約掉期價格顯著上升；
- 商業、金融或經濟情況目前或預期有不利變動，預計將導致債務人償還債項的能力顯著下降；
- 債務人經營業績實際或預期顯著惡化；
- 債務人的監管、經濟或技術環境有實際或預計的重大不利變動，導致債務人履行債務責任的能力顯著下降。

不論上述評估結果如何，本集團均假設合約付款逾期超過30日後信貸風險自初始確認以來顯著上升，除非本集團有合理及具支持性的資料說明其他情況。

儘管存在上述情況，倘債務工具於報告日期展示為具有低信貸風險，本集團假設債務工具的信貸風險自初始確認起並無大幅增加。倘i)其違約風險偏低，ii)借方有強大能力於短期滿足其合約現金流量責任，及iii)較長期的經濟及業務狀況存在不利變動，惟將未必削弱借方達成其合約現金流量責任的能力，則債務工具的信貸風險會被釐定為偏低。當債務工具的內部或外部信貸評級為「投資級別」(按照全球理解的釋義)，則本集團會視該債務工具的信貸風險偏低。

本集團定期監察用以確定信貸風險曾否顯著增加的標準的成效，並於適當時候作出修訂，從而確保有關標準能夠於款項逾期前確定信貸風險顯著增加。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Impairment of financial assets *(Cont'd)*

(ii) Definition of default

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產減值*(續)*

(ii) 違約定義

儘管上文所述，本集團認為，倘該工具逾期超過90天，則已發生違約事件，除非本集團有合理且有理據的資料顯示更寬鬆的違約標準更為合適。

(iii) 信貸減值金融資產

倘發生一項或多項對金融資產估計未來現金流量有不利影響的違約事件，則金融資產出現信貸減值。金融資產信貸減值的證據包括有關下列事件的可觀察數據：

(a) 發行人或借款人出現嚴重財務困難；

(b) 違反合約，如違約或逾期事件；

(c) 借款人的放款人因與借款人出現財務困難有關的經濟或合約理由而給予借款人在一般情況下放款人不予考慮的優惠條件；

(d) 借款人可能破產或進行其他財務重組；或

(e) 因財務困難而導致該金融資產失去活躍市場。

(iv) 撇銷政策

倘有資料顯示交易對手處於重大財政困難時，且並無實際收回可能(例如交易對手已被清盤或已進入破產程序)，或就應收賬款而言，有關金額逾期超過兩年(以較早發生者為準)，本集團會撇銷金融資產。在考慮法律意見(如適當)後，已撇銷的金融資產仍可根據本集團的收回程序實施強制執行。撇銷構成終止確認事件。任何其後收回均會於損益內確認。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Impairment of financial assets *(Cont'd)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with *HKFRS 16 Leases* (since 1 January 2019) or *HKAS 17 Leases* (prior to 1 January 2019).

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's accounts and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產減值*(續)*

(v) 預期信貸虧損的計量及確認

預期信貸虧損的計量為違約可能性、違約損失率(即出現違約時的損失幅度)及違約風險的函數。違約可能性及違約損失率的評估乃按照歷史數據進行，並就前瞻性資料作出調整。預期信貸虧損的估計反映無偏頗及概率加權之金額，乃按發生相應違約風險之權重釐定。

一般而言，預期信貸虧損為根據合約到期支付予本集團的所有合約現金流量與本集團預期收取的現金流量之間的差異，並按於初始確認時釐定的實際利率折現。就租賃應收款項而言，用於釐定預期信貸虧損的現金流量與按照*香港財務報告準則第16號租賃*(自二零一九年一月一日起)或*香港會計準則第17號租賃*(於二零一九年一月一日前)計量租賃應收款項時使用的現金流量一致。

倘預期信貸虧損按整體基準計量或針對個別工具層面的證據可能尚未提供的情況，則金融工具按以下基準分組：

- 金融工具的性質(即本集團的應收賬款及其他應收款項均作為單獨組別進行評估)；
- 逾期狀況；
- 債務人的性質、規模及行業；及
- 可用的外部信貸評級。

管理層定期檢討分組，以確保各組的組成繼續具有類似的信貸風險特徵。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Impairment of financial assets *(Cont'd)*

(v) Measurement and recognition of ECL *(Cont'd)*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產減值*(續)*

(v) 預期信貸虧損的計量及確認*(續)*

利息收入乃按金融資產的總賬面值計算，除非金融資產發生信貸減值，於該情況下，利息收入按金融資產的攤銷成本計算。

除按公允價值計入其他全面收益計量的債務工具投資外，本集團透過調整所有金融工具的賬面值於損益確認其減值收益或虧損，惟應收賬款除外，其相應調整乃透過虧損撥備賬確認。就按公允價值計入其他全面收益計量的債務工具投資而言，虧損撥備於其他全面收益確認，並在不減少該等債務工具賬面值的情況下於投資重估儲備內累計。

終止確認金融資產

僅於從資產收取現金流量之合約權利已到期，或其已轉讓金融資產並將資產擁有權之絕大部份風險及回報轉移至另一實體，則本集團終止確認金融資產。

於終止確認按攤銷成本計量的金融資產時，資產賬面值與已收及應收代價總和間之差額於損益確認。

於終止確認分類為按公允價值計入其他全面收益的債務工具投資時，先前於按公允價值計入其他全面收益儲備中累計的累計收益或虧損重新分類至損益。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including accounts and other payables, borrowings, debt component of convertible bonds and senior notes and bond are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts liabilities are measured initially at their fair values It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

3. 主要會計政策*(續)*

金融工具*(續)*

金融負債及股本

分類為債務或股本

債務及股本工具乃根據合約安排之內容以及金融負債和股本工具之定義被分類為金融負債或股本。

股本工具

股本工具為證明於扣除所有負債後實體之資產剩餘權益之任何合約。由本集團發行之股本工具按已收取所得款項減直接發行成本後確認。

金融負債

所有金融負債其後均使用實際利率法按攤銷成本計量。

按攤銷成本列賬之金融負債

金融負債包括使用實際利率法，其後按攤銷成本計量之應付賬款及其他應付款項、借貸、可換股債券、優先票據及債券之債務部分。

財務擔保合約

財務擔保合約為發行人須因指定債務人未能根據債務工具之條款支付到期款項致使持有人蒙受損失時，向持有人償付指定款項之合約。財務擔保合約負債初步按其公允價值計量。其後按下列各項之較高者計量：

- 根據香港財務報告準則第9號釐定之虧損撥備金額；及
- 初次確認之金額減去於擔保期內確認之累計攤銷(如適用)。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity (Cont'd)

Convertible bonds contain debt and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Senior notes and bond

Senior notes issued by the Group that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

Bond issued by the Group that contains both liability and interest rate adjustments (which is closely related to the host contract) is not separated into host contract and embedded derivative on initial recognition. At the date of issue, the bond is recognised at fair value.

3. 主要會計政策*(續)*

金融工具*(續)*

金融負債及股本(續)

含有債務及衍生工具部分之可換股債券

倘兑換股權將透過以固定金額之現金或另一項金融資產換取固定數目之本集團實體之股本工具以外的方式結算，則分類為兑換股權衍生工具。

於發行日期，債務部分及衍生工具部分均按公允價值確認。於往後期間，可換股債券的債務部分乃採用實際利率法按攤銷成本入賬。衍生工具部分乃按公允價值計量，而公允價值的變動則於損益中確認。

與發行可換股債券有關的交易成本乃按彼等相關公允價值的比例分配至債務及衍生工具部分。與衍生工具部分有關的交易成本即時於損益中扣除。與債務部分有關的交易成本計入債務部分的賬面值，並採用實際利率法按可換股債券的年期攤銷。

金融負債之非重大變更

就不會導致終止確認的金融負債的非重大變更而言，相關金融負債的賬面值將會按照經修改合約現金流量的現值計算，並按照金融負債的初始實際利率貼現。已產生的交易成本或費用將調整為經修改金融負債的賬面值，並在剩餘年期內攤銷。對金融負債賬面值的任何調整均於修改日期在損益內確認。

優先票據及債券

本集團發行包含負債及提前贖回權(與主合約並無密切關係)之優先票據在初步確認時分開歸類於有關項目。於發行日期，負債及提前贖回權部分均按公允價值確認。

本集團發行包含負債及利率調整(與主合約有密切關係)之債券在初步確認時並無分類作主合約及嵌入式衍生工具。於發行日期，債券按公允價值確認。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity (Cont'd)

Senior notes and bond *(Cont'd)*

In subsequent periods, the liability components of the senior notes and bond are carried at amortised cost using effective interest method. The early redemption option of senior notes is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that related to the issue of the senior notes and bond are included in the carrying amount of the senior notes and bond and amortised over the period of the senior notes and bond using the effective interest method.

Derivatives financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3. 主要會計政策*(續)*

金融工具*(續)*

金融負債及股本(續)

優先票據及債券*(續)*

於後續期間，優先票據及債券之負債部分乃使用實際利率法按攤銷成本列賬。優先票據之提前贖回權按照公允價值計量，並於損益內確認公允價值變動。

與發行優先票據及債券相關之交易成本乃計入優先票據及債券之賬面值，並按優先票據及債券之期限採用實際利率法攤銷。

衍生金融工具

衍生工具最初於衍生工具合約訂立當日按其公允價值確認，並其後於報告期末按公允價值重新計量。由此產生之收益或虧損於損益內確認，除非衍生工具被指定為對沖工具並行之有效。在該情況下，於損益確認之時間乃視乎對沖關係之性質而定。

終止確認金融負債

僅在本集團的義務已經履行、解除或到期時，本集團才終止確認金融負債。終止確認的金融負債的賬面值與已付及應付的代價之間的差額會在損益中確認。

4. 重要會計判斷及主要估計不確定性來源

於應用附註3所載之本集團會計政策時，本公司董事須就從其他來源並非顯而易見之資產及負債賬面值作出判斷、估計及假設。估計及相關假設乃基於過往經驗及認為屬相關之其他因素作出。實際結果可能有別於該等估計。

估計及相關假設會持續檢討。倘若會計估計修訂只影響修訂估計之期間，則有關修訂會在該期間確認；倘若有關修訂既影響當期，亦影響未來期間，則有關修訂會在修訂期間及未來期間確認。

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have determined that certain of the Group's investment properties as at 31 December 2019 amounting to RMB13,529,300,000 (2018: RMB12,840,412,000) situated in the People's Republic of China (excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan) (the "Mainland China") 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. The presumption that the carrying amounts of certain of the Group's investment properties situated in the Mainland China are recovered entirely through sale has been rebutted and the deferred tax on the changes in fair value of these investment properties is recognised according to the relevant tax rules. For remaining investment properties amounting to RMB10,038,229,000 (2018: RMB9,276,839,000), the presumption that the carrying amounts of these investment properties measured using fair value model were recovered entirely through sales was not rebutted.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Income tax

The Group is subject to income tax in various jurisdictions. Significant judgement is required in determining the amount of the provision of tax and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in periods in which such determinations are made.

4. 重要會計判斷及主要估計不確定性來源*(續)*

應用會計政策的重要判斷

以下乃本公司董事於應用本集團會計政策過程中所作對綜合財務報表確認之數額構成最重大影響之重要判斷，惟涉及估計者(見下文)除外。

投資物業遞延稅項

就計量由使用公允價值模型計量的投資物業所產生的遞延稅項負債或遞延稅項資產而言，本公司董事決定本集團於二零一九年十二月三十一日金額為人民幣13,529,300,000元(二零一八年：人民幣12,840,412,000元)的若干位於中華人民共和國(不包括香港、中華人民共和國澳門特別行政區及台灣)(「中國內地」)的投資物業乃根據旨在假以時日而非透過出售消耗投資物業所包含的絕大部分經濟利益的業務模式持有。本集團若干位於中國內地的投資物業賬面值可因出售而完全收回的假設已被駁回，而就該等投資物業的公允價值變動而產生的遞延稅項乃根據相關稅項規定確認。餘下投資物業為人民幣10,038,229,000元(二零一八年：人民幣9,276,839,000元)，就該等投資物業而言，該等使用公允價值模式計量的投資物業賬面值可透過銷售全面收回的推定未被駁回。

主要估計不確定性來源

下文闡述於報告期末可能構成重大風險以致對下一財政年度之資產與負債之賬面值作出重大調整之未來相關主要假設及其他主要估計不確定性來源。

所得稅

本集團須繳納不同司法權區的所得稅。釐定稅項撥備的金額及支付相關稅項的時間須作出重大判斷。當最終稅項結果不同於最初記錄的金額時，有關差額將對作出該等釐定期間的所得稅及遞延稅項撥備產生影響。

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Key sources of estimation uncertainty *(Cont'd)*

Income tax (Cont'd)

The Group is subject to LAT in the Mainland China. However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the Mainland China, and the Group has not finalised certain LAT calculation and payments with local tax authorities in the Mainland China. Accordingly, significant judgement is required in determining the amount on the appreciation of land value and its related LAT. The Group recognised LAT based on the management's best estimates according to the understanding of the tax rules, which are determined by the appreciation of land value. The amount of the land appreciation is determined with reference to estimated proceeds of the sales of properties less the estimated deductible expenditures, including the cost of land use rights and all property development expenditures.

During the year, the Group incurred LAT of RMB1,023,621,000 (2018: RMB685,180,000) which was charged to the consolidated statement of profit or loss as income tax expense. The directors of the Company considered the amount charged to the consolidated statement of profit or loss to be adequate as this is calculated according to the method which is in compliance with the existing rules and interpretation of LAT.

As at 31 December 2019, a deferred tax asset of RMB131,314,000 (2018: RMB nil) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in respect of tax losses of RMB92,844,000 (2018: RMB23,066,000) as it is not probable that taxable profit will be available due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, additional recognition of deferred tax assets may arise, which would be recognised in the consolidated statement of profit or loss for the period in which it takes place.

4. 重要會計判斷及主要估計不確定性來源*(續)*

主要估計不確定性來源*(續)*

所得稅(續)

本集團在中國內地須繳付土地增值稅。然而，中國內地城市不同稅收管轄區對土地增值稅的執行及結算不盡相同，而本集團尚未與中國內地任何地方稅務局落實其若干土地增值稅的計算及付款方法。因此，須作出重大判斷以釐定土地增值額及其相關土地增值稅。本集團根據管理層按其對稅務規則的理解作出的最佳估計，即按土地增值額確認土地增值稅。土地增值金額參考物業銷售減預計可扣稅開支之預計所得款項而釐定，有關可扣稅開支包括土地使用權成本以及所有物業開發開支。

年內，本集團產生土地增值稅人民幣1,023,621,000元(二零一八年：人民幣685,180,000元)，作為所得稅開支自綜合損益表中扣除。本公司董事認為，自綜合損益表中扣除的該筆款額充分，因為此乃根據符合土地增值稅現有規則及詮釋的方法計算。

於二零一九年十二月三十一日，有關未動用稅項虧損之遞延稅項資產人民幣131,314,000元(二零一八年：人民幣零元)已於本集團綜合財務狀況報表中確認。由於未來盈利來源的不可預測性，將不太可能取得應課稅盈利，因此並無就稅項虧損人民幣92,844,000元(二零一八年：人民幣23,066,000元)確認遞延稅項資產。遞延稅項資產的變現能力主要取決於未來是否有足夠的未來盈利或應課稅臨時差額。如所產生的實際未來盈利高於預期，可能產生遞延稅項資產的額外確認，並於產生該項確認的期間於綜合損益表內確認。

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Key sources of estimation uncertainty *(Cont'd)*

Valuation of investment properties

Investment properties with the aggregate carrying amount as at 31 December 2019 of RMB23,567,529,000 (2018: RMB22,117,251,000) are stated at fair value based on the valuation performed by independent professional valuers. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent firm of property valuers using property valuation techniques which involve certain assumptions. Changes in assumptions may result in changes in the fair value of the Group's investment properties which are reported in the consolidated statement of profit or loss and affect the carrying amount of these properties included in the consolidated statement of financial position.

Information about valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties are disclosed in note 13.

Assessment of net realisable value of properties held for sale and properties under development for sale

The directors of the Company determine the net realisable value of completed properties held for sale with carrying amount of RMB2,467,237,000 (2018: RMB3,302,382,000) by using prevailing market data such as most recent sale transactions.

The assessment of directors of the Company on net realisable value of properties under development for sale with carrying amount of RMB8,165,855,000 (2018: RMB7,407,278,000) requires the estimates of future cash flows to be derived from these properties. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The Group had not recognised any an impairment loss for the years ended 31 December 2019 and 2018. Where there is any decrease in the estimated selling prices arising from any changes to the property market conditions, a further loss will be recognised on the properties held for sale and properties under development for sale.

4. 重要會計判斷及主要估計不確定性來源*(續)*

主要估計不確定性來源*(續)*

投資物業之估值

於二零一九年十二月三十一日，總賬面值為人民幣23,567,529,000元(二零一八年：人民幣22,117,251,000元)的投資物業乃基於獨立專業估值師行的估值按公允價值列賬。投資物業之公允價值乃參考獨立物業估值公司採用物業估值法(涉及若干假設)對該等物業進行之估值而釐定。該等假設變動可能導致本集團投資物業的公允價值出現變動，該等公允價值變動於綜合損益表呈報，並影響綜合財務狀況報表所列之該等物業之賬面值。

有關釐定投資物業公允價值所採用的估值技術、輸入數據及主要假設資料披露於附註13。

待售物業及發展中待售物業之可變現淨值評估

本公司董事採用最新銷售交易等現行市場數據，而釐定賬面值為人民幣2,467,237,000元(二零一八年：人民幣3,302,382,000元)之待售建成物業的可變現淨額。

本公司董事對賬面值為人民幣8,165,855,000元(二零一八年：人民幣7,407,278,000元)之發展中待售物業的可變現淨額的評估須按有關物業未來的現金流量估計。有關估算須根據附近地點的近期銷售交易、推廣費用(包括促銷的價格折扣)及有關預計完成物業的費用、法律和監管架構及一般市況，從而判斷出預期的銷售價格。

截至二零一九年及二零一八年十二月三十一日止年度，本集團沒有確認任何減值虧損。倘房地產市場情況的任何變動使估計銷售價格下跌，將於待售物業及發展中待售物業確認進一步虧損。

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the income from property development, property leasing and provision of comprehensive services, net of business tax and other sales related taxes and after deduction of any discounts.

An analysis of the Group's revenue for the year is as follows:

5. 收益及分類資料

收入為來自物業發展、物業租賃及提供綜合服務的收入，並扣除營業税及其他銷售有關税項以及任何折扣。

年內本集團之收益分析如下：

		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
Sales of properties	物業銷售	**5,962,446**	3,664,328
Rental income	租金收入	**618,674**	543,176
Revenue from hotel operation, property management service and other services	來自酒店運營、物業管理服務及其他服務的收益	**321,328**	308,181
		6,902,448	4,515,685
Timing of revenue recognition from contracts with customers	*確認來自客戶合約的收益的時間*		
At a point in time	某個時間點確認	**5,962,446**	3,664,328
Over time	隨着時間確認	**321,328**	308,181

Sales of properties

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customers' specifications with no alternative use. Taking into the consideration of relevant terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of relevant properties to customers. Revenue from sales of residential properties and commercial buildings is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives an upfront payment, ranging from RMB20,000 to RMB2,000,000 (2018: RMB20,000 to RMB2,000,000) for different properties from customers for the subscription of properties and such amount will be treated as the deposits from customers after signing the sale and purchase agreement. However, depending on the market conditions, the Group may offer customers a discount compared to the listed sale price, provided that the customers agree to pay the rest of the consideration earlier.

For contracts entered into with customers on sales of properties, the expected duration of satisfying the performance obligation of which is within one year. The transaction price allocated to these unsatisfied contracts is not disclosed as permitted under HKFRS 15.

The Group considers the advance payment contains no significant financing component and accordingly no adjustments of the amount of consideration would be made.

物業銷售

就出售物業與客戶訂立之合約而言，合約中規定之相關物業乃基於客戶要求，並無其他替代用途。經考慮相關條款、法律環境及相關法律先例，本集團認為，在轉讓相關物業予客戶前，本集團並無收取付款之可強制執行權利。因此，出售住宅物業及商業樓宇之收益於已竣工物業轉讓予客戶之時間點確認，即客戶獲得已竣工物業之控制權而本集團擁有收取付款之現時權利及可能收取代價之時間點。

本集團就不同物業向客戶收取介乎人民幣20,000元至人民幣2,000,000元(二零一八年：人民幣20,000元至人民幣2,000,000元)的物業認購預付款，有關款項將於簽訂買賣協議後作為客戶按金入賬。但是，取決於市場狀況，本集團可能向客戶提供較所列出售價有所折讓之價格，惟客戶須同意提早支付代價結餘。該預先付款計劃導致於建設期確認有關合約價格全款之合約負債。

就與客戶訂立的物業銷售合約而言，預期完成有關履約責任的年期為一年內。在香港財務報告準則第15號允許的情況下，並無披露分配至該等未獲履行合約的交易價。

本集團認為預付款項並無重大融資成分，因此並無對代價金額作出調整。

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

Rental income

Revenue from leasing of commercial properties, office premises and car parks is accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16).

Revenue from hotel operation, property management service and other services

Revenue from hotel operation and property management service is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

All hotel operation service is for periods less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For property management service, the Group elected to apply practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

In identifying its operating segments, the executive directors of the Company, being the chief operating decision makers, generally follow the Group's service lines, which represent the main products and services provided by the Group. The Group has identified the following reportable segments under HKFRS 8:

– Real estate development and sales: sales of properties

– Commercial property investment and operations: lease of commercial properties, office premises and car parks

– Comprehensive services: hotel operation, property management service and other service income

Each of these operating segments is managed separately as each of these products and service lines requires different resources as well as marketing approaches.

5. 收益及分類資料*(續)*

租金收入

商業物業、辦公室及停車場租賃所得之收益根據香港財務報告準則第16號(自二零一九年一月一日起)或香港會計準則第17號(於應用香港財務報告準則第16號前)入賬。

酒店運營、物業管理服務及其他服務收入所得之收益

客戶於本集團履約時取得並耗用本集團履約所提供之利益時，酒店運營及物業管理服務所得收益會隨時間按已完成相關履約責任之進度而確認。

所有酒店營運服務均為期一年或以下。在香港財務報告準則第15號允許的情況下，並無披露分配至該等未獲履行合約的交易價。

就物業管理服務而言，本集團選擇應用實際權宜方法，就本集團有權開具發票的金額中確認收益。在香港財務報告準則第15號允許的情況下，並無披露分配至該等未獲履行合約的交易價。

本公司執行董事(即主要營運決策者)通常根據本集團的服務系列(即本集團提供的主要產品及服務)確定經營分類。本集團已根據香港財務報告準則第8號確定下列可呈報分類：

– 房地產發展及銷售：物業銷售

– 商業物業投資與經營：商業物業、辦公室及停車場租賃

– 綜合服務：酒店運營、物業管理服務及其他服務收入

由於該等產品及服務系列各自需要不同的資源及營銷方式，故該等經營分類獲單獨管理。

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment:

For the year ended 31 December 2019

		Real estate development and sales 房地產開發及銷售 RMB'000 人民幣千元	Commercial property investment and operations 商業物業投資與經營 RMB'000 人民幣千元	Comprehensive services 綜合服務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Revenue:	**收益：**				
From external customers	來自外部客戶	**5,962,446**	**618,674**	**321,328**	**6,902,448**
Inter-segment revenue	分類間收益	**–**	**16,212**	**37,685**	**53,897**
Total segment revenue	**分類收益總額**	**5,962,446**	**634,886**	**359,013**	**6,956,345**
Reportable segment profit	**可呈報分類盈利**	**3,784,827**	**550,378**	**95,150**	**4,430,355**

For the year ended 31 December 2018

		Real estate development and sales 房地產開發及銷售 RMB'000 人民幣千元	Commercial property investment and operations 商業物業投資與經營 RMB'000 人民幣千元	Comprehensive services 綜合服務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Revenue:	**收益：**				
From external customers	來自外部客戶	3,664,328	543,176	308,181	4,515,685
Inter-segment revenue	分類間收益	–	9,895	45,819	55,714
Total segment revenue	**分類收益總額**	3,664,328	553,071	354,000	4,571,399
Reportable segment profit	**可呈報分類盈利**	2,119,707	457,685	108,778	2,686,170

Inter-segment sales are at mutually agreed terms.

5. 收益及分類資料*(續)*

分類收益及業績

以下為本集團按經營及可呈報分類的收益及業績的分析：

截至二零一九年十二月三十一日止年度

截至二零一八年十二月三十一日止年度

分類間銷售按共同協定之條款進行。

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

Reconciliations of reportable segment revenue, profit or loss

The Group does not allocate fair value changes on investment properties, fair value changes on derivative component of convertible bonds, other income, other gains and losses, depreciation, finance costs, share of results of a joint venture and corporate expenses to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision makers while the investment properties are allocated to the segment of "commercial property investment and operations" for presenting segment assets.

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies described in note 3.

5. 收益及分類資料*(續)*

可呈報分類收益、損益之對賬

本集團並無就主要營運決策者作出之資源分配及表現評估而將投資物業的公允價值變動、可換股債券衍生工具部分的公允價值變動、其他收入、其他收益及虧損、折舊、融資成本、應佔合營公司業績及公司開支分配至獨立可呈報分類之損益內，而投資物業則就呈報分類資產分配至「商業物業投資與經營」分類。

編製可呈報分類資料所採納之會計政策與本集團附註3所述會計政策相同。

		2019 **二零一九年** **RMB'000** **人民幣千元**	2018 二零一八年 RMB'000 人民幣千元
Revenue	**收益**		
Reportable segment revenue	可呈報分類收益	**6,956,345**	4,571,399
Elimination of inter-segment revenue	對銷分類間收益	**(53,897)**	(55,714)
Consolidated revenue	綜合收益	**6,902,448**	4,515,685
Profit	**盈利**		
Reportable segment profit	可呈報分類盈利	**4,430,355**	2,686,170
Fair value changes on investment properties	投資物業的公允價值變動	**696,378**	323,461
Other income, other gains and losses	其他收入、其他收益及虧損	**112,292**	155,095
Depreciation	折舊	**(37,399)**	(40,529)
Finance costs	融資成本	**(1,256,165)**	(657,995)
Share of results of a joint venture	應佔一間合營公司業績	**(2)**	(8)
Fair value changes on derivative component of convertible bonds	可換股債券衍生工具部分的公允價值變動	**(20,170)**	172,192
Corporate expenses	公司開支	**(558,158)**	(482,886)
Consolidated profit before tax	除税前綜合盈利	**3,367,131**	2,155,500

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

5. 收益及分類資料*(續)*

Segment assets and liabilities

分類資產及負債

The following is an analysis of the Group's assets by reportable and operating segment, no liabilities are presented as the information is not reportable to the chief operating decision makers in the resource allocation and assessment of performance:

以下為本集團按可呈報及經營分類的資產分析，由於毋須就資源分配及表現評估向主要營運決策者呈報負債，因此並無呈列該等資料：

Segment assets

分類資產

		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
Assets	**資產**		
Real estate development and sales	房地產發展及銷售	**12,452,128**	10,720,169
Commercial property investment and operations	商業物業投資與經營	**23,591,289**	22,119,061
Comprehensive services	綜合服務	**362,963**	365,004
Reportable segment assets	可報告分類資產	**36,406,380**	33,204,234
Goodwill	商譽	**231,602**	231,602
Equity instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之股本工具	**541,125**	490,816
Financial assets at fair value through profit or loss	按公允價值計入損益之金融資產	**–**	10,559
Debt instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之債務工具	**–**	20,000
Bank balances and cash (including restricted bank deposits)	銀行結餘及現金(包括受限制銀行存款)	**8,346,982**	7,589,868
Deferred tax assets	遞延稅項資產	**565,713**	345,030
Interest in a joint venture and amount due from a joint venture	於一間合營公司的權益及應收一間合營公司款項	**528,376**	528,378
Interest in an associate	於一間聯營公司的權益	**–**	–
Corporate assets	公司資產	**2,116,105**	991,617
Consolidated total assets	綜合總資產	**48,736,283**	43,412,104

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than goodwill, equity instrument at fair value through other comprehensive income, financial assets at fair value through profit or loss, debt instrument at fair value through other comprehensive income, bank balances and cash (including restricted bank deposits), deferred tax assets, interest in a joint venture and amount due from a joint venture, interest in an associate and corporate assets.

為監測分類表現及分類間的資源分配，除商譽、按公允價值計入其他全面收益之股本工具、按公允價值計入損益之金融資產、按公允價值計入其他全面收益之債務工具、銀行結餘及現金(包括受限制銀行存款)、遞延稅項資產、於一間合營公司的權益及應收一間合營公司款項、於一間聯營公司的權益以及公司資產外，所有資產分配至經營分類。

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

Geographical information

The Group's operations are located on the Mainland China, Hong Kong, the United States of America (the "USA") and the Kingdom of Cambodia ("Cambodia"). Revenue from external customers are mainly generated from the Mainland China for the years ended 31 December 2019 and 2018. Information about the Group's non-current assets is presented based on the geographical location of the assets.

5. 收益及分類資料*(續)*

地區資料

本集團的業務位於中國內地、香港、美利堅合眾國(「美國」)及柬埔寨王國(「柬埔寨」)。截至二零一九年及二零一八年十二月三十一日止年度，來自外部客戶的收益主要源自中國內地。本集團的非流動資產資料按資產的地理位置呈列。

		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
Mainland China	中國內地	**14,309,782**	13,638,238
Hong Kong	香港	**9,732,606**	8,458,137
USA	美國	**213,074**	203,765
Cambodia	柬埔寨	**865,867**	803,882
		25,121,329	23,104,022

Note: Non-current assets excluded goodwill, equity instrument at fair value through other comprehensive income and deferred tax assets.

附註： 非流動資產不包括商譽、按公允價值計入其他全面收益之股本工具及遞延稅項資產。

No major customers contributed over 10% of the total sales of the Group for the years ended 31 December 2019 and 2018.

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主要客戶佔本集團總銷售額超出10%。

6. OTHER INCOME, OTHER GAINS AND LOSSES

6. 其他收入、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
Interest income	利息收入	**93,570**	103,905
Investment income from financial assets	來自金融資產的投資收入	**418**	5,816
Dividend received from equity instrument at FVTOCI	按公允價值計入其他全面收益之股本工具所收取之股息	**19,745**	15,665
Foreign exchange gain, net	匯兑收益淨額	**12,356**	24,349
Gain on disposal of a subsidiary *(note 39)*	出售一間附屬公司之收益*(附註39)*	**33,300**	–
Loss on early redemption of financial liabilities at amortised cost *(note 35)*	提前贖回按攤銷成本列賬之金融負債之虧損*(附註35)*	**(1,099)**	–
Loss on non-substantial modification of financial liabilities at amortised cost *(note 35)*	按攤銷成本列賬之金融負債之非重大變更虧損*(附註35)*	**(57,287)**	–
Loss on disposal of property, plant and equipment	出售物業、廠房及設備的虧損	**(925)**	(2)
Loss on disposal of investment properties	出售投資物業的虧損	**–**	(3,299)
Recovery of other receivables previously written-off	撥回以前已撇銷的其他應收款項	**–**	1,500
Fair value changes on financial assets at FVTPL	按公允價值計入損益之金融資產之公允價值變動	**–**	(47)
Government grants *(note)*	政府補貼*(附註)*	**9,743**	–
Others	其他	**2,471**	7,208
		112,292	155,095

Note: It represented cash received from unconditional grants by the local government to encourage the business operations in the Mainland China.

附註： 該金額指就地方政府為鼓勵於中國內地經營業務而發放的無條件補貼所收取的現金。

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
Interest on:	利息：		
Bank and other borrowings	銀行及其他借貸	**1,186,817**	820,891
Convertible bonds	可換股債券	**172,237**	131,969
Senior notes and bond	優先票據及債券	**411,241**	410,200
Lease liabilities	租賃負債	**11,929**	–
Less: Amount capitalised in investment properties under development and properties under development for sale*	減：撥充在建投資物業及發展中待售物業資本化的金額*	**(526,059)**	(705,065)
		1,256,165	657,995

* The finance costs have been capitalised at rates ranging from 3.73% to 9.41% (2018: 3.67% to 9.00%) per annum.

* 融資成本乃按年息率3.73%至9.41%（二零一八年：3.67%至9.00%）資本化。

8. PROFIT BEFORE TAX

8. 除税前盈利

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Profit before tax is arrived at after charging (crediting):	除税前盈利乃經扣除(計入):		
Cost of properties held for sale recognised as expense	確認為開支的待售物業的成本	**2,177,619**	1,544,621
Depreciation of property, plant and equipment	物業、廠房及設備折舊	**37,448**	40,652
Less: Amount capitalised in investment properties under development and properties under development for sale	減：撥充在建投資物業及發展中待售物業資本化之金額	**(49)**	(123)
		37,399	40,529
Gross rental income from investment properties	投資物業所得租金收入總額	**618,674**	543,176
Outgoings in respect of investment properties that generated rental income during the year *(note 1)*	有關於年內產生租金收入之投資物業的開支*(附註1)*	**(68,296)**	(85,491)
		550,378	457,685
Operating lease charges in respect of land and buildings	有關土地及樓宇的經營租賃費用	**–**	29,178
Expense relating to short-term lease and other leases with lease terms ended within 12 months of the date of initial application of HKFRS 16 *(note 2)*	與短期租賃及租賃期於初始應用香港財務報告準則第16號日期起計12個月內結束的其他租賃有關的開支*(附註2)*	**4,886**	–
Reversal on impairment loss on accounts receivable	應收賬款減值虧損撥回	**(59)**	(39)
Auditor's remuneration	核數師酬金	**2,490**	2,341
Staff costs	員工成本		
– Directors' emoluments *(note 10)*	－董事薪酬*(附註10)*	**11,851**	13,722
– Salaries and other benefits in kind	－薪金及其他實物利益	**333,279**	285,753
– Equity-settled share-based payments	－以股權結算以股份支付的款項	**–**	18,008
– Amount recognised as expense for retirement benefit costs	－確認為退休福利成本開支的金額	**27,946**	22,007
Less: Amount capitalised in investment properties under development and properties under development for sale	減：撥充在建投資物業及發展中待售物業資本化的金額	**(60,571)**	(56,556)
		312,505	282,934

Note 1: For the year ended 31 December 2018, the amount included rental expense paid for properties that are under sublease arrangement of RMB23,282,000.

附註1： 截至二零一八年十二月三十一日止年度，該金額包括就分租安排項下的物業支付的租金開支人民幣23,282,000元。

Note 2: For the year ended 31 December 2019, total cash outflows for such leases amounted to RMB4,886,000.

附註2： 截至二零一九年十二月三十一日止年度，該等租賃的現金流出總額為人民幣4,886,000元。

9. INCOME TAX EXPENSE

9. 所得稅開支

		Notes 附註	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Current tax	即期稅項			
Mainland China Enterprise Income Tax ("EIT")	中國內地企業所得稅（「企業所得稅」）			
– Current year	－本年度	(a)	**765,660**	467,249
– (Overprovision) underprovision in prior year	－過往年度（超額撥備）撥備不足		**(19,250)**	13,330
			746,410	480,579
Mainland China LAT	中國內地土地增值稅			
– Current year	－本年度	(b)	**1,023,621**	685,180
– Overprovision in prior year	－過往年度超額撥備	(c)	**(7,778)**	(161,781)
			1,015,843	523,399
Deferred taxation *(note 20)*	遞延稅項*(附註20)*			
– Current year	－本年度		**(147,029)**	(119,326)
– Underprovision in prior year	－過往年度撥備不足		**1,944**	40,445
			(145,085)	(78,881)
Total income tax expense	所得稅開支總額		**1,617,168**	925,097

Notes:

(a) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25% from 1 January 2008 onwards.

No Hong Kong Profits Tax has been provided for as the Group had no estimated assessable profits for both years.

(b) Under the Provisional Rules on LAT Implementation Rules of the Mainland China implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the Mainland China are subject to LAT 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.

(c) The amount for the year ended 31 December 2018 included an overprovision of LAT of RMB161,781,000 in relation to an urban redevelopment project in Shenzhen, Mainland China. The Group had recomputed the LAT provision based on the actual relocation compensation to original inhabitants finalised during the year ended 31 December 2018.

附註：

(a) 根據中華人民共和國企業所得稅法（「企業所得稅法」）及企業所得稅法實施條例，自二零零八年一月一日起，中國內地附屬公司的稅率為25%。

由於本集團於兩個年度並無任何估計應課稅盈利，故此並無就香港利得稅計提撥備。

(b) 根據於一九九五年一月二十七日實施的中國內地土地增值稅暫行條例實施細則，所有因銷售或轉讓於中國內地的土地使用權、樓宇及其相關設施而獲得的收益，均須繳納土地增值稅，稅款按土地增值額（即銷售物業所得款項減可扣減支出，包括土地使用權成本及所有物業發展開支）以累進率計算，由30%至60%不等。

(c) 截至二零一八年十二月三十一日止年度之金額包括與位於中國內地深圳的一項城市改造項目有關的土地增值稅超額撥備人民幣161,781,000元。本集團已根據截至二零一八年十二月三十一日止年度落實向原居民作出的實際搬遷補償重新計算有關土地增值稅撥備。

9. INCOME TAX EXPENSE *(Cont'd)*

No Cambodia Corporate Income Tax has been provided for both years. Pursuant to the Cambodia tax laws, a subsidiary of the Group is entitled to preferential tax treatment with full exemption from Cambodia Corporate Income Tax for three years from 14 June 2018 to 13 June 2021.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

9. 所得稅開支*(續)*

本集團於兩個年度均無就柬埔寨企業所得稅計提撥備。根據柬埔寨稅法，本集團的附屬公司自二零一八年六月十四日起至二零二一年六月十三日止三個年度享有稅務優惠待遇，獲全面豁免柬埔寨企業所得稅。

本年度所得稅開支可與綜合損益表的除稅前盈利對賬如下：

		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
Profit before tax	除稅前盈利	**3,367,131**	2,155,500
Tax at the Mainland China EIT at 25% (2018: 25%)	按25%中國內地企業所得稅稅率(二零一八年：25%)	**841,783**	538,875
Tax effect of expenses not deductible for tax purposes	不可扣稅開支的稅務影響	**145,363**	73,126
Tax effect of income not taxable for tax purposes	毋須課稅收入的稅務影響	**(112,385)**	(70,739)
Tax effect of temporary difference arising from withholding tax for undistributed profits	未分派利潤預扣稅的暫時差額所產生的稅務影響	**–**	11,000
Tax effect of tax losses not recognised	未確認稅項虧損的稅務影響	**17,809**	71
Utilisation of tax losses previously not recognised	動用先前未確認之稅項虧損	**(364)**	(44,007)
Tax effect of deductible temporary differences not recognised	未確認之可扣稅暫時差額之稅務影響	**127**	2,805
Mainland China LAT charge	中國內地土地增值稅支出	**1,015,843**	523,399
Effect of tax exemption granted to a subsidiary in Cambodia	向柬埔寨附屬公司授出稅務豁免之影響	**(13,811)**	–
Tax effect of Mainland China LAT charge	中國內地土地增值稅支出之稅務影響	**(253,961)**	(130,850)
(Overprovision) underprovision in prior year	過往年度(超額撥備)撥備不足	**(19,250)**	13,330
Others	其他	**(3,986)**	8,087
Income tax expense for the year	本年度所得稅開支	**1,617,168**	925,097

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

10. 董事及僱員酬金

(a) Directors' emoluments

(a) 董事酬金

The emoluments paid or payable to each of the 11 (2018: 9) directors are as follows:

已付或應付11名(二零一八年:9名)董事各自的薪酬如下:

		Notes 附註	Fees 袍金 RMB'000 人民幣千元	Salaries and allowance 薪金及津貼 RMB'000 人民幣千元	Equity-settled share-based payments 以股權結算以股份支付的款項 RMB'000 人民幣千元	Contributions to retirement benefit scheme 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
2019	**二零一九年**						
Executive directors	**執行董事**						
Ms. Huang Jingshu	黃敬舒女士		–	**2,762**	–	**120**	**2,882**
Mr. Tang Shouchun	唐壽春先生	(a)	–	**2,287**	–	**114**	**2,401**
Mr. Ye Xingan	葉興安先生		–	**2,050**	–	**51**	**2,101**
Ms. Deng Chengying	鄧承英女士	(b)	–	**2,037**	–	**–**	**2,037**
Mr. Huang Hao Yuan	黃浩源先生		–	**1,251**	–	**–**	**1,251**
Mr. Siu Chi Hung	蕭志雄先生	(c)	–	**465**	–	**12**	**477**
			–	**10,852**	–	**297**	**11,149**
Non-executive director	**非執行董事**						
Ms. Li Lihong	李麗紅女士	(d)	–	–	–	–	–
Independent non-executive directors	**獨立非執行董事**						
Mr. Zhu Jiusheng	祝九勝先生	(e)	**63**	–	–	–	**63**
Mr. Wang Jing	王敬先生		**229**	–	–	–	**229**
Ms. Hu Gin Ing	胡競英女士		**255**	–	–	–	**255**
Mr. Mo Fan	莫凡先生	(f)	**155**	–	–	–	**155**
			702	–	–	–	**702**
			702	**10,852**	–	**297**	**11,851**

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Cont'd)* 10. 董事及僱員酬金*(續)*

(a) Directors' emoluments *(Cont'd)* **(a) 董事酬金***(續)*

		Notes 附註	Fees 袍金 RMB'000 人民幣千元	Salaries and allowance 薪金及津貼 RMB'000 人民幣千元	Equity-settled share-based payments 以股權結算以股份支付的款項 RMB'000 人民幣千元	Contributions to retirement benefit scheme 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
2018	**二零一八年**						
Executive directors	**執行董事**						
Ms. Huang Jingshu	黃敬舒女士		–	2,310	382	116	2,808
Mr. Tang Shouchun	唐壽春先生	(a)	–	2,201	850	110	3,161
Mr. Ye Xingan	葉興安先生		–	1,900	850	59	2,809
Ms. Deng Chengying	鄧承英女士	(b)	–	1,500	722	–	2,222
Mr. Huang Hao Yuan	黃浩源先生		–	827	382	38	1,247
			–	8,738	3,186	323	12,247
Non-executive director	**非執行董事**						
Ms. Li Lihong	李麗紅女士	(d)	–	–	–	–	–
Independent non-executive directors	**獨立非執行董事**						
Mr. Zhu Jiusheng	祝九勝先生	(e)	245	–	255	–	500
Mr. Wang Jing	王敬先生		220	–	255	–	475
Ms. Hu Gin Ing	胡競英女士		245	–	255	–	500
			710	–	765	–	1,475
			710	8,738	3,951	323	13,722

Notes: (a) Appointed and acted as the Chief Executive Officer of the Company.

(b) Acted as Executive Director of the Company since 15 May 2014 and resigned on 20 September 2019.

(c) Appointed and acted as the Executive Director of the Company since 20 September 2019.

(d) Appointed and acted as the Non-executive Director of the Company since 29 March 2018.

(e) Acted as the Independent Non-executive Director of the Company since 15 May 2014 and resigned on 8 April 2019.

(f) Appointed and acted as the Independent Non-executive Director of the Company since 8 April 2019.

附註： (a) 獲委任並作為本公司行政總裁。

(b) 自二零一四年五月十五日起作為本公司執行董事，並於二零一九年九月二十日辭任。

(c) 自二零一九年九月二十日起獲委任並作為本公司執行董事。

(d) 自二零一八年三月二十九日起獲委任並作為本公司非執行董事。

(e) 自二零一四年五月十五日起作為本公司獨立非執行董事，並於二零一九年四月八日辭任。

(f) 自二零一九年四月八日起獲委任並作為本公司獨立非執行董事。

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Cont'd)*

(a) Directors' emoluments *(Cont'd)*

Except Ms. Li Lihong who agreed not to receive remuneration during her service period as the non-executive director, no other directors waived or agreed to waive any emoluments for the years ended 31 December 2019 and 2018. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(b) Employees' emoluments

The five highest paid employees of the Group during the year included three directors (2018: three directors). Details of the remuneration for the year of the remaining two (2018: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

10. 董事及僱員酬金*(續)*

(a) 董事酬金*(續)*

截至二零一九年及二零一八年十二月三十一日止年度，除李麗紅女士同意於其任職期間不收取作為非執行董事之酬金外，概無其他董事放棄或同意放棄任何酬金。上表所列執行董事的酬金為彼等就管理本公司及本集團事務提供服務的報酬。上表所列非執行董事及獨立非執行董事的酬金乃為彼等擔任本公司董事所提供之服務的報酬。

(b) 僱員酬金

於年內，本集團五位最高薪酬僱員當中，包括三名董事(二零一八年：三名)。本年度餘下兩名(二零一八年：兩名)並非本公司董事亦非主要行政人員之最高薪酬僱員之薪酬詳情如下：

		2019 **二零一九年** **RMB'000** **人民幣千元**	2018 二零一八年 RMB'000 人民幣千元
Salaries, allowance and benefits in kind	薪酬、津貼及實物福利	**3,881**	3,500
Equity-settled share-based payments	以股權結算以股份支付的款項	**–**	1,571
Contributions to retirement benefit scheme	退休福利計劃供款	**51**	59
		3,932	5,130

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the followings bands is as follows:

介乎下列酬金範圍之並非本公司董事之最高薪酬僱員人數如下：

		2019 **二零一九年**	2018 二零一八年
Hong Kong Dollar ("HK$") 2,000,001 to HK$2,500,000	2,000,001港元(「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	**–**	1
HK$3,000,001 to HK$3,500,000	3,000,001港元至3,500,000港元	**–**	1
		2	2

11. DIVIDENDS

11. 股息

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Dividends recognised as distribution during the year:	年內確認為分派之股息：		
2018 Final dividend- HK5.3 cents (equivalent to approximately RMB4.65 cents)	二零一八年末期股息－ 5.3港仙（相當於約人民幣4.65分）	**234,207**	–
2017 Final dividend- HK5 cents (equivalent to approximately RMB4.40 cents)	二零一七年末期股息－ 5港仙（相當於約人民幣4.40分）	**–**	201,740

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HK6.1 cents (equivalent to approximately RMB5.46 cents) (2018: HK5.3 cents) per ordinary share of the Company has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

報告期末後，本公司董事建議派發截至二零一九年十二月三十一日止年度末期股息每股本公司普通股6.1港仙(相當於約人民幣5.46分)(二零一八年：5.3港仙)，惟須待股東於應屆股東大會上批准。

12. EARNINGS PER SHARE

12. 每股盈利

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

本公司股東應佔每股基本及攤薄盈利乃基於以下數據計算：

		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
Earnings	盈利		
Earnings for the purposes of basic earnings per share	用於計算每股基本盈利的盈利	**1,749,884**	1,237,167
Effect of dilutive potential earnings in respect of – Convertible bonds	潛在攤薄盈利對以下各項的影響－可換股債券	**23,891**	(18,803)
Earnings for the purposes of diluted earnings per share	用於計算每股攤薄盈利的盈利	**1,773,775**	1,218,364

12. EARNINGS PER SHARE *(Cont'd)*

12. 每股盈利*(續)*

		2019 二零一九年	2018 二零一八年
Number of shares	**股份數目**		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	用於計算每股基本盈利的本公司普通股加權平均數	**4,982,703,643**	4,906,539,369
Effect of dilutive potential ordinary shares in respect of	潛在攤薄普通股對以下各項的影響		
– Share options	－購股權	**74,021,926**	94,740,027
– Convertible bonds	－可換股債券	**127,022,653**	431,840,962
– Convertible preference shares	－可換股優先股	**3,374,231,808**	3,527,514,957
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	用於計算每股攤薄盈利的本公司普通股加權平均數	**8,557,980,030**	8,960,635,315

The computation of diluted earnings per share for the year ended 31 December 2019 does not assume the conversion of certain outstanding convertible bonds of the Group as the conversion would result in an increase in earnings per share.

計算截至二零一九年十二月三十一日止年度的每股攤薄盈利時，並無假設本集團若干尚未行使的可換股債券獲兑換，原因為兑換將導致每股盈利增加。

13. INVESTMENT PROPERTIES

13. 投資物業

The Group leases out various offices, residential properties and retail stores under operating leases with rentals payable monthly. The leases typically run for an initial period of one to fourteen years.

本集團根據經營租賃租出多間辦公室、住宅物業及零售商舖，租金應按月支付。有關租賃一般初步為期一至十四年。

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain any residual value guarantees or any lessee's option to purchase the property.

由於所有租賃均以集團實體各自的功能貨幣計值，故本集團概無因租賃安排而承受外匯風險。租賃合約並不包含任何剩餘價值擔保或承租人可購買有關物業的任何選擇權。

13. INVESTMENT PROPERTIES *(Cont'd)*

For the year ended 31 December 2019, the total cash outflow for leases classified as investment properties is RMB25,598,000.

13. 投資物業*(續)*

截至二零一九年十二月三十一日止年度，分類為投資物業之租賃之現金流出總額為人民幣25,598,000元。

		Completed investment properties 已完成投資物業 RMB'000 人民幣千元	**Investment properties under development at fair value 按公允價值入賬之發展中投資物業** 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	11,624,589	8,026,088	19,650,677
Transfer from properties held for sale	轉撥自持作銷售物業	162,692	–	162,692
Additions	添置	–	1,590,400	1,590,400
Disposals	出售	(4,835)	–	(4,835)
Transfer upon completion	於完成後轉撥	756,463	(756,463)	–
Increase in fair value recognised in profit or loss, unrealised	於損益內確認之公允價值增加，未變現	175,006	148,455	323,461
Exchange adjustments	匯兑調整	–	394,856	394,856
At 31 December 2018	於二零一八年十二月三十一日	12,713,915	9,403,336	22,117,251
Adjustment upon application of HKFRS16 *(note 2)*	於應用香港財務報告準則第16號後調整*(附註2)*	220,423	–	220,423
At 1 January 2019 (restated)	於二零一九年一月一日(經重列)	12,934,338	9,403,336	22,337,674
Additions	添置	–	545,036	545,036
Transfer upon completion	於完成後轉撥	10,439,446	(10,439,446)	–
Transfer to property, plant and equipment *(note 14)*	轉撥至物業、廠房及設備*(附註14)*	–	(520,459)	(520,459)
Acquired on an acquisition of a subsidiary *(note 38(a))*	於收購一間附屬公司時購入*(附註38(a))*	–	291,024	291,024
Increase in fair value recognised in profit or loss, unrealised	於損益內確認之公允價值增加，未變現	180,523	515,855	696,378
Exchange adjustments	匯兑調整	13,222	204,654	217,876
At 31 December 2019	於二零一九年十二月三十一日	23,567,529	–	23,567,529

All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

所有已完成投資物業均已根據經營租賃出租或為資本增值目的而持有。

13. INVESTMENT PROPERTIES *(Cont'd)*

The fair values of the Group's investment properties with aggregate carrying value of RMB23,567,529,000 as at 31 December 2019 (2018: RMB22,117,251,000) were arrived at on the basis of valuations carried out on those dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, which is a firm of independent qualified professional valuers not connected to the Group.

As 31 December 2019, the carrying amount of investment properties that were leased out under subleases amounted to RMB216,600,000. During the year ended 31 December 2019, income from subleasing these properties amounted to RMB32,302,000 and a fair value loss of these properties amounted to RMB3,823,000 was recognised in profit of loss.

For completed investment properties, the valuations have been arrived at using income capitalisation approach, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

For investment properties under development that are measured at fair value, the valuations have been arrived at residual approach assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use. The fair values of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double counting.

13. 投資物業*(續)*

於二零一九年十二月三十一日，本集團賬面總值為人民幣23,567,529,000元(二零一八年：人民幣22,117,251,000元)之投資物業之公允價值乃根據仲量聯行企業評估及諮詢有限公司於該日所進行的估值達致，該公司為與本集團並無關聯之獨立合資格專業估值師行。

於二零一九年十二月三十一日，根據分租租出的投資物業賬面值為人民幣216,600,000元。截至二零一九年十二月三十一日止年度，來自分租該等物業的收益為人民幣32,302,000元，而該等物業的公允價值虧損為人民幣3,823,000元，該等公允價值虧損於損益中確認。

就已完成投資物業而言，該估值乃採用收入資本計算法進行。物業內所有可出租單位的市值租金乃參照可出租單位以及毗鄰相似物業的其他出租單位已得的租金進行評估。採用之資本化比率乃參照當地相似物業的收益率並根據估值師所知各物業的特質進行調整。

就按公允價值計量之發展中投資物業而言，估值乃基於殘值法假設該等投資物業將根據發展規劃及已取得的相關規劃的批覆完工。估值的主要輸入數據包括已完成投資物業的市值，乃參考鄰近地域相似物業的銷售憑證估計，同時，根據估值師判斷的不同地段的差異以及各物業的其他不同特質進行調整。該估值也將開發成本納入考慮，包括建設成本、融資成本和專業費用及開發商的利潤率(於估值日反映物業開發的剩餘風險和開發商使物業達致完成狀況所需的回報)，發展成本乃根據估值師對近期土地交易和不同區域類似已完成物業市場價值的分析而釐定。

估計投資物業的公允價值時，投資物業之目前用途為最高及最佳用途。若干投資物業的公允價值已就撇除預付或應計經營租賃收入作出調整，以避免重複計算。

13. INVESTMENT PROPERTIES *(Cont'd)*

The major inputs used in the fair value measurement of the Group's major investment properties as at 31 December 2019 and 2018 are set out below:

13. 投資物業*(續)*

於二零一九年及二零一八年十二月三十一日，本集團主要投資物業之公允價值計量所用之主要輸入數據載於下文：

Investment properties held by the Group in the consolidated statement of financial position 於綜合財務狀況表內由本集團持有的投資物業	Fair value hierarchy 公允價值等級	Valuation technique and key inputs 估值技術及主要輸入數據	Significant unobservable inputs 主要不可觀察輸入數據	Relationship of unobservable inputs to fair value 不可觀察輸入數據與公允價值之關係	Sensitivity 敏感度
Completed investment properties **已完成投資物業**					
Completed investment properties located in the Mainland China with an aggregate carrying amount of RMB13,408,400,000 (31.12.2018: RMB12,580,001,000)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 1.5% to 6.0% (31.12.2018: from 2.0% to 6.0%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
位於中國內地的已完成投資物業，賬面總值為人民幣13,408,400,000元(二零一八年十二月三十一日：人民幣12,580,001,000元)	第三級	收入資本計算法 主要輸入數據如下： (1)資本化比率；及 (2)市場月租。	經計及資本化租金收入潛力、物業性質及當前市況，資本化比率為1.5%至6.0%(二零一八年十二月三十一日：2.0%至6.0%)。	資本化比率越高，公允價值越低。	所用資本化比率小幅提升將導致公允價值大幅降低，反之亦然。
			Monthly market rent, taking into account the completion time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB4 to RMB707 (31.12.2018: from RMB4 to RMB600) per square metre ("sqm") per month on gross floor area basis.	The higher the monthly market rent, the higher the fair value.	A significant increase in the monthly market rent used would result in a significant increase in fair value, and vice versa.
			市場月租經計及可資比較物業與物業間之竣工時間、位置及臨街地界和規模等各項因素，以建築面積為基準每月每平方米(「平方米」)平均介乎人民幣4元至人民幣707元(二零一八年十二月三十一日：人民幣4元至人民幣600元)。	市場月租越高，公允價值越高。	所用市場月租大幅增加將導致公允價值大幅增加，反之亦然。

13. INVESTMENT PROPERTIES *(Cont'd)* 13. 投資物業*(續)*

Investment properties held by the Group in the consolidated statement of financial position 於綜合財務狀況表內由本集團持有的投資物業	Fair value hierarchy 公允價值等級	Valuation technique and key inputs 估值技術及主要輸入數據	Significant unobservable inputs 主要不可觀察輸入數據	Relationship of unobservable inputs to fair value 不可觀察輸入數據與公允價值之關係	Sensitivity 敏感度
Completed investment properties located in the Mainland China with an aggregate carrying amount of RMB139,900,000 (31.12.2018: RMB133,914,000)	Level 3	Direct Comparison Approach The key input is: Selling price per sqm.	Selling prices per sqm based on market observable transactions of similar properties, of a range from RMB75,340 to RMB76,538 (31.12.2018: from RMB68,966 to RMB70,702) per sqm on gross floor area basis.	The higher the selling prices per sqm, the higher the fair value.	A significant increase in the selling prices per sqm used would result in a significant increase in fair value, and vice versa.
位於中國內地的已完成投資物業，賬面總值為人民幣139,900,000元(二零一八年十二月三十一日：人民幣133,914,000元)	第三級	直接比較法 主要輸入數據如下：每平方米銷售價格。	根據相似物業的可觀察市場交易釐定的每平方米銷售價格，以建築面積為基準每平方米介乎人民幣75,340元至人民幣76,538元(二零一八年十二月三十一日：人民幣68,966元至人民幣70,702元)。	每平方米銷售價格越高，公允價值越高。	每平方米銷售價格大幅增加將導致公允價值大幅增加，反之亦然。
Completed investment properties **已完成投資物業**					
Completed investment properties located in Hong Kong with an aggregate carrying amount of RMB9,154,180,000 (31.12.2018: N/A)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of 2.5% (31.12.2018: N/A).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
位於香港的已完成投資物業，賬面總值為人民幣9,154,180,000元(二零一八年十二月三十一日：不適用)	第三級	收入資本計算法 主要輸入數據如下： (1) 資本化比率；及 (2) 市場月租。	經計及資本化租金收入潛力、物業性質及當前市況，資本化比率為2.5%(二零一八年十二月三十一日：不適用)。	資本化比率越高，公允價值越低。	所用資本化比率小幅提升將導致公允價值大幅降低，反之亦然。
			Monthly market rent, taking into account the completion time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB310 to RMB350 (31.12.2018: N/A) per sqm per month on gross floor area basis.	The higher the monthly market rent, the higher the fair value.	A significant increase in the monthly market rent used would result in a significant increase in fair value, and vice versa.
			市場月租經計及可資比較物業與物業間之竣工時間、位置及臨街地界和規模等各項因素，以建築面積為基準每月每平方米平均介乎人民幣310元至人民幣350元(二零一八年十二月三十一日：不適用)。	市場月租越高，公允價值越高。	所用市場月租大幅增加將導致公允價值大幅增加，反之亦然。

13. INVESTMENT PROPERTIES *(Cont'd)* 13. 投資物業*(續)*

Investment properties held by the Group in the consolidated statement of financial position 於綜合財務狀況表內由本集團持有的投資物業	Fair value hierarchy 公允價值等級	Valuation technique and key inputs 估值技術及主要輸入數據	Significant unobservable inputs 主要不可觀察輸入數據	Relationship of unobservable inputs to fair value 不可觀察輸入數據與公允價值之關係	Sensitivity 敏感度
Completed investment properties located in Cambodia with an aggregate carrying amount of RMB865,049,000 (31.12.2018: N/A) 位於柬埔寨的已完成投資物業，賬面總值為人民幣865,049,000元(二零一八年十二月三十一日：不適用)	Level 3 第三級	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent. 收入資本計算法 主要輸入數據如下： (1) 資本化比率；及 (2) 市場月租。	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 8.3% to 9.3% (31.12.2018: N/A). 經計及資本化租金收入潛力、物業性質及當前市況，資本化比率為介乎8.3%至9.3%(二零一八年十二月三十一日：不適用)。	The higher the capitalisation rate, the lower the fair value. 資本化比率越高，公允價值越低。	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa. 所用資本化比率小幅提升將導致公允價值大幅降低，反之亦然。
			Monthly market rent, taking into account the completion time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB103 to RMB165 (31.12.2018: N/A) per sqm per month on gross floor area basis. 市場月租經計及可資比較物業與物業間之竣工時間、位置及臨街地界和規模等各項因素，以建築面積為基準每月每平方米平均介乎人民幣103元至人民幣165元(二零一八年十二月三十一日：不適用)。	The higher the monthly market rent, the higher the fair value. 市場月租越高，公允價值越高。	A significant increase in the monthly market rent used would result in a significant increase in fair value, and vice versa. 所用市場月租大幅增加將導致公允價值大幅增加，反之亦然。

13. INVESTMENT PROPERTIES *(Cont'd)* 13. 投資物業*(續)*

Investment properties held by the Group in the consolidated statement of financial position 於綜合財務狀況表內由本集團持有的投資物業	Fair value hierarchy 公允價值等級	Valuation technique and key inputs 估值技術及主要輸入數據	Significant unobservable inputs 主要不可觀察輸入數據	Relationship of unobservable inputs to fair value 不可觀察輸入數據與公允價值之關係	Sensitivity 敏感度
Investment properties under development that are measured at fair value as at 31 December 2018 **於二零一八年十二月三十一日按公允價值計值之發展中投資物業**					
Investment properties under development located in the Mainland China with an aggregate carrying amount of RMB145,011,000	Level 3	Cost Approach The key inputs were: (1) Costs of building; and (2) Developer's profit margin	Costs of building on completion basis, taking into account the construction costs incurred, accrued construction costs and relevant fees, and the value of land between the comparable and the property, of RMB126,277,000.	The higher the costs of building, the higher the fair value.	A significant increase in costs of building would result in a significant increase in fair value, and vice versa.
位於中國內地的發展中投資物業，賬面總值為人民幣145,011,000元	第三級	成本法 主要輸入數據如下： (1) 樓宇成本；及 (2) 開發商利潤率	按落成基準計值之建築成本經計及已產生的建築成本、累計建築成本及相關費用以及可資比較物業與該物業之間的土地價值為人民幣126,277,000元。	樓宇成本越高，公允價值越高。	樓宇成本大幅增加將導致公允價值大幅增加，反之亦然。
			Developer's profit margin, taking into account the comparable land transactions and progress of the property, of 20%.	The higher the developer's profit margin, the higher the fair value.	A significant increase in developer's profit margin used would result in a significant increase in fair value, and vice versa.
			經計及可資比較土地交易及物業進度，開發商利潤率為20%。	開發商利潤率越高，公允價值越高。	所用開發商利潤率大幅增加將導致公允價值大幅增加，反之亦然。

13. INVESTMENT PROPERTIES *(Cont'd)*

13. 投資物業*(續)*

Investment properties held by the Group in the consolidated statement of financial position 於綜合財務狀況表內由本集團持有的投資物業	Fair value hierarchy 公允價值等級	Valuation technique and key inputs 估值技術及主要輸入數據	Significant unobservable inputs 主要不可觀察輸入數據	Relationship of unobservable inputs to fair value 不可觀察輸入數據與公允價值之關係	Sensitivity 敏感度
Investment properties under development located in Hong Kong with an aggregate carrying amount of RMB8,455,330,000	Level 3	Residual Approach The key inputs were: (1) Gross development value; and (2) Developer's profit margin.	Gross development value on completion basis, taking into account the completion time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB9,638,200,000.	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
位於香港的發展中投資物業，賬面總值為人民幣8,455,330,000元	第三級	殘值法 主要輸入數據如下： (1) 總開發價值；及 (2) 開發商利潤率。	按落成基準計值之總開發價值經計及可資比較物業與該物業間之預竣工時間、位置及臨街地界和規模等各項因素為人民幣9,638,200,000元。	總開發價值越高，公允價值越高。	所用總開發價值大幅增加將導致公允價值大幅增加，反之亦然。
			Developer's profit margin, taking into account the comparable land transactions and progress of the property, of 10%.	The higher the developer's profit margin, the lower the fair value.	A significant increase in developer's profit margin used would result in a significant decrease in fair value, and vice versa.
			經計及可資比較土地交易及物業進度，開發商利潤率為10%。	開發商利潤率越高，公允價值越低。	所用開發商利潤率大幅增加導致公允價值大幅減少，反之亦然。

13. INVESTMENT PROPERTIES *(Cont'd)*

13. 投資物業*(續)*

Investment properties held by the Group in the consolidated statement of financial position 於綜合財務狀況表內由本集團持有的投資物業	Fair value hierarchy 公允價值等級	Valuation technique and key inputs 估值技術及主要輸入數據	Significant unobservable inputs 主要不可觀察輸入數據	Relationship of unobservable inputs to fair value 不可觀察輸入數據與公允價值之關係	Sensitivity 敏感度
Investment properties under development located in Cambodia with an aggregate carrying amount of RMB802,995,000	Level 3	Residual Approach The key inputs were: (1) Gross development value; and (2) Developer's profit margin.	Gross development value on completion basis, taking into account the completion time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB926,532,000.	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
位於柬埔寨的發展中投資物業，賬面總值為人民幣802,995,000元	第三級	殘值法 主要輸入數據如下： (1) 總開發價值；及 (2) 開發商利潤率。	按落成基準計值之總開發價值經計及可資比較物業與該物業間之預竣工時間、位置及臨街地界和規模等各項因素為人民幣926,532,000元。	總開發價值越高，公允價值越高。	所用總開發價值大幅增加將導致公允價值大幅增加，反之亦然。
			Developer's profit margin, taking into account the comparable land transactions and progress of the property, of 5%.	The higher the developer's profit margin, the lower the fair value.	A significant increase in developer's profit margin used would result in a significant decrease in fair value, and vice versa.
			經計及可資比較土地交易及物業進度，開發商利潤率為5%。	開發商利潤率越高，公允價值越低。	所用開發商利潤率大幅增加將導致公允價值大幅減少，反之亦然。

There were no transfers in or out of Level 3 during both years.

於兩個年度內，第三級並無轉入或轉出。

14. PROPERTY, PLANT AND EQUIPMENT

14. 物業、廠房及設備

		Freehold land in USA 美國永久業權土地 RMB'000 人民幣千元	Hotel property in USA 美國酒店物業 RMB'000 人民幣千元	Leasehold land and buildings in HK 香港租賃土地及樓宇 RMB'000 人民幣千元	Leasehold land and buildings in the Mainland China 中國內地租賃土地及樓宇 RMB'000 人民幣千元	Building improvements 樓宇裝修 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Machinery and electronic equipment and others 機器及電子設備及其他 RMB'000 人民幣千元	Computer software, furniture and fixtures 計算機軟件、傢私及裝置 RMB'000 人民幣千元	Construction in progress 在建工程 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
COST	成本										
At 1 January 2018	於二零一八年一月一日	15,821	130,178	–	402,043	37,954	20,419	27,909	22,819	668	657,811
Exchange adjustment	匯兌調整	795	6,656	–	–	–	21	–	135	–	7,607
Additions	添置	–	63,149	–	9,162	1,632	1,985	888	1,071	419	78,306
Disposals/written off	出售/撇銷	–	–	–	–	–	–	(750)	–	–	(750)
At 31 December 2018	於二零一八年十二月三十一日	16,616	199,983	–	411,205	39,586	22,425	28,047	24,025	1,087	742,974
Exchange adjustment	匯兌調整	274	2,268	–	–	1,046	7	–	51	–	3,646
Additions	添置	–	16,799	–	–	877	2,846	1,105	690	29,884	52,201
Transfer upon completion	於完成後轉撥	–	–	–	–	–	–	468	–	(468)	–
Transfer from investment properties *(note 13)*	轉撥自投資物業*(附註13)*	–	–	520,459	–	–	–	–	–	–	520,459
Acquired on acquisition of a subsidiary *(note 38(a))*	於收購一間附屬公司時購入 *(附註38(a))*	–	–	–	–	–	8	109	29	–	146
Derecognised on disposal of a subsidiary *(note 39)*	於出售一間附屬公司時終止確認*(附註39)*	–	–	–	–	–	–	(143)	–	–	(143)
Disposals/written off	出售/撇銷	–	–	–	–	(2,724)	(313)	(16)	(78)	–	(3,131)
At 31 December 2019	於二零一九年十二月三十一日	16,890	219,050	520,459	411,205	38,785	24,973	29,570	24,717	30,503	1,316,152
DEPRECIATION	折舊										
At 1 January 2018	於二零一八年一月一日	–	2,288	–	160,792	29,032	12,781	23,444	15,603	–	243,940
Exchange adjustment	匯兌調整	–	533	–	–	3	7	–	59	–	602
Provided for the year	年度撥備	–	12,095	–	17,715	2,518	3,603	1,544	3,177	–	40,652
Eliminated on disposals/written off	出售/撇銷之對銷	–	–	–	–	–	–	(613)	–	–	(613)
At 31 December 2018	於二零一八年十二月三十一日	–	14,916	–	178,507	31,553	16,391	24,375	18,839	–	284,581
Exchange adjustment	匯兌調整	–	367	–	–	–	(1)	–	30	–	396
Provided for the year	年度撥備	–	14,370	–	13,799	2,814	2,807	1,818	1,840	–	37,448
Eliminated on disposal of subsidiaries	出售附屬公司時對銷	–	–	–	–	–	–	(129)	–	–	(129)
Eliminated on disposals/written off	出售/撇銷之對銷	–	–	–	–	(1,860)	(254)	(9)	(35)	–	(2,158)
At 31 December 2019	於二零一九年十二月三十一日	–	29,653	–	192,306	32,507	18,943	26,055	20,674	–	320,138
CARRYING VALUES	賬面值										
At 31 December 2019	於二零一九年十二月三十一日	16,890	189,397	520,459	218,899	6,278	6,030	3,515	4,043	30,503	996,014
At 31 December 2018	於二零一八年十二月三十一日	16,616	185,067	–	232,698	8,033	6,034	3,672	5,186	1,087	458,393

14. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

The carrying amounts of owner-occupied leasehold land and buildings, situated in the Mainland China and HK, at the end of the reporting period included both the leasehold land and building elements in property, plant and equipment, as in the opinion of the directors of the Company, allocations of the carrying amounts between the leasehold land and buildings elements cannot be made reliably.

The above items of property, plant and equipment, except for freehold land in USA and construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Hotel property in USA	5% to 10%
Leasehold land and buildings in the Mainland China	Over the shorter of the term of the lease, or 2% to 5%
Leasehold land and buildings in the HK	Over the shorter of the term of the lease, or 2% to 5%
Building improvements	10% to $33^1/_3$%
Motor vehicles	20% to 25%
Machinery and electronic equipment and others	10% to $33^1/_3$%
Computer software, furniture and fixtures	20% to $33^1/_3$%

14. 物業、廠房及設備*(續)*

由於本公司董事認為無法準確作出租賃土地與樓宇部分的分配，報告期末的業主位於中國內地及香港之自用租賃土地及樓宇計入物業、廠房及設備內的租賃土地及樓宇中。

上文所述之物業、廠房及設備項目(位於美國之永久業權土地及在建工程除外)乃以直線法按以下年率折舊：

美國酒店物業	5%至10%
位於中國內地之租賃土地及樓宇	租賃期或2%至5%（以較短者為準）
位於香港之租賃土地及樓宇	租賃期或2%至5%（以較短者為準）
樓宇裝修	10%至$33^1/_3$%
汽車	20%至25%
機器及電子設備及其他	10%至$33^1/_3$%
計算機軟件、傢私及裝置	20%至$33^1/_3$%

15. GOODWILL

15. 商譽

		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 31 December	於十二月三十一日	**231,602**	231,602

The amount represents goodwill arising from the Acquisition (defined in note 37(ii)(a)), which has been allocated to the group of cash generating units ("CGU") in the real estate development and sales segment. The recoverable amount of the goodwill has been determined based on a value in use calculation. That calculation used cash flow projections based on financial budgets approved by the management covering five-year period, and the discount rate of 9.4% (2018: 10.0%). The cash flows beyond the five-year period are extrapolated using a zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on management's expectations for the market development. The management of the Group believes that any reasonably possible change in the key estimations of the value-in-use calculation would not cause the carrying amount to exceed its recoverable amount. The directors of the Company determined that the recoverable amount was higher than the carrying amount of the CGU and hence no impairment on goodwill is required.

款項指收購事項(定義見附註37(ii)(a))產生之商譽(已分配至房地產開發及銷售分類的現金產生單位組別(「現金產生單位」))。商譽之可收回金額乃根據使用價值進行計算而釐定。基於管理層所批准涵蓋5年期間之財政預算，使用9.4%(二零一八年：10.0%)之貼現率以現金流預測法進行計算。超過5年的現金流則使用零增長率推算。使用價值計算之其他主要假設與包括預算銷售額及毛利率的現金流入／流出之估計有關，有關估計乃根據管理層對市場發展之預測作出。本集團管理層相信，使用價值計算之主要估計的任何合理可能變動將不會導致賬面值超出其可回收金額。本公司董事釐定可回收金額高於現金產生單位之賬面值，故無須商譽減值。

16. INTEREST IN A JOINT VENTURE

16. 於一間合營公司的權益

		Notes 附註	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Cost of investment in a joint venture	於一間合營公司之投資成本	(a)	**9,520**	9,520
Share of post-acquisition profits and other comprehensive income, net of dividends received	應佔收購後利潤及其他全面收益，扣除收取之股息	(a)	**(3,462)**	(3,460)
			6,058	6,060
Amount due from a joint venture	應收一間合營公司款項	(b)	**522,318**	522,318

Notes:

(a) Particulars of a joint venture as at 31 December 2019 and 2018 are as follows:

附註：

(a) 於二零一九年及二零一八年十二月三十一日一間合營公司的詳情如下：

Company name 公司名稱	Form of business nature 業務性質	Place of establishment and operation 成立及營運地點	Paid-up capital 繳足股本 RMB'000 人民幣千元	Proportion of voting right and percentage of interest held 投票權及所持權益百分比之比例	Principal activity 主要業務
Shenzhen Anyuan Industrial Development Co., Ltd. ("Anyuan") 深圳市安元實業發展有限公司（「安元」）	Established 成立	Mainland China 中國內地	23,800 23,800	40% (2018: 40%) 40%（二零一八年：40%）	Property development 物業發展

(b) Amount due from a joint venture represents advances to a joint venture which is unsecured, interest-free and has no fixed repayment terms. In an opinion of the directors of the Company, the settlement of the advances is neither planned nor likely to occur in the foreseeable future.

(b) 應收一間合營公司款項為支付予合營公司的預付款，該款項無抵押、免息，且無固定償還期限。本公司董事認為，該預付款結算並非按計劃進行，且於可見將來不大可能會發生。

16. INTEREST IN A JOINT VENTURE *(Cont'd)*

Notes: (Cont'd)

(b) *(Cont'd)*

Summarised financial information of Anyuan after adjusting for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

16. 於一間合營公司的權益*(續)*

附註：(續)

(b) *(續)*

下文披露安元已就會計政策的任何差異而調整的財務資料概要，以及與綜合財務報表賬面值所對銷：

		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	**29**	29
Current assets	流動資產	**549,814**	549,819
Current liabilities	流動負債	**(534,699)**	(534,699)
Included in the above amounts are:	計入上述款項：		
Properties under development for sale	發展中待售物業	**439,702**	439,702
Cash and cash equivalents	現金及現金等價物	**90,000**	90,006
Amount due to a shareholder	應付一名股東款項	**522,318**	522,318
Loss and total comprehensive expense for the year	年度虧損及其他全面開支	**5**	22

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

以上財務資料概要與已於綜合財務報表確認之合營公司權益賬面值之對賬：

		2019 **二零一九年** **RMB'000** **人民幣千元**	2018 二零一八年 RMB'000 人民幣千元
Net assets of Anyuan	安元資產淨值	**15,144**	15,149
Proportion of the Group's ownership interest in Anyuan	本集團於安元擁有之權益比例	**40%**	40%
Carrying amount of the Group's interest in Anyuan	本集團於安元之權益賬面值	**6,058**	6,060

17. INTEREST IN AN ASSOCIATE

17. 於一間聯營公司的權益

		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
Cost of investment in an associate	於一間聯營公司之投資成本	**2**	–
Share of post-acquisition loss and other comprehensive expense, net of dividends received	應佔收購後虧損及其他全面開支，扣除收取之股息	**(2)**	–
		–	–

Note:

附註：

Particulars of an associate as at 31 December 2019 are as follows:

於二零一九年十二月三十一日一間聯營公司的詳情如下：

Company name 公司名稱	Form of business nature 業務性質	Place of establishment and operation 成立及營運地點	Issued share capital 已發行股本	Proportion of voting right and percentage of interest held 投票權之比例及所持權益百分比	Principal activity 主要業務
Intelligent City Development Limited ("ICDL") and its subsidiaries 智慧城市發展有限公司（「智慧城市」）及其附屬公司	Incorporated 註冊成立	Hong Kong 香港	10,000 shares of HK$1 each 10,000股每股面值1港元 之股份	25% 25%	Investment holding and property development 投資控股及物業發展

On 28 October 2019, Greater Bay Area Intelligent City Limited ("GBAIC"), a direct wholly-owned subsidiary of the Company, Affluent Bright Investments Limited ("Affluent Bright") and Mr. Wong entered into the subscription agreement pursuant to which GBAIC agreed to subscribe 99.99% equity interest of Affluent Bright, which has a wholly-owned subsidiary, Affluent Bright Investments (HK) Limited, which indirectly owned 25% of equity interest of ICDL and its subsidiaries. Pursuant to the terms of the subscription agreement, the subscription price of the subscription shares of Affluent Bright is US$10,000. Upon completion, the Affluent Bright will be owned as to 99.99% and 0.01% by the GBAIC and Mr. Wong, respectively, and will become a non-wholly owned subsidiary of the Company. The transaction was completed on the same date.

於二零一九年十月二十八日，大灣區智慧城市有限公司(「大灣區智慧城市」，本公司之直接全資附屬公司)、溢明投資有限公司(「溢明」)與黃先生訂立認購協議，據此，大灣區智慧城市同意認購溢明之99.99%股權，而溢明擁有一間全資附屬公司溢明投資(香港)有限公司，該公司間接擁有智慧城市及其附屬公司之25%股權。根據認購協議之條款，溢明認購股份之認購價為10,000美元。於完成後，溢明將分別由大灣區智慧城市及黃先生擁有99.99%及0.01%權益，並將成為本公司之非全資附屬公司。該交易已於同日完成。

17. INTEREST IN AN ASSOCIATE *(Cont'd)*

Note: (Cont'd)

Summarised financial information of ICDL and its subsidiaries after adjusting for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

17. 於一間聯營公司的權益*(續)*

附註：(續)

下文披露智慧城市及其附屬公司已就會計政策的任何差異而調整的財務資料概要，以及與綜合財務報表賬面值所對銷：

		2019 二零一九年 RMB'000 人民幣千元
Non-current assets	非流動資產	**2,259,424**
Current assets	流動資產	**1,183,324**
Current liabilities	流動負債	**(1,638,956)**
Non-current liabilities	非流動負債	**(1,977,500)**
Included in the above amounts are:	計入上述款項：	
Land related acquisition and development cost	土地相關收購及發展成本	**2,176,916**
Cash and cash equivalents	現金及現金等價物	**456,974**
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	**706,316**
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	**(1,630,363)**
Bank borrowings	銀行借貸	**(1,978,500)**

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

以上財務資料概要與已於綜合財務報表確認之一間聯營公司權益賬面值之對賬：

		2019 二零一九年 RMB'000 人民幣千元
Net liabilities of ICDL	智慧城市負債淨值	**(173,708)**
Proportion of the Group's ownership interest in ICDL	本集團於智慧城市擁有之權益比例	**25%**
Carrying amount of the Group's interest in ICDL	本集團於智慧城市之權益賬面值	**–**

		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
The unrecognised share of loss of an associate for the year and cumulative unrecognised share of loss of an associate	年內未確認之應佔一間聯營公司虧損及累計未確認之應佔一間聯營公司虧損	**(3,579)**	–

18. DEBT INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

18. 按公允價值計入其他全面收益之債務工具

		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
Government bond, with fixed interest of 3.76% per annum and maturity date on 14 August 2023	政府債券，固定年利率為3.76%及到期日為二零二三年八月十四日	–	20,000

19. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

19. 按公允價值計入其他全面收益之股本工具

		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
Listed investments: – Equity securities listed in the Mainland China *(Note)*	上市投資： －於中國內地上市之股權證券*(附註)*	**541,125**	490,816

Note:

The above listed equity investment represents 0.4% equity interests in an entity listed in the Mainland China. This investment is not held for trading, instead, it is held for long-term strategic purposes. The directors of the Company have elected to designate this investment in equity instrument as FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes and realising its performance potential in the long run.

附註：

上述上市股權投資指於一間中國內地上市公司之0.4%股權。該項投資並非持作買賣，而是就長期策略用途持有。由於本公司董事認為於損益確認該投資之公允價值短期波動並不符合本集團長期持有該投資及長遠變現其表現潛力之策略，故彼等已選擇指定於該股本工具之投資為按公允價值計入其他全面收益。

20. DEFERRED TAX

The movements in deferred tax assets (liabilities) arising from temporary differences are as follows:

20. 遞延稅項

暫時差額產生的遞延稅項資產(負債)的變動如下：

		Tax losses 稅項虧損 RMB'000 人民幣千元	Withholding tax for undistributed profits 未分配利潤的預扣稅 RMB'000 人民幣千元	Valuation on investment properties 投資物業估值 RMB'000 人民幣千元	Accelerated tax depreciation 加速稅項折舊 RMB'000 人民幣千元	Fair value adjustments 公允價值調整 RMB'000 人民幣千元	Accrual for LAT 應計土地增值稅 RMB'000 人民幣千元	Pre-sale deposits 預售按金 RMB'000 人民幣千元	Others 其他 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Balance as at 1 January 2018	於二零一八年一月一日之結餘	28,350	(22,050)	(2,266,915)	(151,258)	(25,248)	137,209	9,642	(17,193)	(2,307,463)
(Charge) credit to the profit or loss *(note 9)*	於損益(扣除)計入*(附註9)*	(28,350)	(11,000)	(47,183)	(32,765)	–	118,900	119,724	–	119,326
Underprovision in prior year *(note 9)*	過往年度撥備不足*(附註9)*	–	–	–	–	–	(40,445)	–	–	(40,445)
Charge to other comprehensive income	於其他全面收益扣除	–	–	–	–	(11,639)	–	–	–	(11,639)
Balance as at 31 December 2018	於二零一八年十二月三十一日之結餘	–	(33,050)	(2,314,098)	(184,023)	(36,887)	215,664	129,366	(17,193)	(2,240,221)
Adjustments *(note 2)*	調整*(附註2)*	–	–	(22,175)	–	–	–	–	–	(22,175)
At 1 January 2019 (restated)	於二零一九年一月一日(經重列)	–	(33,050)	(2,336,273)	(184,023)	(36,887)	215,664	129,366	(17,193)	(2,262,396)
Credit (charge) to the profit or loss *(note 9)*	於損益計入(扣除)*(附註9)*	131,314	–	(42,367)	(33,230)	–	122,134	(30,822)	–	147,029
Underprovision in prior year *(note 9)*	過往年度撥備不足*(附註9)*	–	–	–	–	–	(1,944)	–	–	(1,944)
Charge to other comprehensive income	於其他全面收益扣除	–	–	–	–	(12,577)	–	–	–	(12,577)
Balance as at 31 December 2019	於二零一九年十二月三十一日之結餘	131,314	(33,050)	(2,378,640)	(217,253)	(49,464)	335,854	98,544	(17,193)	(2,129,888)

The following is the analysis of the deferred taxation balances for financial reporting purposes:

就財務報告目的而言，遞延稅項結餘分析如下：

		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
Deferred tax assets	遞延稅項資產	**565,713**	345,030
Deferred tax liabilities	遞延稅項負債	**(2,695,601)**	(2,585,251)
		(2,129,888)	(2,240,221)

20. DEFERRED TAX *(Cont'd)*

The EIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by the Mainland China-resident enterprises to their non-Mainland China-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the Mainland China enterprise directly. Since the Group controls the quantum and timing of distribution of profits of the Group's subsidiaries in the Mainland China, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

At 31 December 2019, temporary differences relating to the accumulated undistributed profits of the Group's Mainland China subsidiaries amounted to RMB4,757,025,000 (2018: RMB3,156,160,000). Except for the accumulated undistributed profit of the Group's Mainland China subsidiaries amounted to RMB661,000,000 (2018: RMB661,000,000), no deferred tax liability was recognised in respect of the taxable temporary differences of RMB4,096,025,000 (2018: RMB2,495,160,000) as of 31 December 2019 as the Group controlled the dividend policy of these subsidiaries.

At 31 December 2019, the Group has unused deductible temporary difference amounted to RMB26,239,000 (2018: RMB25,731,000). No deferred tax asset has been recognised in respect of such temporary difference due to the unpredictability of future profit streams.

At the end of the reporting period, the Group has unused tax losses of RMB618,100,000 (2018: RMB23,066,000) available to offset against future profits. For the year ended 31 December 2019, a deferred tax asset had been recognised in respect of such tax losses amounting to RMB525,256,000 (2018:nil) and no deferred tax asset had been recognised in respect of the remaining tax losses of RMB92,844,000 (2018: RMB23,066,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB43,131,000 will expire in the following years ending 31 December, other losses may be carried forward indefinitely:

20. 遞延稅項*(續)*

企業所得稅法及其實施規則規定，自二零零八年一月一日起，中國內地居民企業就所賺取盈利向非中國內地居民企業投資者分派的股息須按10%繳納預扣稅(除非根據稅項條約或安排獲減免)。根據內地與香港避免雙重徵稅安排，作為「實益擁有人」並直接持有中國內地企業25%或以上股權的合資格香港稅務居民有權按減免預扣稅稅率5%繳稅。由於本集團可控制分派本集團於中國內地的附屬公司的盈利的數量及時間，遞延稅項負債僅以預期可於可見將來分派的有關盈利為限計提撥備。

於二零一九年十二月三十一日，有關本集團中國內地附屬公司之累計未分配利潤暫時差額達人民幣4,757,025,000元(二零一八年：人民幣3,156,160,000元)。除本集團中國內地附屬公司之累計未分配利潤達人民幣661,000,000元(二零一八年：人民幣661,000,000元)外，因本集團控制該等附屬公司的股息政策，故並未就截至二零一九年十二月三十一日的人民幣4,096,025,000元(二零一八年：人民幣2,495,160,000元)應課稅暫時差額確認遞延稅項負債。

於二零一九年十二月三十一日，本集團有未動用可扣稅暫時差額人民幣26,239,000元(二零一八年：人民幣25,731,000元)。由於未來盈利來源的不可預測性，因此概無就該等暫時差額確認遞延稅項資產。

於報告期末，本集團可供抵銷未來盈利之未動用稅項虧損為人民幣618,100,000元(二零一八年：人民幣23,066,000元)。截至二零一九年十二月三十一日止年度，就該等稅項虧損人民幣525,256,000元(二零一八年：無)確認遞延稅項資產及由於未來盈利來源不可預測，故並無就其餘稅項虧損人民幣92,844,000元(二零一八年：人民幣23,066,000元)確認遞延稅項資產。未確認之稅項虧損包括虧損人民幣43,131,000元將於以下截至十二月三十一日止之年度屆滿，而其他虧損則可無限期結轉：

		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
2021	二零二一年	**14,448**	14,448
2022	二零二二年	**1,347**	7,322
2023	二零二三年	**1,296**	1,296
2024	二零二四年	**26,040**	–
		43,131	23,066

21. DEPOSIT PAID

21. 已付按金

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Deposit for acquisition of additional interests in a subsidiary	增加收購於一間附屬公司的權益之按金	29,410	–

During the year ended 31 December 2019, LVGEM (Suzhou) Real Estate Investment Company Limited ("LVGEM Suzhou"), an indirect wholly-owned subsidiary of the Group as the purchaser entered into a sale and purchase agreement with the non-controlling shareholder of Prosper View Group Limited ("PVGL") to acquire remaining 49% equity interest of PVGL at the considerations of RMB29,410,000 and the amount represents deposit paid and included in non-current assets. The transaction was subsequently completed on 15 January 2020.

截至二零一九年十二月三十一日止年度，綠景(蘇州)地產投資有限公司(「綠景蘇州」，本集團之間接全資附屬公司，作為買方)與協朗集團有限公司(「協朗」)之非控股股東訂立買賣協議，以代價人民幣29,410,000元收購協朗餘下之49%股權，而該款項指已付按金並計入非流動資產。該交易其後已於二零二零年一月十五日完成。

22. PROPERTIES UNDER DEVELOPMENT FOR SALE

22. 發展中待售物業

Included in the properties under development for sale as at 31 December 2019 is carrying value of RMB3,611,033,000 (2018: RMB5,700,430,000) which represents the carrying value of the properties expected to be realised after twelve months from the end of the reporting period. The Group's properties under development for sale are mainly situated in the Mainland China, Hong Kong and Cambodia.

於二零一九年十二月三十一日，列為發展中待售物業之賬面值為人民幣3,611,033,000元(二零一八年：人民幣5,700,430,000元)，乃預期於報告期末起計十二個月後方變現之物業賬面值。本集團之發展中待售物業主要位於中國內地、香港及柬埔寨。

Analysis of leasehold lands:

租賃土地之分析：

		RMB'000 人民幣千元
As at 1 January 2019	於二零一九年一月一日	
Carrying amount	賬面值	2,508,420
As at 31 December 2019	於二零一九年十二月三十一日	
Carrying amount	賬面值	2,519,802
For the year ended 31 December 2019	截至二零一九年十二月三十一日止年度	
Total cash outflows	現金流出總額	40,122
Additions	添置	40,122

Effective from 1 January 2019, the carrying amount of leasehold lands is measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31 December 2019.

自二零一九年一月一日起，租賃土地之賬面值乃根據香港財務報告準則第16號按成本減任何累計折舊及任何減值虧損計量。殘值被釐定為租賃土地部分之估計出售價值。經計及於二零一九年十二月三十一日之估計殘值，概無就租賃土地計提折舊費用。

23. PROPERTIES HELD FOR SALE

The Group's properties held for sale are situated in the Mainland China.

Analysis of leasehold lands:

23. 待售物業

本集團待售物業位於中國內地。

租賃土地之分析：

		RMB'000 人民幣千元
As at 1 January 2019	於二零一九年一月一日	
Carrying amount	賬面值	223,039
As at 31 December 2019	於二零一九年十二月三十一日	
Carrying amount	賬面值	104,462

Effective from 1 January 2019, the carrying amount of leasehold lands is measured under HKFRS 16 at cost less any accumulated depreciation and any impairment losses. The residual values are determined as the estimated disposal value of the leasehold land component. No depreciation charge is made on the leasehold lands taking into account the estimated residual values as at 31 December 2019.

自二零一九年一月一日起，租賃土地之賬面值乃根據香港財務報告準則第16號按成本減任何累計折舊及任何減值虧損計量。殘值被釐定為租賃土地部分之估計出售價值。經計及於二零一九年十二月三十一日之估計殘值，概無就租賃土地計提折舊費用。

24. OTHER INVENTORIES

Other inventories represent low value consumables carried at cost.

24. 其他存貨

其他存貨指按成本入賬的低值易耗品。

25. ACCOUNTS RECEIVABLE

25. 應收賬款

		2019 **二零一九年** **RMB'000** **人民幣千元**	2018 二零一八年 RMB'000 人民幣千元
Accounts receivable	應收賬款	**31,825**	12,248
Less: Allowance for credit losses	減：信貸虧損撥備	**(613)**	(672)
		31,212	11,576

25. ACCOUNTS RECEIVABLE *(Cont'd)*

Accounts receivable represent receivables arising from sales of properties, rental income from leasing properties and comprehensive services (including hotel operation and property management). For the receivables arising from sales of properties, they are due for settlement in accordance with the terms of the relevant sales and purchase agreements. For the receivables arising from rental income from leasing properties, monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. For accounts receivable generated from hotel operation, the credit term is payable on demand. For accounts receivable generated from property management, receivable generally have credit terms of 30 to 60 days (2018: 30 to 60 days). All accounts receivable are denominated in RMB. The ageing analysis of the Group's accounts receivable, based on invoice dates for rental income from leasing properties and comprehensive services and the terms of relevant sales and purchases agreements for sales of properties, is as follows:

25. 應收賬款*(續)*

應收賬款指銷售物業、租賃物業的租金收入及綜合服務(包括酒店營運及物業管理)的應收款項。就銷售物業產生的應收款項而言，該等款項乃根據相關買賣協議條款到期應付。就租賃物業的租金收入產生的應收款項而言，每月租金通常預先收取，並持有充足的租金按金以減低信貸風險。就酒店營運產生的應收賬款而言，信貸期乃須按要求支付。物業管理所得的應收賬款的信貸期一般為30至60天(二零一八年：30至60天)。所有應收賬款以人民幣計值。本集團應收賬款的賬齡按有關租賃物業的租金收入及綜合服務發票日期以及相關物業銷售買賣協議條款分析如下：

		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
Within 1 month	1個月內	**22,333**	6,853
1 to 12 months	1至12個月	**6,873**	2,079
13 to 24 months	13至24個月	**919**	1,881
Over 24 months	超過24個月	**1,087**	763
		31,212	11,576

As at 31 December 2019, included in the Group's accounts receivable balance are debtors with aggregate carrying amount of RMB8,879,000 (2018: RMB4,723,000) which are past due as at the reporting date. For balance has been past due 90 days or more, it is not considered as in default due to the long-term/on-going relationship and good repayment record of the counterparties. The Group does not hold any collateral over these balances.

於二零一九年十二月三十一日，計入本集團應收賬款結餘之款項為賬面總值為人民幣8,879,000元(二零一八年：人民幣4,723,000元)之應收款項，於報告日已逾期。由於與交易方維持長期／持續關係及彼等還款記錄良好，故此逾期已超過90日或以上之結餘並未被視為違約。本集團並無就該等結餘持有任何抵押品。

25. ACCOUNTS RECEIVABLE *(Cont'd)*

The movement in the allowance for credit losses is as follows:

25. 應收賬款*(續)*

信貸虧損撥備變動如下：

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
A 1 January	於一月一日	**672**	711
Reversal on impairment loss recognised	已確認減值虧損之撥回	**(59)**	(39)
At 31 December	於十二月三十一日	**613**	672

For the years ended 31 December 2019 and 2018, the Group applies the HKFRS 9 simplified approach to measure ECL for accounts receivable based on lifetime ECL. Accounts receivable have been grouped based on shared credit risk characteristics and the historical observed default rates have been adjusted by forward looking estimates. As at 31 December 2019 and 2018, the directors of the Company considered that the default risk for the accounts receivable is very low and the lifetime ECL allowance is insignificant. None of the debtors is considered credit impaired.

截至二零一九年及二零一八年十二月三十一日止年度，本集團應用香港財務報告準則第9號的簡化方法根據存續期預期信貸虧損計量應收賬款的預期信貸虧損。應收賬款已根據共同信貸風險特徵及歷史觀察違約率分組，並經前瞻性估計調整。於二零一九年及二零一八年十二月三十一日，本公司董事認為應收賬款的違約風險極低，且存續期預期信貸虧損撥備不大。概無債務人被視為出現信貸減值。

26. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

26. 已付按金、預付款項及其他應收款項

		Notes *附註*	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Deposits paid and prepayments	已付按金及預付款項	(a)	**990,089**	434,245
Deposits for urban redevelopment projects	城市更新項目之按金	(b)	**1,790,400**	–
Other receivables	其他應收款項		**405,445**	393,365
Amounts due from related parties	應收關聯人士款項	(c)	**30,404**	47,302
Amounts due from non-controlling interests	應收非控股權益款項	(d)	**14,590**	15,382
Total	總計		**3,230,928**	890,294

26. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES *(Cont'd)*

Notes:

(a) The balance mainly represents prepaid construction costs of RMB789,047,000 (2018: RMB356,466,000) to the contractors for the Group's property development projects.

(b) The balance represents deposits paid for urban redevelopment projects located in Zhuhai and Shenzhen in the Mainland China, of which RMB1,622,400,000 (2018: nil) represents deposit paid to local government for acquisition of land use right. The amount is refundable in full if the acquisition of land use right is not successful.

(c) Amounts due from related parties, in which the ultimate controlling party has beneficial interests, are unsecured, interest-free and repayable on demand.

(d) As at 31 December 2019, amount due from non-controlling interests amounting to RMB11,715,000 (2018: RMB12,507,000) is secured by equity interests held by the non-controlling party, interest bearing at 6.37% (2018:6.37%) per annum and repayable on demand. Remaining balance of amount due from non-controlling interests is unsecured, interest-free and repayable on demand.

26. 已付按金、預付款項及其他應收款項 *(續)*

附註：

(a) 該結餘主要為就本集團物業開發項目而向承包商作出之預付建設成本人民幣789,047,000元(二零一八年：人民幣356,466,000元)。

(b) 該結餘指就位於中國內地珠海及深圳之城市更新項目支付之按金，其中人民幣1,622,400,000元(二零一八年：無)指就收購土地使用權而向當地政府支付之按金。倘未能成功收購土地使用權，該款項可獲全數退還。

(c) 應收關聯方款項(最終控股方於其中擁有實益權益)為無抵押、免息及須按要求償還。

(d) 於二零一九年十二月三十一日，應收非控股權益款項為人民幣11,715,000元(二零一八年：人民幣12,507,000元)，該款項由非控股方持有之股權作抵押、按年利率6.37%(二零一八年：6.37%)計息及須按要求償還。應收非控股權益款項之餘下結餘為無抵押、免息及須按要求償還。

27. RESTRICTED BANK DEPOSITS

27. 受限制銀行存款

		Notes 附註	**2019 二零一九年 RMB'000 人民幣千元**	2018 二零一八年 RMB'000 人民幣千元
Pledged certificate of deposits for bank loans	就銀行貸款抵押的存款證		**700,709**	1,938,317
Funds under regulation by banks for specific purposes	受銀行監管作特定用途的資金		**805,255**	1,011,723
Performance deposits required by government	政府規定的履約按金	(a)	**553,853**	553,260
Pledged bank deposits for bank loans	就銀行貸款抵押的銀行存款		**647,942**	264,469
Pledged bank deposits for mortgage	就按揭抵押的銀行存款	(b)	**94,021**	144,520
Performance deposits for construction contracts	建築合約的履約按金		**2,090**	3,244
Others	其他		**191**	293
Total	總計		**2,804,061**	3,915,826

27. RESTRICTED BANK DEPOSITS *(Cont'd)*

The effective interest rates of restricted bank deposits are in the range of 0.01% to 3.03% for both 2019 and 2018 per annum.

Notes:

(a) The balance represents performance deposits required by the government for the Group's urban redevelopment projects.

(b) The balance represents bank deposits pledged to secure the mortgage granted to buyers of properties.

27. 受限制銀行存款*(續)*

二零一九年及二零一八年之受限制銀行存款實際年利率均介乎0.01%至3.03%。

附註：

(a) 該結餘指政府規定本集團須就其城市更新項目履約按金。

(b) 該結餘指為取得向物業買家授出的按揭而作出的抵押銀行存款。

28. BANK BALANCES AND CASH

As at 31 December 2019, included in bank balances and cash was a fixed deposit of RMB447,605,000 (2018: RMB442,133,000) with original maturity period of more than three months but within one year.

The effective interest rates of cash at banks are 0.01% to 1.35% (2018: 0.01% to 1.95%) per annum.

28. 銀行結餘及現金

於二零一九年十二月三十一日，銀行結餘及現金包括原到期日為多於三個月但少於一年之定期存款人民幣447,605,000元(二零一八年：人民幣442,133,000元)。

銀行現金的實際年利率介乎0.01%至1.35%(二零一八年：0.01%至1.95%)。

29. ACCOUNTS PAYABLE

Accounts payable mainly represent amounts due to contractors. Payment to contractors is made by reference of progress of the respective construction work and agreed milestones.

The following is an aged analysis of accounts payable presented based on the invoice date:

29. 應付賬款

應付賬款主要指應付承包商款項。應付承包商款項參考有關建設工程進度及協定進度作出。

應付賬款的賬齡按發票日期分析如下：

		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
Within 1 month	1個月內	**513,386**	1,220,394
1 to 12 months	1至12個月	**436,676**	109,626
13 to 24 months	13至24個月	**137,934**	11,029
Over 24 months	超過24個月	**23,835**	42,465
		1,111,831	1,383,514

The average credit period for purchase of construction materials ranged from six months to one year.

購買建築材料的平均信貸期為六個月至一年不等。

30. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

30. 應計費用、已收按金及其他應付款項

		Notes 附註	2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Rental deposits received	已收租金按金		**141,865**	119,202
Receipts in advance	預收款項	(a)	**5,402**	1,551
Other payables and accruals	其他應付款項及應計費用		**495,005**	426,142
Amounts due to related parties	應付關聯方款項	(b)	**28,981**	191,195
Amounts due to non-controlling interests	應付非控股權益款項	(c)	**2,105**	6,724
			673,358	744,814

Notes:

(a) As at 31 December 2019 and 2018, receipts in advance consist of rental considerations received in advance from customers.

(b) Amounts due to related parties, in which the ultimate controlling party has beneficial interests, are unsecured, interest-free and repayable on demand.

(c) Amounts due to non-controlling interests are unsecured, interest-free and repayable on demand.

附註：

(a) 於二零一九年及二零一八年十二月三十一日，預收款項包括預先向客戶收取之租金代價。

(b) 應付關聯方款項(最終控股方於其中擁有實益權益)為無抵押、免息及須按要求償還。

(c) 應付非控股權益款項為無抵押、免息及須按要求償還。

31. CONTRACT LIABILITIES

31. 合同負債

		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
Sales of properties	物業銷售	**2,502,338**	2,265,113
Hotel operation and property management service	酒店營運及物業管理服務	**2,927**	3,175
		2,505,265	2,268,288

Note: The balance represents sales deposits and advance payments received from sales of properties.

附註： 該結餘指銷售按金及物業銷售之預先收取款項。

31. CONTRACT LIABILITIES *(Cont'd)*

The following table shows how much of the revenue recognised in the respective years relates to carried-forward contract liabilities at the start of the respective years.

31. 合同負債*(續)*

下表列示於各年度確認與各年度初之結轉合同負債相關之收益金額。

		2019 **二零一九年** **RMB'000** **人民幣千元**	2018 二零一八年 RMB'000 人民幣千元
Sales of properties	物業銷售	**1,443,440**	881,054
Hotel operation and property management service	酒店營運及物業管理服務	**3,175**	198

32. LEASE LIABILITIES

32. 租賃負債

		2019 **二零一九年** **RMB'000** **人民幣千元**
Lease liabilities payable:	**應付租賃負債：**	
Within one year	一年內	**22,674**
Within a period of more than one year but not more than two years	為期超過一年但不超過兩年	**20,627**
Within a period of more than two years but not more than five years	為期超過兩年但不超過五年	**44,880**
Within a period of more than five years	為期超過五年	**29,873**
		118,054
Less: Amount due for settlement within 12 months shown under current liabilities	減：列入流動負債並於12個月內到期償還之款項	**(22,674)**
Amount due for settlement after 12 months shown under non-current liabilities	列入非流動負債並於12個月後到期償還之款項	**95,380**

33. BORROWINGS 33. 借貸

		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
Borrowings comprise:	借貸包括：		
– Variable rate bank loans	－浮息銀行貸款	**16,274,940**	14,283,068
– Fixed rate bank loans	－固定利率銀行貸款	**2,781,200**	1,916,300
– Fixed rate other borrowing	－固定利率其他借貸	**50,000**	–
– Private senior notes	－私募優先票據	**349,939**	342,428
		19,456,079	16,541,796
Analysed as:	分析：		
– Secured	－有抵押	**18,886,202**	16,085,461
– Unsecured	－無抵押	**569,877**	456,335
		19,456,079	16,541,796
Borrowings repayable within a period of:	借貸須於以下期間內償還：		
– Within 1 year	－一年內	**3,616,424**	2,557,174
– More than 1 year, but not exceeding 2 years	－超過一年但少於兩年	**3,296,968**	2,056,850
– More than 2 years, but not exceeding 5 years	－超過兩年但少於五年	**10,090,473**	8,906,056
– More than 5 years	－五年以後	**1,762,364**	2,346,442
		18,766,229	15,866,522
Borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:	包含按要求償還條款之借貸（列入流動負債），惟須於下列期間內償還：		
– Within 1 year	－一年內	**689,850**	675,274
Total borrowings	總借貸	**19,456,079**	16,541,796
Less: Amount due within one year shown under current liabilities	減：流動負債項下於一年內到期之款項	**(4,306,274)**	(3,232,448)
Amount due after one year	於一年後到期之款項	**15,149,805**	13,309,348

All the Group's borrowings are denominated in the functional currencies of the relevant group companies (i.e. RMB, United States Dollar ("US$") and HK$) except certain bank and other borrowings amounting to RMB1,797,697,000 (2018: RMB1,685,510,000) are denominated in HK$, and RMB490,355,000 (2018:Nil) are denominated in US$.

所有本集團借貸採用相關集團公司的功能貨幣(即人民幣、美元(「美元」)與港元)計值，惟若干銀行及其他借貸人民幣1,797,697,000元(二零一八年：人民幣1,685,510,000元)以港元計值及人民幣490,355,000元(二零一八年：無)以美元計值除外。

33. BORROWINGS *(Cont'd)*

For bank loans denominated in HK$, the effective interest rates are ranging from 3.87% to 7.67% (2018: 1.91% to 5.39%) per annum. For bank and other loans denominated in RMB, the effective interest rates are ranging from 4.90% to 9.00% (2018: 4.35% to 9.00%) per annum. For bank loans denominated in US$, the effective interest rates are ranging from 3.21% to 9.41% (2018: Nil) per annum.

As at 31 December 2019, secured bank loans with aggregate amount of RMB3,256,201,000 and a secured other borrowing with amount of RMB50,000,000 are secured by the equity interests of subsidiaries of the Group (see also note 46).

As at 31 December 2019, a secured bank loan with aggregate amount of RMB244,167,000 was secured by certain equity instrument hold of Mr. Wong, the ultimate controlling shareholder.

On 13 December 2017, Gemstones International Limited ("Gemstones"), a direct wholly-owned subsidiary of the Company (the "Issuer"), entered into a subscription agreement with Harbor Sure (HK) Investments Limited (the "Purchaser"), an independent third party to the Group, pursuant to which the Purchaser agreed to purchase the private senior notes with an aggregate principal amount of US$50,000,000 (the "Private Notes"). The issue price was at 100.0% of the principal amount of the Private Notes. The Private Notes are:

(a) carried interest at rate of 8.5% per annum and interest is payable semi-annually on 18 June and 18 December of each year, commencing from 19 December 2017 and maturing on 19 December 2019;

(b) senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Private Notes;

(c) ranked and will rank 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); and

(d) guaranteed by the Company and certain subsidiaries of the Company on a senior basis, subject to certain limitations.

The interest charged is calculated by applying an effective interest rate of approximately 8.86% per annum since the Private Notes were issued.

On 13 December 2019, the Issuer and the Purchaser entered into the deed of extension to extend the maturity date of the Private Notes to 18 June 2020. In the opinion of the directors of the Company, the amount on non-substantial modification of financial liabilities arising on such extension is insignificant.

33. 借貸*(續)*

就以港元計值的銀行貸款而言，實際年利率介乎3.87%至7.67%(二零一八年：1.91%至5.39%)。就以人民幣計值的銀行及其他貸款而言，實際年利率介乎4.90%至9.00%(二零一八年：4.35%至9.00%)。就以美元計值的銀行貸款而言，實際年利率介乎3.21%至9.41%(二零一八年：無)。

於二零一九年十二月三十一日，有抵押銀行貸款總金額人民幣3,256,201,000元及有抵押其他借貸人民幣50,000,000元由本集團附屬公司之股權作抵押(請同時參閱附註46)。

於二零一九年十二月三十一日，一筆有抵押銀行貸款總金額人民幣244,167,000元由最終控股股東黃先生所持有之若干股本工具作抵押。

於二零一七年十二月十三日，本公司的直接全資附屬公司碧玺国际有限公司(「碧玺」)(「發行人」)與本集團獨立第三方Harbor Sure (HK) Investments Limited(「買方」)訂立一份認購協議，據此，買方同意購買本金總額為50,000,000美元的私募優先票據(「私募票據」)。發行價為私募票據本金額的100.0%。私募票據：

(a) 按年利率8.5%計息，利息須自二零一七年十二月十九日起至二零一九年十二月十九日止，於每年的六月十八日及十二月十八日每半年支付；

(b) 較列明其收款權利從屬於私募票據的發行人任何現有及日後責任享有優先收款權利；

(c) 至少與及將與發行人所有其他無抵押、非後償債務具有同等付款權利(須根據適用法律受該等無抵押非後償債務的任何優先權所規限)；及

(d) 由本公司及本公司若干附屬公司按優先基準擔保(須受若干限制)。

已計利息按自私募票據發行起應用實際年利率約8.86%計算。

於二零一九年十二月十三日，發行人及買方訂立延長契據，以將私募票據之到期日延長至二零二零年六月十八日。本公司董事認為，有關延長所產生之金融負債之非重大變更金額並不重大。

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS

34. 可換股債券及可換股債券衍生工具部分

(a) Debt component of convertible bonds

(a) 可換股債券債務部分

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Net carrying amount as at 1 January	於一月一日的賬面淨值	**1,381,645**	589,650
Issue of convertible bonds	發行可換股債券	**–**	704,661
Interest expense	利息開支	**172,237**	131,969
Interest paid	已付利息	**(88,155)**	(45,946)
Conversion of 2018 CB (as defined below)	兑換二零一八年可換股債券（定義見下文）	**–**	(59,278)
Exchange difference	匯兑差額	**27,530**	60,589
Net carrying amount as at 31 December	於十二月三十一日的賬面淨值	**1,493,257**	1,381,645
Less: Amount due within one year shown under current liabilities	減：流動負債項下於一年內到期之款項	**1,493,257**	–
Amount due after one year	於一年後到期之款項	**–**	1,381,645

(1) On 6 November 2016, the Company entered into a Convertible Bonds Subscription Agreement (the "Agreement") with an independent third party, Chance Talent Management Limited (the "Subscriber"). Pursuant to the Agreement, the Subscriber agreed to acquire the Convertible Bond (the "2018 CB") with aggregate principal amount of US$100 million (equivalent to RMB686 million) at interest rate of 5.5% per annum, payable by the Company semi-annually in arrears from the issue date, with initial conversion price of HK$2.76. The maturity date is on the second anniversary of the issue date. The 2018 CB were issued to the Subscriber on 18 November 2016.

The bondholder has the right to convert the 2018 CB in whole or in part into shares at any time on or after the issue date of the 2018 CB up to the respective maturity date. 264,946,889 (2018: 264,946,889) new shares will be issued upon full conversion of the 2018 CB. An adjustment had been made to the conversion price from HK$2.76 to HK$2.695 on 21 July 2017 as a result of the dividends paid since the convertible bonds were issued.

On 17 January 2018, the Company received a notice from the Subscriber, requesting for the conversion of the 2018 CB in the principal amount of US$10,000,000. Accordingly, the Company has allotted and issued 28,794,063 conversion shares to the Subscriber at the conversion price of HK$2.695 per conversion share.

(1) 於二零一六年十一月六日，本公司與一名獨立第三方Chance Talent Management Limited（「認購人」）訂立一份可換股債券認購協議（「該協議」）。根據該協議，認購人同意收購本金總額為1億美元（相當於人民幣6.86億元）、按年利率5.5%計息的可換股債券（「二零一八年可換股債券」）（初步兑換價為2.76港元），利息自發行日期起於每半年末由本公司支付。到期日為發行日期起計滿兩週年。二零一八年可換股債券於二零一六年十一月十八日發行予認購人。

債券持有人有權於二零一八年可換股債券發行日期當日或之後至相關到期日止隨時將全部或部份二零一八年可換股債券轉換為股份。264,946,889股（二零一八年：264,946,889股）新股份將於二零一八年可換股債券獲悉數轉換後發行。因可換股債券發行而支付的股息導致於二零一七年七月二十一日兑換價由2.76港元調整至2.695港元。

於二零一八年一月十七日，本公司接獲認購人之通知，要求就本金額10,000,000美元之二零一八年可換股債券進行兑換。因此，本公司已向認購人按每股兑換股份兑換價2.695港元配發及發行28,794,063股兑換股份。

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

(a) Debt component of convertible bonds *(Cont'd)*

(1) *(Cont'd)*

Adjustments had been made to the conversion price from HK$2.695 to HK$2.636 as a result of allotment of ordinary shares, allotment of convertible preference shares and the dividends paid during the year ended 31 December 2018.

Adjustments had been made to the conversion price from HK$2.636 to HK$2.574 as a result of the dividends paid during the year ended 31 December 2019.

On 3 October 2018, the Subscriber, the Company and Mr. Wong entered into the Deed of Extension to extend the maturity date of the 2018 CB to 18 November 2020.

The 2018 CB will be redeemed on maturity at a value equal to the amount equal to the aggregate of (a) the aggregate principal amount of such outstanding 2018 CB; (b) any accrued but unpaid interest on such outstanding 2018 CB on the redemption date (other than default interest); and (c) (if the sum of the amounts referred to above (a) and (b) fall short of making up an internal rate of return of 8% on the aggregate principal amount of 2018 CB) such additional amount which would make up an internal rate of 8% on the aggregate principal amount of 2018 CB.

Further details of the terms and conditions of the 2018 CB were disclosed in the announcements of the Company dated 6 November 2016, 8 November 2016, 18 November 2016 and 3 October 2018 respectively.

The 2018 CB contains two components, debt component and derivative component. The effective interest rate of the debt component is 14.23% (2018: 14.23%) per annum. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The fair value of conversion option is US$10,363,000 (equivalent to RMB72,292,000) (2018: US$4,494,000 (equivalent to RMB30,842,000)) as at 31 December 2019.

34. 可換股債券及可換股債券衍生工具部分*(續)*

(a) 可換股債券債務部分*(續)*

(1) *(續)*

由於截至二零一八年十二月三十一日止年度內配發普通股、配發可換股優先股及支付股息，轉換價已由2.695港元調整為2.636港元。

由於截至二零一九年十二月三十一日止年度內支付股息，轉換價已由2.636港元調整為2.574港元。

於二零一八年十月三日，認購人、本公司與黃先生訂立延長契據，以將二零一八年可換股債券之到期日延長至二零二零年十一月十八日。

二零一八年可換股債券將於到期日贖回，價值等同相等於下列總和之金額：(a)有關未轉換二零一八年可換股債券之本金總額；(b)任何有關未轉換二零一八年可換股債券於贖回日期之應計但未付利息(違約利息除外)；及(c)(倘上文(a)及(b)項所述款項之總和不足以令內部回報率達二零一八年可換股債券本金總額之8%)將令內部回報率達二零一八年可換股債券本金總額8%之有關額外金額。

二零一八年可換股債券的條款及條件的進一步詳情於本公司日期分別為二零一六年十一月六日、二零一六年十一月八日、二零一六年十一月十八日及二零一八年十月三日的公告內披露。

二零一八年可換股債券包括兩個部分(債務部分及衍生工具部分)。債務部分的實際利率為每年14.23%(二零一八年：14.23%)。衍生工具部分按公允價值計量及於損益中確認公允價值變動。

於二零一九年十二月三十一日，轉換期權的公允價值為10,363,000美元(相當於人民幣72,292,000元)(二零一八年：4,494,000美元(相當於人民幣30,842,000元))。

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

(a) Debt component of convertible bonds *(Cont'd)*

(2) On 10 May 2018, a wholly-owned subsidiary of the Company, Gemstones, as the issuer, and the Company together with its eighteen subsidiaries acting as guarantors entered into a Convertible Bonds Subscription Agreement (the "2018 Agreement") with a third party, Global Affluence Holding V Limited (the "2018 Subscriber"). Pursuant to the 2018 Agreement, the 2018 Subscriber agreed to acquire the convertible bonds (the "2023 CB") with aggregate principal amount of US$100 million (equivalent to RMB675 million) at interest rate of 4.0% per annum, payable by Gemstones semi-annually in arrears. The maturity date is on the fifth anniversary of the issue date. The 2023 CB were issued to the 2018 Subscriber on 17 May 2018.

The bondholder has the right to convert the 2023 CB in whole or in part into shares at any time on or after the issue date of the 2023 CB up to the date falling seven days prior to the maturity date. 208,776,595 new shares will be issued upon full conversion of the 2023 CB based on the initial conversion price of HK$3.76. Adjustments had been made to the conversion price from HK$3.76 to HK$3.68 as a result of the issue of Second 2023 CB and the extension of 2018 CB during the year ended 31 December 2018.

During the year ended 31 December 2019, adjustments had been made to the conversion price from HK$3.68 to HK$3.594 as a result of the dividends paid.

The 2023 CB will be redeemed on maturity at a value equal to 124.012214% of the outstanding principal amount of the 2023 CB, together with any accrued and unpaid interest.

The bondholder has the right by written notice at any time on or after 17 May 2020, the second anniversary of the issue date of the 2023 CB and before maturity, require the Gemstones to redeem all or some only of such bondholder's 2023 CB at a gross yield of 8.00% per annum.

34. 可換股債券及可換股債券衍生工具部分*(續)*

(a) 可換股債券債務部分*(續)*

(2) 於二零一八年五月十日，本公司一間全資附屬公司碧玺(作為發行人)以及本公司及其十八間附屬公司(作為擔保人)與一名第三方Global Affluence Holding V Limited(「二零一八年認購人」)訂立一份可換股債券認購協議(「二零一八年協議」)。根據二零一八年協議，二零一八年認購人同意收購本金總額為1億美元(相等於人民幣6.75億元)、按年利率4.0%計息的可換股債券(「二零二三年可換股債券」)，利息於每半年末由碧玺支付。到期日為發行日期起計滿五週年。二零二三年可換股債券於二零一八年五月十七日發行予二零一八年認購人。

債券持有人有權於二零二三年可換股債券發行日期當日或之後至到期日前七日止隨時將全部或部分二零二三年可換股債券兑換為股份。208,776,595股新股份將於二零二三年可換股債券獲悉數兑換後按初步兑換價3.76港元發行。由於截至二零一八年十二月三十一日止年度內發行第二批二零二三年可換股債券及延長二零一八年可換股債券，兑換價已由3.76港元調整為3.68港元。

於截至二零一九年十二月三十一日止年度，兑換價因支付股息而由3.68港元調整為3.594港元。

二零二三年可換股債券將於到期日贖回，價值等同於二零二三年可換股債券未清償本金額的124.012214%連同任何應計及未付利息。

債券持有人有權於二零二零年五月十七日(即二零二三年可換股債券發行日期起計滿兩週年及到期日前)當日或之後，隨時透過書面通知要求碧玺按每年8.00%的毛收益率贖回該債券持有人持有的全部或僅部分二零二三年可換股債券。

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

(a) Debt component of convertible bonds *(Cont'd)*

(2) *(Cont'd)*
The fair value of conversion option is US$5,100,459 (equivalent to RMB35,582,000) (2018: US$5,877,000 (equivalent to RMB40,338,000)) as at 31 December 2019. The fair value of early redemption option is US$12,712,000 (equivalent to RMB88,681,000) (31 December 2018: US$13,404,000 (equivalent to RMB91,994,000)) as at 31 December 2019.

Further details of the terms and conditions of the 2023 CB were disclosed in the announcements of the Company dated 11 May 2018.

The 2023 CB contains two components, debt component and derivative component (including the conversion option and the early redemption option that is not closely to the host). The effective interest rates of the debt component is 13.48% (2018:13.48%) per annum. The derivative component is measured at fair value with changes in fair value recognised in profit and loss.

(3) On 16 September 2018, Gemstones entered into a Convertible Bonds Subscription Agreement (the "2018 Second Agreement") with an independent third party, Pioneer Festive Limited (the "2018 Second Subscriber"). Pursuant to the 2018 Second Agreement, the 2018 Second Subscriber agreed to acquire the convertible bonds (the "Second 2023 CB") with aggregate principal amount of US$50 million (equivalent to RMB341.8 million) at interest rate of 5.0% per annum, payable by Gemstones semi-annually in arrears. The maturity date is on the fifth anniversary of the issue date. The Second 2023 CB were issued to the 2018 Second Subscriber on 28 September 2018.

The bondholder has the right to convert the Second 2023 CB in whole or in part into shares at any time on or after the issue date of the Second 2023 CB up to the date falling seven days prior to the maturity date. 127,022,653 new shares will be issued upon full conversion of the Second 2023 CB based on the initial conversion price of HK$3.09.

34. 可換股債券及可換股債券衍生工具部分*(續)*

(a) 可換股債券債務部分*(續)*

(2) *(續)*
於二零一九年十二月三十一日，轉換期權的公允價值為5,100,459美元(相當於人民幣35,582,000元)(二零一八年：5,877,000美元(相當於人民幣40,338,000元))。於二零一九年十二月三十一日，提前贖回權的公允價值為12,712,000美元(相當於人民幣88,681,000元)(二零一八年十二月三十一日：13,404,000美元(相當於人民幣91,994,000元))。

有關二零二三年可換股債券的條款及條件的進一步詳情已在本公司日期為二零一八年五月十一日的公告內披露。

二零二三年可換股債券包括兩個部分(債務部分及衍生工具部分)(包括與主部分並無緊密關聯之轉換期權及提前贖回權)。債務部分的實際利率為每年13.48%(二零一八年：13.48%)。衍生工具部分按公允價值計量及於損益中確認公允價值變動。

(3) 於二零一八年九月十六日，碧玺與一名獨立第三方Pioneer Festive Limited(「二零一八年第二認購人」)訂立一份可換股債券認購協議(「二零一八年第二份協議」)。根據二零一八年第二份協議，二零一八年第二認購人同意收購本金總額為5,000萬美元(相等於人民幣3.418億元)、按年利率5.0%計息的可換股債券(「第二批二零二三年可換股債券」)，利息於每半年末由碧玺支付。到期日為發行日期起計滿五週年。第二批二零二三年可換股債券於二零一八年九月二十八日發行予二零一八年第二認購人。

債券持有人有權於第二批二零二三年可換股債券發行日期當日或之後至到期日前七日止隨時將全部或部分第二批二零二三年可換股債券兑換為股份。127,022,653股新股份將於第二批二零二三年可換股債券獲悉數兑換後按初步兑換價3.09港元發行。

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

(a) Debt component of convertible bonds *(Cont'd)*

(3) *(Cont'd)*

Adjustments had been made to the conversion price from HK$3.09 to HK$3.018 as a result of the dividends paid during the year ended 31 December 2019.

The Second 2023 CB will be redeemed on maturity at a value equal to 136.1% of the outstanding principal amount of the Second 2023 CB, together with any accrued and unpaid interest.

The bondholder has the right by written notice at any time on or after 28 September 2020, the second anniversary of the issue date of the Second 2023 CB and before maturity, require the Gemstones to redeem all or some only of such bondholder's Second 2023 CB at a yield of internal rate of return of 10.00% per annum.

If a bondholder has exercised the conversion rights attached to any 2023 CB and disposed of any conversion shares issued as a result thereof, Gemstones will be entitled to share 30% of the consideration (net of taxes and brokerage fees) payable to the relevant bondholder in excess of the agreed preferred return in accordance with the terms of the Second 2023 CB.

The fair value of conversion option (after profit-sharing) is US$3,279,000 (equivalent to RMB22,875,000) (2018: US$3,419,000 (equivalent to RMB23,468,000)) as at 31 December 2019. The fair value of early redemption option is US$398,000 (equivalent to RMB2,777,000) (31 December 2018: US$1,670,000 (equivalent to RMB11,463,000)) as at 31 December 2019.

Further details of the terms and conditions of the Second 2023 CB were disclosed in the announcements of the Company dated 17 September 2018.

The Second 2023 CB contains two components, debt component and the derivative component (including the conversion option after profit-sharing and the early redemption option that is not closely related to the host). The effective interest rate of the debt component is 8.73% (2018: 8.73%) per annum. The derivative component is measured at fair value with changes in fair value recognised in profit and loss.

34. 可換股債券及可換股債券衍生工具部分*(續)*

(a) 可換股債券債務部分*(續)*

(3) *(續)*

於截至二零一九年十二月三十一日止年度，兑換價因支付股息而由3.09港元調整為3.018港元。

第二批二零二三年可換股債券將於到期日贖回，價值等同於第二批二零二三年可換股債券未清償本金額的136.1%連同任何應計及未付利息。

債券持有人有權於二零二零年九月二十八日(即第二批二零二三年可換股債券發行日期起計滿兩週年及到期日前)當日或之後，隨時透過書面通知要求碧玺按每年10.00%的內部回報收益率贖回該債券持有人持有的全部或僅部分第二批二零二三年可換股債券。

倘債券持有人已行使任何二零二三年可換股債券所附的換股權，並出售因此而發行的任何兑換股份，碧玺將有權分佔應付相關債券持有人的代價(扣除税項及經紀費用後)超過根據第二批二零二三年可換股債券條款協定的優先回報的金額的30%。

於二零一九年十二月三十一日，轉換期權(溢利分成後)的公允價值為3,279,000美元(相當於人民幣22,875,000元)(二零一八年：3,419,000美元(相當於人民幣23,468,000元))。於二零一九年十二月三十一日，提前贖回權的公允價值為398,000美元(相當於人民幣2,777,000元)(二零一八年十二月三十一日：1,670,000美元(相當於人民幣11,463,000元))。

有關第二批二零二三年可換股債券的條款及條件的進一步詳情已在本公司日期為二零一八年九月十七日的公告內披露。

第二批二零二三年可換股債券包括兩個部分(債務部分及衍生工具部分)(包括與主部分並無緊密關聯之溢利分成後轉換期權及提前贖回權)。債務部分的實際利率為每年8.73%(二零一八年：8.73%)。衍生工具部分按公允價值及於損益中確認的公允價值變動計量。

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

34. 可換股債券及可換股債券衍生工具部分*(續)*

(b) Derivative component of convertible bonds

(b) 可換股債券衍生工具部分

		2019 **二零一九年** **RMB'000** **人民幣千元**	2018 二零一八年 RMB'000 人民幣千元
Net carrying amount as at 1 January	於一月一日的賬面淨值	**198,105**	111,078
Embedded derivatives at the date of issue of convertible bonds	於可換股債券發行日期的嵌入式衍生工具	**–**	255,307
Conversion of 2018 CB	兑換二零一八年可換股債券	**–**	(11,107)
Loss (gain) arising on changes in fair value	公允價值變動產生的虧損(收益)	**20,170**	(172,192)
Exchange difference	匯兑差額	**3,932**	15,019
Net carrying amount as at 31 December	於十二月三十一日的賬面淨值	**222,207**	198,105
Less: Amount due within one year shown under current liabilities	減：流動負債項下於一年內到期之款項	**(222,207)**	–
Amount due after one year	於一年後到期之款項	**–**	198,105

(1) The methods and assumptions applied for the valuation of the 2018 CB at 31 December 2018 and at 31 December 2019 were as follows:

The fair value of the derivative component of convertible bonds at 31 December 2018 and as at 31 December 2019 derived by using the Binomial Option Pricing Model were approximately RMB30,842,000 and RMB72,292,000, respectively, which were determined by the directors of the Company with reference to the valuation performed by Asset Appraisal Limited, a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative instruments with reference to market values. During the year ended 31 December 2019, the Group recognised the fair value loss of RMB40,037,000 (2018: gain of RMB71,432,000) in the consolidated statement of profit or loss.

(1) 於二零一八年十二月三十一日及於二零一九年十二月三十一日對二零一八年可換股債券進行估值時所應用的方法及假設如下：

可換股債券衍生工具部分於二零一八年十二月三十一日及於二零一九年十二月三十一日採用二項式期權定價模型衍生之公允價值分別約為人民幣30,842,000元及人民幣72,292,000元，有關金額乃本公司董事參考中誠達資產評值顧問有限公司進行的估值而釐定，該公司乃擁有適當資格的獨立專業估值師，且在參考市值評估同類衍生工具方面擁有近期經驗。截至二零一九年十二月三十一日止年度，本集團於綜合損益表中確認公允價值虧損人民幣40,037,000元(二零一八年：收益人民幣71,432,000元)。

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

(b) Derivative component of convertible bonds *(Cont'd)*

(1) *(Cont'd)*

The inputs used in the Binomial Option Pricing Model adopted by the independent professional valuer in determining the fair values of derivative component of the 2018 CB at the respective dates were as follows:

34. 可換股債券及可換股債券衍生工具部分*(續)*

(b) 可換股債券衍生部分*(續)*

(1) *(續)*

獨立專業估值師於各日期釐定二零一八年可換股債券衍生工具部分公允價值時所採納的二項式期權定價模型中所用的輸入數據如下：

		At 31.12.2018 於二零一八年 十二月三十一日	**At 31.12.2019 於二零一九年 十二月三十一日**
Share price	股價	HK$2.23 2.23港元	**HK$2.79 2.79港元**
Exercise price	行使價	HK$2.636 2.636港元	**HK$2.574 2.574港元**
Expected dividend yield	預期股息率	2.24%	**1.90%**
Volatility	波幅	33.31%	**34.98%**
Discount rate	貼現率	17.872%	**16.432%**
Risk free interest rate	無風險利率	2.540%	**1.606%**

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

(b) Derivative component of convertible bonds *(Cont'd)*

(2) The methods and assumptions applied for the valuation of the 2023 CB at 31 December 2018 and 31 December 2019 were as follows:

The fair value of the derivative component of convertible bonds at 31 December 2018 and as at 31 December 2019 derived by using the Binomial Option Pricing Model were approximately RMB132,332,000 and RMB124,263,000, respectively, which were determined by the directors of the Company with reference to the valuation performed by Asset Appraisal Limited, a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative component of convertible bonds with reference to market values. During the year ended 31 December 2019, the Group recognised the fair value gain of RMB10,128,000 (2018: RMB90,477,000) in the consolidated statement of profit or loss.

The inputs used in the Binomial Option Pricing Model adopted by the independent professional valuer in determining the fair values the derivative component of the 2023 CB at the respective dates were as follows:

34. 可換股債券及可換股債券衍生工具部分*(續)*

(b) 可換股債券衍生部分*(續)*

(2) 於二零一八年十二月三十一日及二零一九年十二月三十一日對二零二三年可換股債券進行估值時所應用的方法及假設如下：

可換股債券衍生工具部分於二零一八年十二月三十一日及於二零一九年十二月三十一日採用二項式期權定價模型衍生之公允價值分別約為人民幣132,332,000元及人民幣124,263,000元，有關金額乃本公司董事參考中誠達資產評值顧問有限公司進行的估值而釐定，該公司乃擁有適當資格的獨立專業估值師，且在參考市值評估同類可換股債券衍生工具部分方面擁有近期經驗。截至二零一九年十二月三十一日止年度，本集團於綜合損益表中確認公允價值收益人民幣10,128,000元(二零一八年：人民幣90,477,000元)。

獨立專業估值師於各日期釐定二零二三年可換股債券衍生工具部分公允價值時所採納的二項式期權定價模型中所用的輸入數據如下：

		At 31.12.2018 於二零一八年 十二月三十一日	**At 31.12.2019 於二零一九年 十二月三十一日**
Share price	股價	HK$2.23 2.23港元	**HK$2.79 2.79港元**
Exercise price	行使價	HK$3.68 3.68港元	**HK$3.594 3.594港元**
Expected dividend yield	預期股息率	2.24%	**1.90%**
Volatility	波幅	50.73%	**33.50%**
Discount rate	貼現率	17.581%	**16.215%**
Risk free interest rate	無風險利率	2.529%	**1.669%**

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

(b) Derivative component of convertible bonds *(Cont'd)*

(3) The methods and assumptions applied for the valuation of the Second 2023 CB at 31 December 2018 and 31 December 2019 were as follows:

The fair value of the derivative component of convertible bonds at 31 December 2018 and as at 31 December 2019 derived by using the Binomial Option Pricing Model were approximately RMB34,931,000 and RMB25,652,000, respectively, which were determined by the directors of the Company with reference to the valuation performed by Asset Appraisal Limited, a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative component of convertible bonds with reference to market values. During the year ended 31 December 2019, the Group recognised the fair value gain of RMB9,739,000 (2018: RMB10,283,000) in the consolidated statement of profit or loss.

The inputs used in the Binomial Option Pricing Model adopted by the independent professional valuer in determining the fair values the derivative component of the Second 2023 CB at the respective dates were as follows:

34. 可換股債券及可換股債券衍生工具部分*(續)*

(b) 可換股債券衍生部分*(續)*

(3) 於二零一八年十二月三十一日及二零一九年十二月三十一日對第二批二零二三年可換股債券進行估值時所應用的方法及假設如下：

可換股債券衍生工具部分於二零一八年十二月三十一日及於二零一九年十二月三十一日採用二項式期權定價模型衍生之公允價值分別約為人民幣34,931,000元及人民幣25,652,000元，有關金額乃本公司董事參考中誠達資產評值顧問有限公司進行的估值而釐定，該公司乃擁有適當資格的獨立專業估值師，且在參考市值評估同類可換股債券衍生工具部分方面擁有近期經驗。截至二零一九年十二月三十一日止年度，本集團於綜合損益表中確認公允價值收益人民幣9,739,000元(二零一八年：人民幣10,283,000元)。

獨立專業估值師於各日期釐定第二批二零二三年可換股債券衍生工具部分公允價值時所採納的二項式期權定價模型中所用的輸入數據如下：

		At 31.12.2018 於二零一八年 十二月三十一日	**At 31.12.2019 於二零一九年 十二月三十一日**
Share price	股價	HK$2.23 2.23港元	**HK$2.79 2.79港元**
Exercise price	行使價	HK$3.09 3.09港元	**HK$3.018 3.018港元**
Expected dividend yield	預期股息率	2.24%	**1.90%**
Volatility	波幅	49.536%	**33.528%**
Discount rate	貼現率	14.403%	**13.052%**
Risk free interest rate	無風險利率	2.541%	**1.696%**

35. SENIOR NOTES AND BOND

35. 優先票據及債券

		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
Senior notes and bond comprise:	優先票據及債券包括：		
– Public senior notes	－公開優先票據	**2,870,055**	2,809,060
– Domestic corporate bond	－境內公司債券	**2,157,068**	2,591,909
		5,027,123	5,400,969

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Net carrying amount as at 1 January	於一月一日的賬面淨值	**5,400,969**	5,250,854
Less: Redemption of senior notes and bond	減：贖回優先票據及債券	**(485,375)**	–
Add: Interest charged during the year	加：年內已扣除利息	**411,241**	410,200
Less: Interest paid	減：已付利息	**(403,425)**	(394,549)
Add: Adjustments on change in coupon rate	加：就票息率變動的調整	**57,287**	–
Exchange differences	匯兑差額	**46,426**	134,464
Net carrying amount as at 31 December	於十二月三十一日的賬面淨值	**5,027,123**	5,400,969
Less: Amount due within one year shown under current liabilities	減：流動負債項下於一年內到期之款項	**(5,027,123)**	(2,591,909)
Amount due after one year	於一年後到期之款項	**–**	2,809,060

Issue of US$ denominated public senior notes due in 2020

On 15 August 2017 and 25 October 2017, the Issuer issued senior notes with the aggregate principal amounts of US$225,000,000 and US$175,000,000 respectively (collectively known as, the "Senior Notes"). The issue price was at 100.0% and 100.6% of the principal amount of the Senior Notes, respectively.

發行將於二零二零年到期以美元計值之公開優先票據

於二零一七年八月十五日及二零一七年十月二十五日，發行人分別發行本金總額為225,000,000美元及175,000,000美元的優先票據(統稱「優先票據」)。發行價分別為優先票據本金額的100.0%及100.6%。

35. SENIOR NOTES AND BOND *(Cont'd)*

Issue of US$ denominated public senior notes due in 2020 *(Cont'd)*

Senior Notes are listed on the Singapore Exchange Securities Trading Limited ("SGX"). Senior Notes are:

(a) carried interest at rate of 8.5% per annum and interest is payable semi-annually on 15 February and 15 August of each year, commencing from 15 February 2018 and will mature on 15 August 2020, unless redeemed earlier;

(b) senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Senior Notes;

(c) ranked and will rank 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);

(d) guaranteed by the Company and certain subsidiaries of the Company (collectively the "Guarantors") on a senior basis, subject to certain limitations;

(e) 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

(f) effectively subordinated to all existing and future obligations of the subsidiaries of the Company other than the Guarantors.

At any time prior to 15 August 2020, the Issuer may at its option to redeem the Senior Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the Senior Notes plus the applicable premium as defined in the offering memorandum of the Company dated 17 October 2017 ("Applicable Premium") as of, and accrued and unpaid interest (if any) to (but not including), the redemption date.

"Applicable Premium" means with respect to any Senior Notes at any redemption date, the greater of (i) 1.00% of the principal amount of such Senior Notes and (ii) the excess of the present value at such redemption date of the principal amount of such Senior Notes on 15 August 2020, plus all required remaining scheduled interest payments due on such Senior Notes through 15 August 2020 (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 the principal amount of such Senior Notes on such redemption date.

35. 優先票據及債券*(續)*

發行將於二零二零年到期以美元計值之公開優先票據*(續)*

優先票據於新加坡證券交易所有限公司(「新交所」)上市。優先票據：

(a) 按年利率8.5%計息，利息須自二零一八年二月十五日起，於每年二月十五日及八月十五日每半年支付，並將於二零二零年八月十五日屆滿(除非獲提早贖回)；

(b) 較列明其付款權利從屬於優先票據的發行人任何現有及日後責任享有優先付款權利；

(c) 至少與及將與發行人所有其他無抵押、非後償債務具有同等付款權利(須根據適用法律受該等無抵押非後償債務的任何優先權所規限)；

(d) 由本公司及本公司若干附屬公司(統稱「擔保人」)按優先基準擔保(須受若干限制)；

(e) 實際上次於發行人及擔保人的有抵押責任(如有)，惟須以就此作為抵押品的資產價值為限；及

(f) 實際上次於非擔保人的本公司附屬公司的所有現有及未來責任。

於二零二零年八月十五前的任何時間，發行人可選擇按相等於優先票據本金額100.0%的贖回價，另加截至贖回日期(但不包括該日)的適用溢價(「適用溢價」，定義見本公司日期為二零一七年十月十七日的發售備忘錄)以及應計及未付利息(如有)，贖回全部(但非部分)優先票據。.

「適用溢價」指就於任何贖回日期的任何優先票據而言，下列各項的較高者：(i)該優先票據本金額的1.00%；及(ii)超出於該優先票據在二零二零年八月十五日之本金額加至二零二零年八月十五日為止該優先票據一切規定的既定利息支付餘額(但不包括至贖回日期的應計及未付利息)於有關贖回日期的現值(按相等於經調整公債利率加100個基點之貼現率計算)超出於贖回日期該優先票據本金額的差價。

35. SENIOR NOTES AND BOND *(Cont'd)*

Issue of US$ denominated public senior notes due in 2020 *(Cont'd)*

At any time and from time to time prior to 15 August 2020, the Issuer may redeem up to 35% of the aggregate principal amount of the Senior 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 108.5% of the principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Senior 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.

Early redemption option is regarded as embedded derivative not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant at initial recognition date, 31 December 2018 and 2019.

The interest charged for the year is calculated by applying an effective interest rate of approximately 8.90% per annum since the Senior Notes were issued.

The fair value of the Senior Notes at 31 December 2019 amounted to RMB2,770,919,000 (2018: RMB2,552,122,000). The fair value is calculated by using the quoted price based on SGX at the end of the reporting period (or the nearest day of trading).

Subsequent to 31 December 2019, the Group commenced an exchange offer (the "Exchange Offer") to the holders of the existing Senior Notes. For details, please refer to note 51.

Issue of RMB denominated domestic corporate bond due in 2021

On 26 August 2016, a subsidiary of the Company, Zhengxinglong Real Estate (Shenzhen) Co., Ltd. ("Zhengxinglong") issued a domestic corporate bond (the "Bond") with a principal amount of RMB2,600,000,000 and will be repayable in full by 26 August 2021. Zhengxinglong has an option to increase the coupon rate from 6.5% up to 7.5% per annum at the end of the third year ("2019 coupon rate adjustment"). Zhengxinglong will make an announcement of the determination on the coupon rate adjustment and irrespective of whether adjustment will be made or not, the investor can exercise retractable option within three working days from the third anniversary of the issue date.

35. 優先票據及債券*(續)*

發行將於二零二零年到期以美元計值之公開優先票據*(續)*

於二零二零年八月十五日前任何時間，發行人可不時按優先票據本金額108.5%的贖回價，另加截至贖回日期(但不包括該日)的應計及未付利息(如有)，以股本發售中一宗或以上的本公司普通股銷售的所得現金款項淨額，贖回優先票據本金總額的最多35%；惟在每次贖回後須至少有於原發行日期原先發行的優先票據本金總額的65%仍未贖回，以及任何贖回須於相關股本發售截止後60日內發生。

提早贖回權視為並非與主合約有密切關係的嵌入衍生工具。董事認為上述提早贖回權於初始確認日、二零一八年及二零一九年十二月三十一日的公允價值不重大。

年內已計利息按自優先票據發行日期起應用實際年利率約8.90%計算。

優先票據於二零一九年十二月三十一日的公允價值為人民幣2,770,919,000元(二零一八年：人民幣2,552,122,000元)。該公允價值乃按於報告期末(或最近交易日)新交所的報價計算。

於二零一九年十二月三十一日後，本集團對現有優先票據的持有人展開交換要約(「交換要約」)。詳情請參閱附註51。

發行將於二零二一年到期以人民幣計值之境內公司債券

於二零一六年八月二十六日，本公司之附屬公司正興隆房地產(深圳)有限公司(「正興隆」)發行境內公司債券(「該債券」)，本金額為人民幣2,600,000,000元，而有關金額將於二零二一年八月二十六日全數償還。正興隆可選擇於第三年結束時將年票息率自6.5%上調至最多7.5%(「二零一九年票息率調整」)。正興隆將就票息率調整的決定作出公告(不論是否將會作出調整)，而投資者可自發行日期第三週年當日起的三個工作天內行使回售選擇權。

35. SENIOR NOTES AND BOND *(Cont'd)*

Issue of RMB denominated domestic corporate bond due in 2021 *(Cont'd)*

On 23 July 2019, with the consent of the bondholders, Zhengxinglong make an announcement that Zhengxinglong shall have an option to increase coupon rate by up to 2% per annum at end of the third and fourth years from the issue date. Zhengxinglong will make an announcement of the determination on the coupon rate adjustment and irrespective of whether adjustment will be made or not, and the investor can exercise retractable option within five working days from the third and fourth anniversary of the issue date.

On 8 August 2019, Zhengxinglong make an announcement that coupon rate was increased from 6.5% to 8% per annum from 27 August 2019. Such increase in coupon rate is considered as debt modification and a loss of RMB57,287,000 is recognised on such non-substantial modification of financial liabilities.

On 26 August 2019, an investor exercised retractable option and redeemed bonds with a principal amount of RMB486,474,000 and the loss on early redemption of financial liabilities of RMB1,099,000 is recognised during the year.

The Bond is listed in Shenzhen Stock Exchange ("SZX"). The interest charged for the year is calculated by applying an effective interest rate of approximately 6.63% per annum since the Bond were issued.

The fair value of the Bond as at 31 December 2019 is RMB2,113,949,000 (2018: RMB2,579,720,000) with reference to the quoted market price of the Bond on SZX at the end of the reporting period (the last trading day prior to 31 December 2019).

35. 優先票據及債券*(續)*

發行將於二零二一年到期以人民幣計值之境內公司債券*(續)*

於二零一九年七月二十三日，在債券持有人同意下，正興隆就其將可選擇於自發行日期起計第三及第四年結束時將年票息率上調最多2%作出公告。正興隆將就票息率調整的決定作出公告(不論是否將會作出調整)，而投資者可自發行日期第三及第四週年當日起的五個工作天內行使回售選擇權。

於二零一九年八月八日，正興隆就年票息率自二零一九年八月二十七日起由6.5%上調至8%作出公告。有關票息率上調被視為債務變更，並就金融負債之該等非重大變更確認虧損人民幣57,287,000元。

於二零一九年八月二十六日，一名投資者行使回售選擇權贖回本金額為人民幣486,474,000元的債券，而提前贖回金融負債的虧損人民幣1,099,000元則於年內確認。

該債券於深圳證券交易所(「深交所」)上市。年內已計利息按自該債券發行日期起應用實際年利率約6.63%計算。

經參考該債券於報告期末(於二零一九年十二月三十一日前之最後交易日)於深交所之市場報價後，該債券於二零一九年十二月三十一日之公允價值為人民幣2,113,949,000元(二零一八年：人民幣2,579,720,000元)。

36. SHARE CAPITAL

36. 股本

		2019 二零一九年			2018 二零一八年		
		Number of shares 股份數目	**HK$'000 千港元**	**RMB'000 人民幣千元**	Number of shares 股份數目	HK$'000 千港元	RMB'000 人民幣千元
Authorised share capital of the Company:	本公司法定股本：						
Ordinary shares of HK$0.01 each	每股面值0.01港元的普通股	**30,000,000,000**	**300,000**	**240,000**	30,000,000,000	300,000	240,000
Issued and fully paid share capital of the Company:	本公司已發行及繳足股本：						
Ordinary shares of HK$0.01 each	每股面值0.01港元的普通股						
At 1 January	於一月一日	**4,942,241,524**	**49,422**	**41,141**	4,694,182,792	46,941	39,121
Exercise of share options *(note 40)*	行使購股權*(附註40)*	**4,392,000**	**44**	**39**	6,700,000	67	58
Conversion of convertible preference shares *(note i)*	兑換可換股優先股*(附註i)*	**103,826,087**	**1,038**	**880**	–	–	–
Conversion of 2018 CB *(Note 34(a)(1))*	兑換二零一八年可換股債券*(附註34(a)(1))*	**–**	**–**	**–**	28,794,063	288	240
Issue of ordinary shares *(note ii)*	發行普通股*(附註ii)*	**–**	**–**	**–**	212,564,669	2,126	1,722
At 31 December	於十二月三十一日	**5,050,459,611**	**50,504**	**42,060**	4,942,241,524	49,422	41,141

Notes:

(i) Conversion of convertible preference shares:

On 29 April 2019, 22 November 2019 and 27 November 2019, 50,000,000, 17,826,087 and 36,000,000 shares of convertible preference shares issued on 30 November 2015 have been converted into ordinary shares at the conversion price of HK$2.06 per conversion preference share respectively.

附註：

(i) 兑換可換股優先股：

於二零一九年四月二十九日、二零一九年十一月二十二日及二零一九年十一月二十七日，分別有50,000,000股、17,826,087股及36,000,000股於二零一五年十一月三十日發行的可換股優先股已按每股可換股優先股2.06港元的兑換價兑換為普通股。

36. SHARE CAPITAL *(Cont'd)*

Notes: (Cont'd)

(ii) On 7 February 2018, the Company entered into a share subscription agreement with Leadon International Investments Real Estate Limited, an independent third party to the Group and as the share subscriber, and pursuant to which the share subscriber agreed to subscribe for 132,564,669 new ordinary shares at the subscription price of HK$2.938 per share totalling approximately HK$389.47 million (equivalent to RMB325.56 million). The allotment and issue of subscription shares were completed on 26 February 2018. The details of the issue of new ordinary shares are set out in the announcement of the Company dated 7 February 2018.

On 8 February 2018, China LVGEM Property Holdings Limited ("China LVGEM") as the vendor, entered into the placing and subscription agreement with the placing agents pursuant to which the placing agents have agreed to place the 80,000,000 existing shares ("Placing Shares") at a price of HK$2.938 per share (the "Placing Price") on behalf of China LVGEM totalling approximately HK$235.04 million (equivalent to RMB196.47 million). The Placing Shares will be placed by the placing agents to Essence Securities Co., Ltd. – QDII and Guosen Securities Co., Ltd. – QDII, who are independent third parties. Pursuant to the placing and subscription agreement, China LVGEM has conditionally agreed to further subscribe at the Placing Price for 80,000,000 new ordinary shares of the Company. The placement of the Placing Shares and issue of subscription shares were completed on 14 February 2018. The details of the placing and subscription are set out in the announcement of the Company dated 8 February 2018.

36. 股本*(續)*

附註：(續)

(ii) 於二零一八年二月七日，本公司與Leadon International Investments Real Estate Limited(為本集團之獨立第三方及作為股份認購人)訂立股份認購協議，據此，股份認購人同意按認購價每股2.938港元認購132,564,669股新普通股，總額約389.47百萬港元(相當於人民幣325.56百萬元)。認購股份之配發及發行已於二零一八年二月二十六日完成。發行新普通股的詳情載於本公司日期為二零一八年二月七日之公告。

於二零一八年二月八日，中國綠景地產控股有限公司(「中國綠景」)作為賣方，與配售代理訂立配售及認購協議，據此，配售代理已同意代表中國綠景以每股2.938港元之價格(「配售價」)配售80,000,000股現有股份(「配售股份」)，總額約235.04百萬港元(相當於人民幣196.47百萬元)。配售股份將由配售代理配售予獨立第三方安信證券股份有限公司－QDII及國信證券股份有限公司–QDII。根據配售及認購協議，中國綠景已有條件同意以配售價進一步認購80,000,000股本公司新普通股，配售股份之配售及認購股份之發行已於二零一八年二月十四日完成。配售及認購的詳情載於本公司日期為二零一八年二月八日之公告。

37. RESERVES

37. 儲備

		Notes 附註	**2019 二零一九年 RMB'000 人民幣千元**	2018 二零一八年 RMB'000 人民幣千元
Share premium	股份溢價		**7,073,804**	6,882,609
Convertible preference shares	可換股優先股	(i)	**6,064,905**	6,246,161
Other reserves	其他儲備	(ii)	**(11,637,887)**	(11,637,887)
Exchange reserve	匯兑儲備		**28,689**	59,400
Investment revaluation reserve	投資重估儲備		**148,393**	110,661
Share option reserve *(note 40)*	購股權儲備*(附註40)*		**210,718**	222,970
Statutory reserve	法定儲備	(iii)	**313,625**	221,376
Retained profits	保留盈利		**10,683,552**	9,185,017
			12,885,799	11,290,307

Notes:

The movements of the Group's reserves for the year are presented in the consolidated statement of changes in equity of the consolidated financial statements. The nature and purpose of the reserves are as follows:

附註：

本集團年內之儲備變動於綜合財務報表之綜合權益變動表中呈列。儲備之性質及用途如下：

37. RESERVES *(Cont'd)*

Notes: (Cont'd)

(i) On 30 November 2015, the Company issued convertible preference shares (the "2015 CPS") at issue price of HK$2.06 per share, of which 3,413,473,023 CPS were issued to Mr. Wong for aggregate consideration of HK$7,031,754,000 (equivalent to approximately RMB5,959,114,000) as consideration for the Transaction as defined in note 37(ii)(b).

Key terms of the 2015 CPS

- Holders of the 2015 CPS will be entitled to receive notices of and to attend the general meetings of the Company but are not permitted to vote unless a resolution is proposed to vary the rights of holders of the 2015 CPS or a resolution is proposed for the winding up of the Company;
- Holders of the 2015 CPS have the right to convert each 2015 CPS at any time into one ordinary share of the Company without the payment of any additional consideration. The holders may not exercise the conversion right if upon the conversion, the percentage of ordinary shares held by the public will fall below the minimum public float requirement under Rule 8.08 of the Listing Rules. The shares that are issued upon the exercise of the conversion right of the 2015 CPS are not subject to any restriction;
- The 2015 CPS cannot be redeemed by the Company or its holder;
- Holders of 2015 CPS will have priority over the holders of ordinary shares of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company;
- Subject to compliance with all applicable laws and the article of association of the Company, each 2015 CPS shall confer on its holder the right to receive a preferred distribution from the date of the issue of the 2015 CPS at a rate of 0.2% per annum, payable annually in arrears. Such preferred distribution is non-cumulative. The board of directors may, in its sole discretion, elect to defer or not to pay a preferred distribution. No interest accrues on any unpaid preferred distribution. If the board of directors of the Company elects to defer or not to pay a preferred distribution, the Company cannot pay any dividends, distributions or make any other payment to any ordinary shares of the Company.

On 7 February 2018, the Company entered into the Convertible Preference Shares (the "2018 CPS") subscription agreement with Silver Sure (BVI) Investments Limited, an independent third party to the Group as the 2018 CPS subscriber pursuant to which the 2018 CPS subscriber agreed to subscribe for 132,564,669 new CPS at an aggregate consideration of approximately HK$389.47 million (equivalent to RMB325.56 million). The allotment and issue of 2018 CPS was completed on 21 February 2018.

37. 儲備*(續)*

附註:(續)

(i) 於二零一五年十一月三十日，本公司按每股發行價2.06港元發行可換股優先股(「二零一五年可換股優先股」)，其中3,413,473,023股可換股優先股發行予黃先生，總代價7,031,754,000港元(相當於約人民幣5,959,114,000元)，作為交易代價(定義見附註37(ii)(b))。

二零一五年可換股優先股之主要條款

- 二零一五年可換股優先股持有人將有權收取本公司股東大會通告並出席本公司股東大會，但並不賦予投票的權利，除非所提呈的決議案會修訂二零一五年可換股優先股持有人的權利或就本公司清盤提呈決議案；
- 二零一五年可換股優先股持有人有權隨時將每股二零一五年可換股優先股轉換為一股本公司普通股股份，而毋須支付任何其他代價。倘於轉換後，公眾人士所持普通股股份之百分比低於上市規則第8.08條之最低公眾持股量規定，則持有人不得行使換股權。行使二零一五年可換股優先股之換股權發行之股份毋須受任何限制；
- 本公司或二零一五年可換股優先股持有人不可贖回二零一五年可換股優先股；
- 本公司因清算、清盤或解散而分派資產時，二零一五年可換股優先股持有人較本公司普通股持有人優先享有本公司可供分派之資產及資金；
- 待符合所有適用法律及本公司組織章程細則後，每股二零一五年可換股優先股將賦予其持有人權利，自發行二零一五年可換股優先股日期起按0.2%之年利率收取優先分派，並於每年年末支付。各優先分派不可累積。董事會可全權酌情選擇遞延或不支付優先分派。任何未支付優先分派並不計息。倘本公司董事會選擇遞延或不支付優先分派，則本公司不可就任何本公司普通股派付任何股息、分派或作出任何其他派付。

於二零一八年二月七日，本公司與銀順(BVI)投資有限公司(為本集團之獨立第三方及作為二零一八年可換股優先股認購人)訂立可換股優先股(「二零一八年可換股優先股」)認購協議，據此，二零一八年可換股優先股認購人同意以總代價約389.47百萬港元(相當於人民幣325.56百萬元)認購132,564,669股新可換股優先股。二零一八年可換股優先股之配發及發行於二零一八年二月二十一日完成。

37. RESERVES *(Cont'd)*

Notes: (Cont'd)

(i) *(Cont'd)*

Key terms of the 2018 CPS

- Holders of the 2018 CPS will be entitled to receive notices of and to attend the general meetings of the Company but are not permitted to vote unless a resolution is proposed to vary the rights of holders of the 2018 CPS or a resolution is proposed for the winding up of the Company;
- Holders of the 2018 CPS have the right to convert each 2018 CPS at any time into one ordinary share of the Company without the payment of any additional consideration. The holders may not exercise the conversion right if upon the conversion, the percentage of ordinary shares held by the public will fall below the minimum public float requirement under Rule 8.08 of the Listing Rules. The shares that are issued upon the exercise of the conversion right of the 2018 CPS are not subject to any restriction;
- The 2018 CPS cannot be redeemed by the Company or its holder; and
- Holders of 2018 CPS will have priority over the holders of ordinary shares of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company;

The details of the 2018 CPS are set out in the announcement of the Company dated 7 February 2018.

The 2018 CPS and 2015 CPS are classified as equity instruments in the Group's consolidated financial statements as the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the 2018 CPS and 2015 CPS.

On 29 April 2019, 22 November 2019 and 27 November 2019, 50,000,000, 17,826,087 and 36,000,000 2015 CPS have been converted into ordinary shares at the conversion price of HK$2.06 per conversion preference share respectively. Up to the date of the authorisation for issue of the Group's consolidated financial statements for the year ended 31 December 2019, no 2018 CPS has been converted into ordinary shares of the Company.

(ii) Other reserves mainly comprise:

(a) A deemed contribution of an amount of HK$1,007,864,525 (equivalent to approximately RMB806,292,000) by China LVGEM the then immediate holding company of the Company, to acquire approximately 75% of the then aggregate issued share capital of the Company on 8 May 2014 (the "Acquisition").

37. 儲備*(續)*

附註：(續)

(i) *(續)*

二零一八年可換股優先股之主要條款

- 二零一八年可換股優先股持有人將有權收取本公司股東大會通告並出席本公司股東大會，但並不賦予投票的權利，除非所提呈的決議案會修訂二零一八年可換股優先股持有人的權利或就本公司清盤提呈決議案；
- 二零一八年可換股優先股持有人有權隨時將每股二零一八年可換股優先股轉換為一股本公司普通股股份，而毋須支付任何額外代價。倘於轉換後，公眾人士所持普通股股份之百分比低於上市規則第8.08條之最低公眾持股量規定，則持有人不得行使換股權。行使二零一八年可換股優先股之換股權後發行之股份毋須受任何限制；
- 本公司或二零一八年可換股優先股持有人不可贖回二零一八年可換股優先股；及
- 本公司因清算、清盤或解散而分派資產時，二零一八年可換股優先股持有人較本公司普通股持有人優先享有本公司可供分派之資產及資金。

二零一八年可換股優先股的詳情載於本公司日期為二零一八年二月七日之公告。

由於本集團並無交付發行二零一八年可換股優先股及二零一五年可換股優先股產生的現金或其他金融資產的合約責任，故二零一八年可換股優先股及二零一五年可換股優先股於本集團綜合財務報表中獲分類為股本工具。

於二零一九年四月二十九日、二零一九年十一月二十二日及二零一九年十一月二十七日，分別有50,000,000股、17,826,087股 及36,000,000股 二零一五年可換股優先股已按每股可換股優先股2.06港元的兑換價兑換為普通股。直至授權刊發本集團截至二零一九年十二月三十一日止年度綜合財務報表日期，概無二零一八年可換股優先股獲兑換為本公司普通股股份。

(ii) 其他儲備主要包含：

(a) 中國綠景(本公司當時之直接控股公司)之視作出資1,007,864,525港元(相當於約人民幣806,292,000元)，以收購本公司於二零一四年五月八日之當時已發行股本總額約75%(「收購事項」)。

37. RESERVES *(Cont'd)*

Notes: (Cont'd)

(ii) Other reserves mainly comprise:*(Cont'd)*

(b) A deemed distribution of an amount of HK$13,785,000,000 (equivalent to approximately RMB11,682,204,000) to Mr. Wong, to acquire the entire equity interests in Green View Holding Company Limited and its subsidiaries (collectively referred to as the "Target Group") (the "Transaction"). The Transaction was completed on 30 November 2015. The amount of deemed distribution comprised of issuance of 2,509,342,511 new ordinary shares at issue price of HK$2.06 per ordinary share of the Company amounted to HK$5,169,246,000 (equivalent to approximately RMB4,380,717,000), issuance of 3,413,473,023 convertible preference shares at issue price of HK$2.06 per convertible preference shares amounted to HK$7,031,754,000 (equivalent to approximately RMB5,959,114,000), and cash consideration of HK$1,584,000,000 (equivalent to approximately RMB1,342,373,000).

(c) The difference between the aggregate amount of share capital and share premium of the Target Group and the Company at the completion date of the Transaction, which amounted to approximately RMB433,106,000.

(d) On 28 December 2018, the Group entered into a subscription agreement with Mr. Wong to subscribe 90.1% equity interests in Copious Favour Holdings Limited ("Copious Favour"), an investment holding company wholly owned by Mr. Wong and Copious Favour indirectly holds 44% equity interests in Zhuhai LVGEM Dongqiao Investment Co., Ltd ("Zhuhai LVGEM Dongqiao"), which is a 51% owned indirect subsidiary of the Company. Upon completion of the subscription on 28 December 2018, Copious Favour became a non-wholly owned subsidiary of the Company, while the Group's equity interests in Zhuhai LVGEM Dongqiao increased from 51% to 90.64%.

The difference between subscription amount and the attributable net liabilities being acquired was included in other reserves.

(iii) As stipulated by the relevant laws and regulations in the Mainland China, certain subsidiaries of the Company in the Mainland China are required to maintain a statutory reserve which is non-distributable other than upon the liquidation of the entity. Transfer to this reserve is made out of profit after tax of the Mainland China subsidiaries' statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the Mainland China.

37. 儲備*(續)*

附註:(續)

(ii) 其他儲備主要包含:*(續)*

(b) 向黃先生之視作出資13,785,000,000港元(相當於約人民幣11,682,204,000元),以收購綠景控股有限公司及其附屬公司(統稱「目標集團」)之全部股權(「該交易」)。該交易已於二零一五年十一月三十日完成。視作出資金額包括按每股本公司普通股發行價2.06港元發行2,509,342,511股新普通股股份之金額5,169,246,000港元(相當於約人民幣4,380,717,000元)、按每股可換股優先股發行價2.06港元發行3,413,473,023股可換股優先股股份之金額7,031,754,000港元(相當於約人民幣5,959,114,000元),以及現金代價1,584,000,000港元(相當於約人民幣1,342,373,000元)。

(c) 於該交易完成日期,目標集團與本公司之股本及股份溢價總額的差額約人民幣433,106,000元及計入其他儲備。

(d) 於二零一八年十二月二十八日,本集團與黃先生訂立認購協議,以認購黃先生全資擁有之投資控股公司厚益控股有限公司(「厚益」)之90.1%股權,而厚益間接持有珠海市綠景東橋投資有限公司(「珠海綠景東橋」)之44%股權,而珠海綠景東橋為本公司擁有51%權益之間接附屬公司。於二零一八年十二月二十八日完成認購事項後,厚益成為本公司之非全資附屬公司,而本集團於珠海綠景東橋之股權由51%增至90.64%。

認購金額與已收購之應佔負債淨值之間之差額計入其他儲備。

(iii) 根據中國內地的相關法律及法規規定,本公司於中國內地的若干附屬公司須維持不可分派的法定儲備,惟該公司清盤則除外。此儲備乃由中國內地附屬公司按照中國內地普遍採納會計原則編製的法定財務報表中的除税後盈利轉撥。

38. ACQUISITIONS OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

(a) As detailed in the announcement of the Company dated 21 May 2019, Shenzhen LVGEM Real Estate Development Co., Ltd ("the Purchaser"), an indirect wholly-owned subsidiary of the Company as the purchaser entered into the Equity Transfer Agreement on 21 May 2019, with Dongguan Lusheng Enterprise Investment Co., Ltd. ("the Vendor"), a company established in the Mainland China with limited liability which is controlled by the family members of Mr. Wong as the seller pursuant to which the Purchaser agreed to purchase, and the Vendor agreed to sell, 100% equity interest in Dongguan LVGEM Real Estate Development Co., Ltd ("the Target Company") at a total consideration of RMB8 million.

The Target Company is principally engaged in the development of a commercial properties project located in Zhangmutou Town, Dongguan City, Guangdong Province, the Mainland China. The acquisition is regarded as acquisition of assets and liabilities. The acquisition was completed on 28 May 2019.

Assets and liabilities recognised at the date of acquisition:

38. 透過收購附屬公司收購資產及負債

(a) 誠如本公司日期為二零一九年五月二十一日的公告所詳述，買方深圳市綠景房地產開發有限公司(「買方」，為本公司之間接全資附屬公司)與賣方東莞市綠晟實業投資有限公司(「賣方」，為一間於中國內地成立之有限公司，由黃先生之家族成員控制)訂立股權轉讓協議，據此，買方同意購買及賣方同意出售於東莞市綠景房地產開發有限公司(「目標公司」)的100%股權，總代價為人民幣8百萬元。

目標公司主要從事發展位於中國內地廣東省東莞市樟木頭鎮的商業物業項目。有關收購事項被視為收購資產及負債，並於二零一九年五月二十八日完成。

於收購日期確認之資產及負債：

		RMB'000 人民幣千元
Assets	**資產**	
Investment properties under development	在建投資物業	291,024
Property, plant and equipment	物業、廠房及設備	146
Properties under development for sale	發展中待售物業	48,907
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	2,481
Other current assets	其他流動資產	847
Bank balances and cash	銀行結餘及現金	306,970
		650,375
Liabilities	**負債**	
Accounts payable	應付賬款	490
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	494,885
Borrowings	借貸	147,000
		642,375
Net assets	**資產淨值**	8,000

38. ACQUISITIONS OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES *(Cont'd)*

38. 透過收購附屬公司收購資產及負債*(續)*

(a) *(Cont'd)*

(a) *(續)*

Total consideration:

總代價：

		RMB'000 人民幣千元
Cash consideration paid	已付現金代價	8,000

Net cash inflows arising on acquisition:

收購事項產生的現金流入淨額：

		RMB'000 人民幣千元
Consideration paid in cash	以現金支付的代價	(8,000)
Less: cash and cash equivalent balances acquired	減：已收購現金及現金等價物結餘	306,970
		298,970

(b) As detailed in the announcement of the Company dated 28 December 2018 and 4 January 2019, the Group entered into a subscription agreement with Mr. Wong, the controlling shareholder, to subscribe 90.1% equity interests at a consideration of RMB20,000,000 in Copious Favour, an investment holding company wholly owned by Mr. Wong and Copious Favour indirectly holds 44% equity interests in Zhuhai LVGEM Dongqiao, which is a 51% owned indirect subsidiary of the Company. Upon completion of the subscription on 28 December 2018, Copious Favour became a non-wholly owned subsidiary of the Company, while the Group's effective equity interests in Zhuhai LVGEM Dongqiao increased from 51% to 90.64%. At the date of acquisition, the net liabilities acquired by the Group amounting to RMB401,400,000, which mainly included an amount due to China LVGEM.

The difference between subscription amount and the attributable net liabilities being acquired was included in other reserves.

(b) 誠如本公司日期為二零一八年十二月二十八日及二零一九年一月四日的公告所詳述，本集團與控股股東黃先生訂立認購協議，以按代價人民幣20,000,000元認購黃先生全資擁有之投資控股公司厚益之90.1%股權，而厚益間接持有珠海綠景東橋之44%股權，而珠海綠景東橋為本公司擁有51%權益之間接附屬公司。於二零一八年十二月二十八日完成認購事項後，厚益成為本公司之非全資附屬公司，而本集團於珠海綠景東橋之實際股權由51%增至90.64%。於收購日期，本集團收購之負債淨值為人民幣401,400,000元，當中主要包括應付中國綠景款項。

認購金額與已收購之應佔負債淨值之間之差額計入其他儲備。

39. DISPOSAL OF A SUBSIDAIRY

During the year, the Group entered into a sale agreement to dispose of its 100% equity interest in Yiyang Zhonghe Real Estate Co., Ltd ("Yiyang Zhonghe"), a company which owned a piece of land classified as properties under development for sale of RMB27,496,000, to an independent third party. The disposal was completed on 21 February 2019.

Assets and liabilities recognised at the date of disposal:

39. 出售附屬公司

年內，本集團訂立銷售協議，以出售其於益陽中核置業有限公司(「益陽中核」，該公司擁有一幅被分類為發展中待售物業之土地人民幣27,496,000元)之100%股權予一名獨立第三方。出售事項於二零一九年二月二十一日完成。

於出售日期確認之資產及負債：

		RMB'000 人民幣千元
Assets	**資產**	
Property, plant and equipment	物業、廠房及設備	14
Properties under development for sale	發展中待售物業	42,513
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	319
Bank balances and cash	銀行結餘及現金	1,343
		44,189
Liabilities	**負債**	
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	51,090
Net liabilities	**負債淨額**	(6,901)

The net liabilities of Yiyang Zhonghe at the date of disposal was as follows:

益陽中核於出售日期之負債淨額如下：

		RMB'000 人民幣千元
Net liabilities disposed of	已出售負債淨額	(6,901)
Gain on disposal	出售之收益	33,300
Total consideration	總代價	26,399
Satisfied by:	以下列方式支付：	
Cash	現金	26,399

39. DISPOSAL OF A SUBSIDAIRY *(Cont'd)*

Net cash inflows arising on disposal:

39. 出售附屬公司*(續)*

出售帶來的現金流入淨額：

		RMB'000 人民幣千元
Total cash consideration received	已收現金代價總額	26,399
Less: cash and cash equivalent balances disposed	減：已出售現金及現金等價物結餘	(1,343)
		25,056

40. SHARE-BASED EMPLOYEE COMPENSATION

The share option scheme adopted by the Company on 14 November 2005 expired on 13 November 2015. On 2 June 2016, the Company adopted a new share option scheme (the "Scheme") at the annual general meeting of the Company held on 2 June 2016.

Pursuant to the Scheme, the board of directors may, at its discretion, invite any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of the Company, its subsidiaries and associated companies; any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group or its associated companies; any consultants, professional and other advisers to each member of the Group or its associated companies (or persons, firms or companies proposed to be appointed for providing such services); any chief executives or substantial shareholders of the Company; any associates of any director, chief executive or substantial shareholder of the Company; and any employees (whether full-time or part-time) of substantial shareholders of the Company, provided that the board of directors may have absolute discretion to determine whether or not one falls within the above categories, (together, the "Participants" and each a "Participant"), to take up options ("Option(s)") to subscribe for shares at a price determined in accordance with the paragraph below.

In determining the basis of eligibility of each Participant, the board of directors would take into account such factors as the board of directors may at its discretion consider appropriate.

The Scheme shall be valid and effective for a period of ten years commencing on the date on which the Scheme is adopted, after which period no further Options will be granted but in all other respects the provisions of the Scheme shall remain in full force and effect, and Options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of grant.

40. 以股份支付的僱員薪酬

本公司於二零零五年十一月十四日採納之購股權計劃已於二零一五年十一月十三日屆滿。於二零一六年六月二日，本公司於二零一六年六月二日舉行之本公司股東週年大會上採納新購股權計劃(「該計劃」)。

根據該計劃，董事會可酌情邀請本公司、其附屬公司及聯營公司的任何執行或非執行董事，包括獨立非執行董事或任何僱員(不論全職或兼職)；本集團各成員公司或其聯營公司的任何僱員、執行或非執行董事所設立的全權信託的任何全權受益人；本集團各成員公司或其聯營公司的任何諮詢人、專業人士及其他顧問(或擬委任以提供該等服務的人士、商行或公司)；本公司任何主要行政人員或主要股東；本公司任何董事、主要行政人員或主要股東的任何聯繫人；及本公司主要股東的任何僱員(不論全職或兼職)，惟董事會可全權酌情釐定有關人士是否屬於上述類別(上述人士均稱為及合稱「參與者」)，以接納購股權(「購股權」)，並根據下文確定的價格認購股份。

於釐定各參與者的資格標準時，董事會將考慮其可能酌情認為恰當的因素。

該計劃自獲採納日期起計有效期為十年，在限期後不會再授出購股權，惟在所有其他方面，該計劃的條文仍具有十足效力及作用，於該計劃期限內授出的購股權可按其授出條款繼續行使。

40. SHARE-BASED EMPLOYEE COMPENSATION *(Cont'd)*

The exercise price of a share in relation to each Option granted under the Scheme shall be a price solely determined by the board of directors and notified to a Participant and shall be at least the highest of:

(a) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the business day on which an offer is accepted by the grantee or if such date of acceptance by the grantee is not a business day, the immediately preceding business day;

(b) a price being the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is accepted by the grantee (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the shares where the Company has been listed for less than five business days as at the date on which an offer is accepted by the grantee); and

(c) the nominal value of a Company's share.

The total number of shares, which may be issued upon exercise of all Options to be granted under the Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue on the date of commencement of dealings in the shares on the Stock Exchange ("Scheme Mandate Limit"), unless the Company obtains an approval from its shareholders. Options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating such 10% limit.

Notwithstanding any other provisions of the Scheme, the maximum number of the shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time.

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the Options granted to each participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Offer of an option ("Offer") shall be deemed to have been accepted by any Participant (the "Grantee") who accepts an Offer in accordance with the terms of the Scheme and the option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the granting thereof is received by the Company within 30 days from the date upon which the Offer is made.

40. 以股份支付的僱員薪酬*(續)*

根據該計劃授出之各購股權之股份行使價將為僅由董事會釐定及告知參與者之價格，以及將為以下之最高者：

(a) 於要約獲承授人接納的營業日(或如要約獲承授人接納當日並非營業日，則為緊接該日前的營業日)聯交所日報表所報的本公司股份收市價；

(b) 緊接要約獲承授人接納前五個營業日聯交所日報表所報的本公司股份平均收市價(惟倘本公司股份於要約獲承授人接納當日前已上市的日數少於五個營業日，則新發行價應用作股份上市前期間任何營業日的收市價)；及

(c) 一股本公司股份面值。

因行使根據該計劃及本公司任何其他購股權計劃授出的所有購股權可發行的股份總數，合共不得超過股份於聯交所開始買賣當日已發行股份總數的10%(「計劃授權限額」)，惟本公司取得股東的批准則除外。計算該10%限額並不計及根據該計劃條款已失效的購股權。

儘管該計劃另有任何其他規定，於行使該計劃及本公司任何其他購股權計劃的已授出但尚未行使的所有未行使購股權時，最多可發行的股份數目不得超過不時已發行股份總數的30%。

除非獲股東批准，否則於任何十二個月期間因行使授予每名參與者的購股權(包括已行使及尚未行使的購股權)而已發行及將予發行的股份總數，不得超過已發行股份總數的1%。

任何參與者(「承授人」)凡按照該計劃的條款接納購股權要約(「要約」)，即被視為接納要約，而當載有接納要約的要約書副本由承授人妥為簽署，並在本公司作出要約當日起30日內，接獲承授人在接納購股權時須向本公司支付1.00港元作為授出購股權的代價後，與要約有關的購股權即被視為已授出並生效。

40. SHARE-BASED EMPLOYEE COMPENSATION *(Cont'd)*

On 28 June 2016, the Company granted share options under the Scheme to certain Participants which will enable the Grantees to subscribe for a total of 285,800,000 ordinary shares of HK$0.01 each in the share capital of the Company.

Details of the Options granted by the Company pursuant to the Scheme and the Options outstanding as at 31 December 2019 and 31 December 2018 are as follows:

40. 以股份支付的僱員薪酬*(續)*

於二零一六年六月二十八日，本公司根據該計劃向若干參與者授出購股權，使承授人能夠認購本公司股本中合共285,800,000股每股面值0.01港元的普通股。

本公司根據該計劃授出及於二零一九年十二月三十一日及二零一八年十二月三十一日尚未行使的購股權詳情如下：

				購股權數目						
		Date of grant	Exercisable period	Balance at 1 January 2019 於二零一九年一月一日的結餘	Transfer during the year 於年內轉撥	Granted during the year 於年內授出	Exercised during the year 於年內行使 (Note 4) (附註4)	Lapsed during the year 於年內失效	Balance at 31 December 2019 於二零一九年十二月三十一日的結餘	Exercise price per share 每股行使價 HK$ 港元
		授出日期 (dd/mm/yyyy) (日／月／年)	行使期間 (dd/mm/yyyy) (日／月／年)							
Executive directors *(Note 1)*	執行董事*(附註1)*	28/06/2016	28/06/2016 to 27/06/2026 28/06/2016至 27/06/2026	**13,950,000**	**(3,450,000)**	**–**	**–**	**–**	**10,500,000**	**1.846**
Executive directors *(Note 2)*	執行董事*(附註2)*	28/06/2016	28/06/2017 to 27/06/2026 28/06/2017至 27/06/2026	**13,950,000**	**(3,450,000)**	**–**	**–**	**–**	**10,500,000**	**1.846**
Executive directors *(Note 3)*	執行董事*(附註3)*	28/06/2016	28/06/2018 to 27/06/2026 28/06/2018至 27/06/2026	**18,600,000**	**(4,600,000)**	**–**	**–**	**–**	**14,000,000**	**1.846**
Employees *(Note 1)*	僱員*(附註1)*	28/06/2016	28/06/2016 to 27/06/2026 28/06/2016至 27/06/2026	**65,490,000**	**2,550,000**	**–**	**(1,440,000)**	**(3,090,000)**	**63,510,000**	**1.846**
Employees *(Note 2)*	僱員*(附註2)*	28/06/2016	28/06/2017 to 27/06/2026 28/06/2017至 27/06/2026	**65,850,000**	**2,550,000**	**–**	**(1,440,000)**	**(3,090,000)**	**63,870,000**	**1.846**
Employees *(Note 3)*	僱員*(附註3)*	28/06/2016	28/06/2018 to 27/06/2026 28/06/2018至 27/06/2026	**87,800,000**	**3,400,000**	**–**	**(1,512,000)**	**(4,120,000)**	**85,568,000**	**1.846**
Others *(Note 1)*	其他*(附註1)*	28/06/2016	28/06/2018 to 27/06/2026 28/06/2018至 27/06/2026	**3,000,000**	**900,000**	**–**	**–**	**–**	**3,900,000**	**1.846**
Others *(Note 2)*	其他*(附註2)*	28/06/2016	28/06/2018 to 27/06/2026 28/06/2018至 27/06/2026	**–**	**900,000**	**–**	**–**	**–**	**900,000**	**1.846**
Others *(Note 3)*	其他*(附註3)*	28/06/2016	28/06/2018 to 27/06/2026 28/06/2018至 27/06/2026	**–**	**1,200,000**	**–**	**–**	**–**	**1,200,000**	**1.846**
				268,640,000	**–**	**–**	**(4,392,000)**	**(10,300,000)**	**253,948,000**	
Exercisable at the end of the year	於年末可行使								**253,948,000**	

40. SHARE-BASED EMPLOYEE COMPENSATION *(Cont'd)* 40. 以股份支付的僱員薪酬*(續)*

		Date of grant 授出日期 (dd/mm/yyyy) (日/月/年)	Exercisable period 行使期間 (dd/mm/yyyy) (日/月/年)	購股權數目 Balance at 1 January 2018 於二零一八年一月一日的結餘	Transfer during the year 於年內轉撥	Granted during the year 於年內授出	Exercised during the year 於年內行使 *(Note 4)* *(附註4)*	Lapsed during the year 於年內失效	Balance at 31 December 2018 於二零一八年十二月三十一日的結餘	Exercise price per share 每股行使價 HK$ 港元
Executive directors *(Note 1)*	執行董事*(附註1)*	28/06/2016	28/06/2016 to 27/06/2026 28/06/2016至 27/06/2026	13,950,000	–	–	–	–	13,950,000	1.846
Executive directors *(Note 2)*	執行董事*(附註2)*	28/06/2016	28/06/2017 to 27/06/2026 28/06/2017至 27/06/2026	13,950,000	–	–	–	–	13,950,000	1.846
Executive directors *(Note 3)*	執行董事*(附註3)*	28/06/2016	28/06/2018 to 27/06/2026 28/06/2018至 27/06/2026	18,600,000	–	–	–	–	18,600,000	1.846
Employees *(Note 1)*	僱員*(附註1)*	28/06/2016	28/06/2016 to 27/06/2026 28/06/2016至 27/06/2026	68,490,000	–	–	(3,000,000)	–	65,490,000	1.846
Employees *(Note 2)*	僱員*(附註2)*	28/06/2016	28/06/2017 to 27/06/2026 28/06/2017至 27/06/2026	68,490,000	–	–	(2,100,000)	(540,000)	65,850,000	1.846
Employees *(Note 3)*	僱員*(附註3)*	28/06/2016	28/06/2018 to 27/06/2026 28/06/2018至 27/06/2026	91,320,000	–	–	(1,600,000)	(1,920,000)	87,800,000	1.846
Others *(Note 1)*	其他*(附註1)*	28/06/2016	28/06/2018 to 27/06/2026 28/06/2018至 27/06/2026	3,000,000	–	–	–	–	3,000,000	1.846
				277,800,000	–	–	(6,700,000)	(2,460,000)	268,640,000	
Exercisable at the end of the year 於年末可行使									268,640,000	

Note 1: The options were vested immediately on the date of grant.

Note 2: The options granted are subject to the vesting period from the date of grant up to 27 June 2017.

Note 3: The options granted are subject to the vesting period from the date of grant up to 27 June 2018.

Note 4: The weighted average share price at the dates of exercise for share options during the year was HK$2.74 per share.

The closing price of the Company's shares immediately before 28 June 2016, the date of grant, was HK$1.820.

There is no performance condition for the Options to vest.

附註1： 購股權於授出日期即時歸屬。

附註2： 所授出的購股權受自授出日期起至二零一七年六月二十七日止之歸屬期所規限

附註3： 所授出的購股權受自授出日期起至二零一八年六月二十七日止之歸屬期所規限

附註4： 於本年度行使購股權當日之加權平均股價為每股2.74港元。

本公司股份於緊接二零一六年六月二十八日(授出日期)前的收市價為1.820港元。

購股權並無表現條件需予歸屬。

40. SHARE-BASED EMPLOYEE COMPENSATION *(Cont'd)*

The fair values of the Options determined at the date of grant using the Binomial Option Pricing Model were HK$276,156,000 (equivalent to approximately RMB236,030,000). During the year ended 31 December 2019, the Group recognised the total expense of nil (2018: RMB21,959,000) in relation to share options granted by the Company.

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company. Changes in variables and assumptions may result in changes in the fair value of the Options.

40. 以股份支付的僱員薪酬*(續)*

於授出日期以二項式期權定價模型釐定的購股權公允價值為276,156,000港元(相當於約人民幣236,030,000元)。截至二零一九年十二月三十一日止年度，本集團就本公司授出之購股權確認之總開支為零(二零一八年：人民幣21,959,000元)。

二項式期權定價模型已用於估計購股權的公允價值。用於計算購股權公允價值的可變因素及假設乃根據本公司董事最佳估計得出。可變因素及假設的變動可能導致購股權公允價值出現變動。

41. RETIREMENT BENEFIT SCHEME

Hong Kong

The Group has joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

The Mainland China

The employees of the Group's subsidiaries in the Mainland China are members of a state-managed retirement benefit scheme operated by the government of the Mainland China. The subsidiaries are required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

During the year, the retirement benefit scheme contributions amounted to RMB28,243,000 (2018: RMB22,330,000). No forfeited contributions have been used to reduce the level of contributions in both years.

41. 退休福利計劃

香港

本集團已參加一項為其在香港之僱員設立之強制性公積金計劃(「強積金計劃」)。強積金計劃已根據強制性公積金計劃條例在強制性公積金計劃管理局註冊。強積金計劃之資產與本集團之資產分開處理，由獨立受託人管理之基金持有。根據強積金計劃之規則，僱主及僱員須分別按規則指定之比率對強積金計劃供款。本集團就強積金計劃承擔之責任僅限於根據強積金計劃作出指定供款。

自綜合損益表中扣除有關強積金計劃之退休福利計劃供款乃本集團按該計劃規則訂明之比率須撥入基金之供款額。

中國內地

本集團中國內地附屬公司之僱員參與中國內地政府營運之國家管理退休福利計劃。附屬公司須按僱員薪金之若干比率向國家管理退休福利計劃供款。本集團就該退休福利計劃承擔之責任僅限於根據該計劃作出指定供款。

年內，退休福利計劃供款為人民幣28,243,000元(二零一八年：人民幣22,330,000元)。概無利用沒收供款減低兩個年度內之供款水平。

42. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets.

The Group monitors capital on the basis of the net debt to equity ratio. For this purpose the net debt is defined as borrowings less cash and cash equivalents. The Group's goal in capital management is to maintain a net debt to equity ratio at a reasonable level. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debts.

The Group's overall strategy in capital management remains unchanged from prior year.

42. 資本風險管理

本集團管理資本的主要目標是保障本集團可持續經營能力，以不斷為股東提供回報及為其他利益相關方帶來利益。方法包括依照風險水平釐定物業價格，及以合理的成本進行融資。

本集團根據經濟狀況的變動及相關資產的風險特性管理資本結構並作出相應調整。

本集團按淨負債權益比率的基準監察其資本。就此而言，淨負債的定義為借貸減現金及現金等價物。本集團資本管理的目標為將淨負債權益比率維持於合理的水平。為維持或調整資本結構，本集團可調整派付予股東的股息款額、發行新股份、退還股本予股東、籌集新債務融資或出售資產減債。

自上年度起，本集團資本管理的整體策略維持不變。

43. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

43. 財務風險管理的政策及目標

Categories of financial instruments

金融工具類別

		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
Financial assets	**金融資產**		
Financial assets at amortised cost	按攤銷成本計量的金融資產	**9,350,949**	8,579,811
Equity instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之股本工具	**541,125**	490,816
Financial asset at FVTPL	按公允價值計入損益之金融資產	**–**	10,559
Debt instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之債務工具	**–**	20,000
Financial liabilities	**金融負債**		
Financial liabilities measured at amortised cost	按攤銷成本計量的金融負債	**27,735,342**	25,336,421
Derivative financial instruments	衍生金融工具	**222,207**	198,105

The Group is exposed to a variety of financial risks: currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not have any written risk management policies and guidelines. However, the directors of the Company meet periodically to analyse and formulate strategies to manage and monitor financial risks.

The Group is not engaged in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

本集團承受多種財務風險：貨幣風險、利率風險、價格風險、信貸風險及流動資金風險。本集團的整體風險管理重點在於金融市場的不可預測性，並尋求將對本集團財務表現的潛在不利影響降至最低。本集團現時並無任何明文的風險管理政策及指引。然而，本公司董事定期召開會議，以分析及制定措施以管理及監控財務風險。

本集團並無從事以投機為目標的金融資產買賣。本集團所面對的最主要財務風險載列如下。

43. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

43. 財務風險管理的政策及目標*(續)*

43.1 Currency risk

43.1 貨幣風險

Certain subsidiaries of the Company have foreign currency denominated monetary assets and liabilities, which expose the Group to foreign currency risk. The Group currently does not have a policy to hedge the foreign currency exposure. However, the management monitors the related foreign currency fluctuation closely and will consider entering into foreign exchange forward contracts to hedge significant portion of the foreign currency risk should the need arise.

本公司若干附屬公司之貨幣資產及負債以外幣計值，故本集團面臨外匯風險。本集團現時並無對沖外匯風險之政策。然而，管理層會密切監控有關外匯波動，並於有需要時考慮簽訂外匯遠期合約以對沖重大外匯風險。

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date as follows:

本集團以外幣計值之貨幣資產及貨幣負債於報告日期之賬面值如下：

		Assets 資產		Liabilities 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	**2019 二零一九年 RMB'000 人民幣千元**	2018 二零一八年 RMB'000 人民幣千元
US$	美元	**279,351**	125,999	**1,153,875**	835,367
HK$	港元	**442,438**	219,876	**1,860,657**	2,782,493

Sensitivity analysis

敏感度分析

The Group is mainly exposed to the currency of US$ and HK$.

本集團主要面臨美元及港元貨幣風險。

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to directors of the Company's assessment of the reasonably possible change in foreign exchange rates.

下表詳述本集團對人民幣兑相關外幣增減5%的敏感度。5%為向本公司董事內部匯報外幣風險時所使用的敏感度比率，反映本公司董事對外幣匯率出現合理可能變動之評估。

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances at the end of the reporting period outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

敏感度分析僅包括以外幣折算之尚未支付貨幣項目(假設報告期末結餘於整個年度未結算)，並於年結時以外幣匯率變動5%作匯兑調整。下列之正數數字反映人民幣兑有關外幣升值5%時，盈利會有所增加。人民幣兑有關外幣貶值5%時，盈利將構成等值及相反影響，而下列結餘將為負數。

43. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

43. 財務風險管理的政策及目標*(續)*

43.1 Currency risk *(Cont'd)*

43.1 貨幣風險*(續)*

Sensitivity analysis (Cont'd)

敏感度分析(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
US$	**美元**		
Profit or loss	損益	**32,795**	26,601
HK$	**港元**		
Profit or loss	損益	**53,183**	96,098

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

管理層認為，由於年末風險不反映年內風險，故敏感度分析未能代表內在的外幣風險。

43.2 Interest rate risk

43.2 利率風險

The Group has significant borrowings (see note 33 for details) with floating interest rate which are exposed to cash flow interest-rate risk. Certain bank loans and certain other borrowings, certain restricted bank deposits, certain bank balances, convertible bonds, senior notes and bond, and lease liabilities (see note 32 for details) carried at fixed rate which exposed the Group to fair value interest rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risks.

本集團有以浮息利率計算的重大借貸(詳情見附註33)承受現金流量利率風險。若干銀行貸款及若干其他借貸、若干受限制銀行存款、若干銀行結餘、可換股債券、優先票據及債券以及租賃負債(詳情見附註32)以固定利率計息，並使本集團承受公允價值利率風險。年內，本集團並無對沖其現金流量及公允價值利率風險。

Sensitivity analysis

敏感度分析

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2018: 50) basis point increase or decrease is used when reporting interest rate risk internally to directors of the Company's assessment of the reasonably possible change in interest rates.

以下敏感度分析乃根據浮息借貸於報告期末面對之利率風險釐定。分析乃假設報告期末負債餘額於整個年度尚未償還而編製。向本公司董事內部申報利率風險時採用50(二零一八年：50)個基點增減，反映本公司董事對利率合理可能出現之變動之評估。

43. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

43.2 Interest rate risk *(Cont'd)*

Sensitivity analysis (Cont'd)

If interest rates had been 50 (2018: 50) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately RMB24,538,000 (2018: RMB24,916,000), net of interest that would be capitalised in accordance with the Group's accounting policy.

Sensitivity analysis on bank deposits is not presented as the directors of the Company consider that the Group's exposure to interest rate fluctuations on bank deposits is insignificant.

43.3 Credit risk and impairment assessment

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 47.

The Group's credit risk is primarily attributable to its accounts and other receivables, amounts due from a joint venture, related companies and non-controlling interests, and amount of contingent liabilities in relation to the financial guarantees provided by the Group. The amounts presented in the consolidated statement of financial position are net of allowances for credit losses, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for amounts due from a joint venture, a subcontractor, related parties and non-controlling interests of RMB829,310,000 (2018: RMB810,002,000) in aggregate as at 31 December 2019. The credit risk on liquid funds is limited because the funds have been deposited with various creditworthy financial institutions located in Hong Kong and the Mainland China.

43. 財務風險管理的政策及目標*(續)*

43.2 利率風險*(續)*

敏感度分析(續)

倘利率增加／減少50(二零一八年：50)個基點而所有其他變數維持不變，本集團扣除按照本集團會計政策資本化利息後的年內除税後盈利將減少／增加約人民幣24,538,000元(二零一八年：人民幣24,916,000元)。

銀行存款之敏感度分析並未呈列，因本公司董事認為本集團銀行存款利率浮動風險並不重大。

43.3 信貸風險及減值評估

於二零一九年十二月三十一日，由於交易方未有履行責任及本集團提供財務擔保而對本集團造成財務損失的最大信用風險承擔由綜合財務狀況報表所載各確認金融資產的賬面值及與本集團所發出財務擔保有關的或然負債金額而產生，於附註47中作出披露。

本集團信貸風險主要來自有關本集團提供財務擔保之應收賬款及其他應收款項、應收一間合營公司、關聯公司及非控股權益款項，及或然負債款項。綜合財務狀況報表所示金額已扣除信貸虧損撥備，由本集團管理層根據過往經驗及對當時經濟環境的評估作出估計。

本集團並無重大集中之信貸風險，且交易方及客戶數目眾多，能夠分散風險，惟於二零一九年十二月三十一日應收一間合營公司、一名分包商、關聯方及非控股權益款項合共人民幣829,310,000元(二零一八年：人民幣810,002,000元)除外。由於資金存放於香港及中國內地具良好信譽的金融機構，故有關流動資金的信貸風險有限。

43. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

43.3 Credit risk and impairment assessment *(Cont'd)*

As at 31 December 2019, the directors of the Company considered that the default risk for other receivables, amounts due from a joint venture, related parties and non-controlling interests is very low due to their sound credit worthiness, financial position and historical repayment records.

For amount due from a joint venture, the management of the Group assessed the profitability of the underlying project of the joint venture and its recoverability. Due to its profitability, the directors of the Company considered that the default risk is low.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For properties under development which are subject to pre-sales agreements, the Group generally typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for certain amount of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to forfeit the customer's purchase deposit and sell the property to recover any amounts paid by the Group to the bank. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee by the Group. The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market prices of the properties are higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2019, the directors of the Company considered that the default risk for the accounts receivable is very low and the lifetime ECL allowance is insignificant.

43. 財務風險管理的政策及目標*(續)*

43.3 信貸風險及減值評估*(續)*

於二零一九年十二月三十一日，本公司董事認為，由於交易方之信譽、財務狀況及過往還款記錄良好，故其他應收款項、應收一間合營公司、關聯方及非控股權益款項之違約風險極低。

就應收一間合營公司款項而言，本集團管理層評估合營公司相關項目的盈利能力及其可收回性。基於其盈利能力，本公司董事認為違約風險較低。

為將信貸風險減至最低，本集團管理層已委派團隊，負責釐定信貸限額、信貸審批及其他監控程序，以確保採取跟進措施收回逾期債務。此外，本集團於報告期末檢討各項個別貿易債項的可收回金額，以確保就不可收回金額作出足夠減值虧損。就此而言，本公司董事認為本集團之信貸風險已顯著降低。

就預售協議下之發展中物業而言，本集團一般通常為客戶就撥資購買物業而作出之按揭貸款向銀行提供擔保，金額為物業購買價總額之一定數額。倘買方於擔保期內逾期支付按揭款項，持有按揭之銀行可要求本集團償還貸款尚未償還金額及任何應計利息。在該情況下，本集團可沒收客戶之購買按金並出售有關物業以收回本集團向銀行支付之任何金額。因此，管理層認為任何因本集團之擔保而產生之虧損均可能收回。由於該等融資以物業作抵押，而物業之市價高於擔保金額，故管理層認為向物業買方提供財務擔保而面臨之信貸風險有限。就此而言，本公司董事認為此舉大幅減低本集團之信貸風險。

於二零一九年十二月三十一日，本公司董事認為應收賬款之違約風險極低，且存續期預期信貸虧損撥備不大。

43. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

43.4 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In the opinion of the directors of the Company, the Group does not have any significant liquidity risk exposure.

The Group's policy is to regularly monitor its liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term financial liabilities.

The following table shows the remaining contractual maturities at the end of the reporting period of the non-derivative financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflows based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

43. 財務風險管理的政策及目標*(續)*

43.4 流動資金風險

於管理流動資金風險時，本集團監控及維持現金及現金等價物達到管理層認為充足的水平，以便為本集團業務提供資金及減低現金流量波動的影響。本公司董事認為，本集團並無任何重大流動資金風險。

本集團的政策為定期監控其流動資金需要，以確保本集團維持充裕現金儲備來滿足其短期及長期金融負債的流動資金需要。

下表列示按未折現現金流量(包括按合約利率或(如為浮息)按報告期末的現行利率計算的利息金額)及本集團可被要求還款的最早日期呈列的於報告期末的非衍生金融負債的餘下合約期限。

具體而言，對於涵蓋銀行可全權酌情行使的按要求償還條款的定期貸款，有關分析按本集團可被要求還款的最早期間(即倘貸方擬行使其無條件權利要求即時償還貸款)呈列現金流出。其他銀行借貸的到期日分析則按計劃還款日期編製。

43. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

43. 財務風險管理的政策及目標*(續)*

43.4 Liquidity risk *(Cont'd)*

43.4 流動資金風險*(續)*

		Weighted average effective interest rate 加權平均實際利率 %	Less than 1 year or on demand 一年內或按要求 RMB'000 人民幣千元	After 1 year but less than 2 years 一年以上兩年以內 RMB'000 人民幣千元	After 2 years but less than 5 years 兩年以上五年以內 RMB'000 人民幣千元	After 5 years 五年後 RMB'000 人民幣千元	Total contractual undiscounted cash flows 未折現合約現金流量總額 RMB'000 人民幣千元	Carrying amount 賬面值 RMB'000 人民幣千元
2019	**二零一九年**							
Non-derivative financial liabilities	**非衍生金融負債**							
Accounts payable	應付賬款	–	1,111,831	–	–	–	1,111,831	1,111,831
Accruals and other payables	應計費用及其他應付款項	–	528,998	–	–	–	528,998	528,998
Borrowings	借貸	6.29	5,022,406	4,834,740	11,345,649	1,950,810	23,153,605	19,456,079
Senior notes and bond	優先票據及債券	7.89	5,274,980	–	–	–	5,274,980	5,027,123
Convertible bonds	可換股債券	12.83	1,787,118	–	–	–	1,787,118	1,715,464*
Leases liabilities	租賃負債	9.50	33,218	29,615	71,702	40,754	175,289	118,054
Financial guarantee contracts *(note 47)*	財務擔保合約*(附註47)*	–	2,132,390	–	–	–	2,132,390	–
			15,890,941	4,864,355	11,417,351	1,991,564	34,164,211	27,957,549

43. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

43. 財務風險管理的政策及目標*(續)*

43.4 Liquidity risk *(Cont'd)*

43.4 流動資金風險*(續)*

		Weighted average effective interest rate 加權平均實際利率 %	Less than 1 year or on demand 一年內或按要求 RMB'000 人民幣千元	After 1 year but less than 2 years 一年以上兩年以內 RMB'000 人民幣千元	After 2 years but less than 5 years 兩年以上五年以內 RMB'000 人民幣千元	After 5 years 五年後 RMB'000 人民幣千元	Total contractual undiscounted cash flows 未折現合約現金流量總額 RMB'000 人民幣千元	Carrying amount 賬面值 RMB'000 人民幣千元
2018	二零一八年							
Non-derivative financial liabilities	**非衍生金融負債**							
Accounts payable	應付賬款	–	1,383,514	–	–	–	1,383,514	1,383,514
Accruals and other payables	應計費用及其他應付款項	–	628,497	–	–	–	628,497	628,497
Borrowings	借貸	6.05	3,718,961	2,768,303	9,531,104	2,473,164	18,491,532	16,541,796
Senior notes and bond	優先票據及債券	7.75	2,962,551	2,963,780	–	–	5,926,331	5,400,969
Convertible bonds	可換股債券	13.87	78,080	754,167	1,144,755	–	1,977,002	1,579,750*
Financial guarantee contracts *(note 47)*	財務擔保合約*(附註47)*	–	1,162,977	–	–	–	1,162,977	–
			9,934,580	6,486,250	10,675,859	2,473,164	29,569,853	25,534,526

* The carrying amount of the convertible bonds disclosed here includes the carrying amount of the related derivative components.

* 此處披露的可換股債券賬面值包括相關衍生工具部分的賬面值。

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 financial receivables held by the counterparty which are guaranteed suffer credit losses.

上述計入財務擔保合約的款項為倘交易對方追討有關擔保，本集團根據安排就全部擔保須支付的最高金額。按照報告期末預期，本集團認為根據安排須要繳付該款項的可能性很低。然而，這估計可能會改變，取決於持有已擔保財務應收賬款的交易對方遭受信貸損失而按擔保條款追討的可能性。

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

下表概述附有按要求償還條款的定期貸款按貸款協議載列的議定還款日期的到期日分析。該等金額包括按合約利率計算的利息款項。因此，該等金額較以上到期日分析中「按要求」時間範圍內披露的金額為高。鑒於本集團的財務狀況，董事認為銀行不大可能行使其酌情權要求即時還款。董事相信該等定期貸款將按貸款協議所載的既定還款日期償還。

43. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

43. 財務風險管理的政策及目標*(續)*

43.4 Liquidity risk *(Cont'd)*

43.4 流動資金風險*(續)*

Maturity analysis of term loans subject to a repayment on demand clause based on scheduled repayments is as follows:

附有按要求償還條款的定期貸款按既定還款日期的到期日分析如下：

	On demand 按要求 RMB'000 人民幣千元	Less than 6 months 少於六個月 RMB'000 人民幣千元	6 to 12 months 六個月至十二個月 RMB'000 人民幣千元	1 to 5 years 一年至五年 RMB'000 人民幣千元	Total undiscounted cash flows 未折現現金流量總額 RMB'000 人民幣千元	Carrying amount 賬面值 RMB'000 人民幣千元
31 December 2019 二零一九年十二月三十一日	**–**	**41,894**	**355,880**	**318,366**	**716,140**	**689,850**
31 December 2018 二零一八年十二月三十一日	–	180,144	264,489	249,942	694,575	675,274

43.5 Price risk

43.5 價格風險

The Group is exposed to price risk in connection with equity instrument at FVTOCI which is public listed equity security in the Mainland China. The Group closely monitors the fluctuation of the prices and assesses the impact on the Group's consolidated financial statements.

本集團承受與按公允價值計入其他全面收益之股本工具相關之價格風險，有關股本工具為於中國內地的公眾上市股權證券。本集團密切監察價格浮動及評估有關浮動對本集團綜合財務報表之影響。

If prices of equity security has been 5% higher/lower and all other variables were held constant, the Group's investment revaluation reserve would increase/decrease by approximately RMB20,292,000 (2018: RMB18,406,000).

倘股權證券價格增加／減少5%，而所有其他變數維持不變，本集團之投資重估儲備將增加／減少約人民幣20,292,000元(二零一八年：人民幣18,406,000元)。

The Group was also exposed to other price risk arising from the outstanding derivative financial instruments with predetermined maturity date. The fair value of these derivative financial instruments was calculated using the Binomial Option Pricing Model detailed in note 34.

本集團亦面對來自附有預定到期日之尚未行使衍生金融工具之其他價格風險。該等衍生金融工具的公允價值乃使用二項式期權定價模型計算，詳情載於附註34。

However, the management considers that the sensitivity analysis is unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of these derivative financial statements which involves multiple variables are interdependent and the Company's exposure to fluctuation of the fair value is minimal.

然而，管理層認為，由於評估該等衍生金融工具公允價值所用的定價模型涉及多項互相影響的可變因素，且本公司之公允價值波動風險為微不足道，故固有市場風險的敏感度分析並無代表性。

43. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

43. 財務風險管理的政策及目標*(續)*

43.6 Fair value measurement of financial instruments

43.6 金融工具的公允價值計量

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

本附註提供有關本集團如何釐定多項金融資產及金融負債公允價值的資料。

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation or to establish the appropriate valuation techniques and inputs to the model.

就財務報告目的而言，本集團部分金融工具乃按公允價值計量。在估計公允價值時，本集團在可得的範圍內使用市場可觀察數據。倘並無第一級輸入數據，本集團會委聘第三方合資格估值師進行估值或設立適用之估值技術及模型之輸入數據。

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

按經常性基準以公允價值計量的本集團金融資產及金融負債的公允價值

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

本集團部分金融資產及金融負債於各報告期末按公允價值計量。下表提供有關如何釐定該等金融資產及金融負債公允價值的資料(尤其是所採用的估值技術及輸入數據)。

Financial assets/ financial liabilities 金融資產／金融負債	Fair value as at 31 December 於十二月三十一日的公允價值 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	Fair value hierarchy 公允價值等級	Valuation technique(s) and key input(s) 估值技術及主要輸入數據	Significant unobservable input(s) 主要不可觀察輸入數據
Derivative financial instruments	**222,207**	198,105	Level 3	Binomial option pricing model The fair value is estimated based on the risk free rate, discount rate, share price, volatility of the share prices of the Company, dividend yield and exercise price.	Volatility of the share prices determined by reference to the historical share prices of the Company *(Note)*.
衍生金融工具			第三級	二項式期權定價模式 公允價值乃按無風險利率、貼現率、股價、本公司股價波幅、股息率及行使價估計得出。	經參考本公司歷史股價後釐定的股價波幅*(附註)*。
Equity instrument at fair value through other comprehensive income	**541,125**	490,816	Level 1	Quoted bid price in an active market.	N/A
按公允價值計入其他全面收益之股本工具			第一級	於活躍市場之買入價報價。	不適用
Financial assets at fair value through profit or loss	–	10,559	Level 1	Quoted bid price in an active market.	N/A
按公允價值計入損益之金融資產			第一級	於活躍市場之買入價報價。	不適用
Debt instrument at fair value through other comprehensive income	–	20,000	Level 1	Quoted bid price in an active market.	N/A
按公允價值計入其他全面收益之債務工具			第一級	於活躍市場之買入價報價。	不適用

43. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

43.6 Fair value measurement of financial instruments *(Cont'd)*

Note: The higher the volatility of the share prices of the Company, the higher the fair value of the derivative financial instruments, and vice versa. For the volatility of the share prices of the Company used in the fair value measurement for derivative financial instruments, please refer to note 34.

There is no transfer between different levels of the fair value hierarchy for both years.

Reconciliation of Level 3 fair value measurements

43. 財務風險管理的政策及目標*(續)*

43.6 金融工具的公允價值計量*(續)*

附註： 本公司股價波幅愈高，衍生金融工具的公允價值則愈高，反之亦然。有關衍生金融工具公允價值計量所採用的本公司股價波幅，請參閱附註34。

於兩個年度，公允價值等級各級之間概無轉移。

第三級公允價值計量的對賬

		Conversion option derivative 兌換期權衍生工具	
		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
Net carrying amount as at 1 January	於一月一日的賬面淨值	**198,105**	111,078
Embedded derivatives at the date of issue of convertible bonds	於發行可換股債券日期之嵌入式衍生工具	**–**	255,307
Conversion of convertible bond of 2018 CB	兌換二零一八年可換股債券之可換股債券	**–**	(11,107)
Fair value (gain) loss recognised in profit or loss	於損益確認的公允價值(收益)虧損	**20,170**	(172,192)
Exchange difference	匯兑差額	**3,932**	15,019
Net carrying amount as at 31 December	於十二月三十一日的賬面淨值	**222,207**	198,105

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except for the senior notes and bond as detailed in note 35, the directors of the Company consider that the carrying amounts of financial assets and liabilities recorded as amortised cost in the consolidated financial statements approximate to their fair values.

The fair value of such financial assets and financial liabilities (categories within Level 3 hierarchy) are determined in accordance with general accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

並非按經常性基準以公允價值計量(但須作出公允價值披露)的金融資產及金融負債的公允價值

除於附註35詳述之優先票據及債券外，本公司董事認為，於綜合財務報表內按攤銷成本列賬的金融資產及負債的賬面值與其公允價值相若。

有關金融資產及金融負債的公允價值(屬第三級類別者)乃根據基於貼現現金流量分析的一般公認定價模式釐定，其中最重要的輸入數據為反映交易對手信貸風險的貼現率。

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

44. 融資活動產生之負債對賬

下表為本集團融資活動產生之負債變動詳情，包括現金及非現金變動。融資活動產生之負債乃為現金流量或將來現金流量於本集團之綜合現金流量表分類為融資活動現金流量之負債。

		Dividend payables 應付股息 RMB'000 人民幣千元	Borrowings 借貸 RMB'000 人民幣千元	Debt component of convertible bonds 可換股債券債務部分 RMB'000 人民幣千元	Senior notes and bond 優先票據及債券 RMB'000 人民幣千元	Derivative component of convertible bonds 可換股債券衍生工具部分 RMB'000 人民幣千元	Lease Liabilities 租賃負債 RMB'000 人民幣千元	Total 總值 RMB'000 人民幣千元
At 1 January 2019	於二零一九年一月一日	–	16,541,796	1,381,645	5,400,969	198,105	–	23,522,515
Adjustment upon application of HKFRS 16	應用香港財務報告準則第16號後之調整	–	–	–	–	–	131,723	131,723
At 1 January 2019	於二零一九年一月一日	–	16,541,796	1,381,645	5,400,969	198,105	131,723	23,654,238
Financing cash flows	融資性現金流	(234,207)	1,356,160	(88,155)	(889,899)	–	(25,598)	118,301
Acquisition of a subsidiary	收購附屬公司	–	147,000	–	–	–	–	147,000
Foreign exchange translation	外匯換算	–	224,306	27,530	46,426	3,932	–	302,194
Interest expenses	利息開支	–	1,186,817	172,237	411,241	–	11,929	1,782,224
Fair value adjustment	公允價值調整	–	–	–	–	20,170	–	20,170
Loss on non-substantial modification of financial liabilities at amortised cost	按攤銷成本列賬之金融負債的非重大變更虧損	–	–	–	57,287	–	–	57,287
Loss on early redemption of financial liabilities at amortised cost	提前贖回按攤銷成本列賬之金融負債之虧損	–	–	–	1,099	–	–	1,099
Dividend declared	宣派股息	234,207	–	–	–	–	–	234,207
At 31 December 2019	於二零一九年十二月三十一日	–	19,456,079	1,493,257	5,027,123	222,207	118,054	26,316,720
At 1 January 2018	於二零一八年一月一日	–	12,958,277	589,650	5,250,854	111,078	–	18,909,859
Financing cash flows	融資性現金流	(203,019)	2,501,044	658,715	(394,549)	255,307	–	2,817,498
Foreign exchange translation	外匯換算	–	261,584	60,589	134,464	15,019	–	471,656
Interest expenses	利息開支	–	820,891	131,969	410,200	–	–	1,363,060
Conversion of 2018 CB	兑換二零一八年可換股債券	–	–	(59,278)	–	(11,107)	–	(70,385)
Fair value adjustment	公允價值調整	–	–	–	–	(172,192)	–	(172,192)
Dividend declared	宣派股息	203,019	–	–	–	–	–	203,019
At 31 December 2018	於二零一八年十二月三十一日	–	16,541,796	1,381,645	5,400,969	198,105	–	23,522,515

45. COMMITMENTS

(a) Capital and other commitments

At the end of the reporting period, the Group has the following commitments:

45. 承擔

(a) 資本及其他承擔

於報告期末，本集團有以下承擔：

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Contracted but not provided for:	已訂約但未撥備：		
– Investment properties under development	－在建投資物業	–	98,892
– Properties under development for sale	－發展中待售物業	**1,692,469**	1,526,006
– Acquisition of the rights of an urban redevelopment project	－收購一項城市改造項目的權益	**40,000**	–
		1,732,469	1,624,898

(b) Operating lease arrangements

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

(b) 經營租賃安排

本集團作為承租人

本集團於不可撤銷經營租賃項下的未來最低租金付款承擔到期日如下：

		2018 二零一八年 RMB'000 人民幣千元
Within one year	一年內	30,449
In the second to fifth year, inclusive	第二至五年(包括首尾兩年)	98,963
Over five years	多於五年	80,057
		209,469

45. COMMITMENTS *(Cont'd)*

(b) Operating lease arrangements *(Cont'd)*

The Group as lessor

All of the properties held for rental purposes have committed lessees for the next one and fourteen years.

Lease payments receivable on leases are as follows:

		2019 二零一九年 RMB'000 人民幣千元
Within one year	一年內	**488,373**
In the second year	第二年	**383,816**
In the third year	第三年	**244,789**
In the fourth year	第四年	**145,996**
In the fifth year	第五年	**108,250**
After five years	五年後	**230,413**
		1,601,637

The Group had contracted with lessee for following future minimum lease payments:

		2018 二零一八年 RMB'000 人民幣千元
Within one year	一年內	501,321
In the second to fifth year, inclusive	第二至五年(包括首尾兩年)	905,003
Over five years	多於五年	250,874
		1,657,198

45. 承擔*(續)*

(b) 經營租賃安排*(續)*

本集團作為出租人

所有持作出租用途的物業於隨後一及十四年擁有有承擔承租人。

租賃的應收租賃付款如下：

本集團已就以下未來最低租金付款與承租人訂約：

46. PLEDGE OF ASSETS

(a) Pledge of assets

At the end of the reporting period, the Group had the following assets being pledged.

46. 資產抵押

(a) 資產抵押

於報告期末，本集團以下資產已被抵押。

		2019 二零一九年 RMB'000 人民幣千元	2018 二零一八年 RMB'000 人民幣千元
Properties under development for sale	發展中待售物業	**2,893,324**	243,244
Properties held for sale	待售物業	**618,954**	17,612
Investment properties	投資物業	**20,557,312**	16,186,128
Property, plant and equipment	物業、廠房及設備	**925,831**	228,428
Pledged bank deposits	抵押銀行存款	**1,348,651**	2,202,786
		26,344,072	18,878,198

Note: As at 31 December 2019, except for assets pledged above, secured bank loans with aggregate amount of RMB3,256,201,000 and a secured other borrowing with amount of RMB50,000,000 are secured by the equity interests of subsidiaries of the Group (see also note 33).

附註： 於二零一九年十二月三十一日，除上述抵押之資產外，有抵押銀行貸款總金額人民幣3,256,201,000元及有抵押其他借貸人民幣50,000,000元由本集團附屬公司之股權作抵押(請同時參閱附註33)。

(b) Restrictions on assets

In addition, lease liabilities of RMB118,054,000 are recognised with related investment properties of RMB216,600,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

(b) 資產限制

此外，租賃負債人民幣118,054,000元與相關投資物業人民幣216,600,000元於二零一九年十二月三十一日確認。除於出租人所持有租賃資產的抵押權益外，租賃協議並無施加任何契諾，且相關租賃資產不得用作抵押品以取得借貸。

47. CONTINGENT LIABILITIES

For the year ended 31 December 2019, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB2,132,390,000 (2018: RMB1,162,977,000). The guarantees are secured by the Group's pledged bank deposits amounting to RMB94,021,000 (2018:RMB144,520,000).

Pursuant to the terms of the guarantees, if there is default on the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks.

47. 或然負債

截至二零一九年十二月三十一日止年度，本集團就若干買方的按揭融資提供擔保的或然負債約為人民幣2,132,390,000元(二零一八年：人民幣1,162,977,000元)。有關擔保以本集團的抵押銀行存款人民幣94,021,000元(二零一八年：人民幣144,520,000元)作抵押。

根據擔保條款，倘該等買方拖欠按揭付款，則本集團須負責償還尚未償付的按揭貸款連同違約買方應付銀行的任何應計利息及罰金。.

47. CONTINGENT LIABILITIES *(Cont'd)*

The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtaining the individual property ownership certificate or the full settlement of mortgage loan by the buyer.

The Directors consider that it is not probable for the Group to sustain a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties and sell the properties under default to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event that the purchasers default payments to the banks for their mortgage loans.

47. 或然負債*(續)*

本集團的擔保期由相關按揭貸款授出日期起，直至買家取得個人房產所有權證或悉數清償按揭貸款(以較早者為準)時為止。

董事認為本集團於擔保期間不大可能因該等擔保而遭受虧損，而本集團在違約的情況下可接管有關物業的所有權並將之出售，以收回本集團向銀行支付的任何金額。由於董事認為該等擔保的公允價值微不足道，故本集團並未就該等擔保確認任何遞延收入。董事亦認為，倘買方拖欠償還銀行按揭貸款，相關物業的公允市值足以彌補本集團所擔保的未償還按揭貸款。

48. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in these consolidated financial statements, the Group has the following transactions with related parties during the year:

(a) Transactions with related parties

48. 關聯方交易

除綜合財務報表其他地方所披露者外，本集團年內與關聯方進行的交易如下：

(a) 與關聯方進行的交易

		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
Interest expenses paid to Shenzhen Forsafe System Technology Co., Ltd. ("Shenzhen Forsafe"), an entity controlled by ultimate controlling party	向深圳市賦安安全系統有限公司(「深圳賦安」)(一家由最終控股方之聯繫人士控制之實體)支付之利息開支	**2,731**	–

(b) Balances with related parties

Details of the balances with related parties at the end of the reporting period are disclosed in the consolidated statement of financial position and notes 16, 26 and 30.

(b) 關聯方之結餘

於報告期末與關聯方之結餘詳情於綜合財務狀況報表及附註16、26及30中披露。

(c) Key management personnel compensation

The directors are of the opinion that the key management personnel were solely the executive directors of the Company. Remuneration paid to the Company's executive directors is disclosed in note 10.

(c) 主要管理人員薪酬

董事認為，主要管理人員僅包括本公司執行董事。已付本公司執行董事的薪酬於附註10中披露。

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

49. 本公司財務狀況表

		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**		
Investments in subsidiaries	於附屬公司的投資	**3,381,353**	3,381,353
Amounts due from subsidiaries	應收附屬公司款項	**8,854,131**	9,517,918
Property, plant and equipment	物業、廠房及設備	**27,760**	–
Right-of-use asset	使用權資產	**37,950**	–
		12,301,194	12,899,271
Current assets	**流動資產**		
Amounts due from subsidiaries	應收附屬公司款項	**4,670,869**	3,246,078
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	**5,068**	2,698
Bank balances and cash	銀行結餘及現金	**602,626**	86,277
		5,278,563	3,335,053
Current liabilities	**流動負債**		
Accruals and other payables	應計費用及其他應付款項	**62,309**	25,938
Amounts due to subsidiaries	應付附屬公司款項	**1,492,519**	231,455
Borrowings	借貸	**570,748**	590,239
Debt component of convertible bonds	可換股債券債務部分	**663,521**	–
Derivative component of convertible bonds	可換股債券衍生工具部分	**72,292**	–
Lease liabilities	租賃負債	**12,507**	–
		2,873,896	847,632
Net current assets	**流動資產淨值**	**2,404,667**	2,487,421
Total assets less current liabilities	**總資產減流動負債**	**14,705,861**	15,386,692
Non-current liabilities	**非流動負債**		
Borrowings	借貸	**975,616**	1,012,908
Debt component of convertible bonds	可換股債券債務部分	**–**	613,593
Derivative component of convertible bonds	可換股債券衍生工具部分	**–**	30,842
Lease liabilities	租賃負債	**25,509**	–
		1,001,125	1,657,343
Net assets	**資產淨值**	**13,704,736**	13,729,349
Capital and reserves	**資本及儲備**		
Share capital	股本	**42,060**	41,141
Reserves	儲備	**13,662,676**	13,688,208
Total equity	**總權益**	**13,704,736**	13,729,349

HUANG Jingshu
黃敬舒
CHAIRMAN AND EXECUTIVE DIRECTOR
主席兼執行董事

SIU Chi Hung
蕭志雄
EXECUTIVE DIRECTOR
執行董事

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

49. 本公司財務狀況表*(續)*

Note:

Details of the movement in the Company's reserves are set out below:

附註：

本公司儲備變動之詳情載列如下：

		Share premium 股份溢價 RMB'000 人民幣千元	Convertible preference share 可換股優先股 RMB'000 人民幣千元	Share option reserve 購股權儲備 RMB'000 人民幣千元	Exchange reserve 匯兌儲備 RMB'000 人民幣千元	Contributed surplus 實繳盈餘 RMB'000 人民幣千元	Retained profits 保留盈利 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Balance as at 1 January 2018	於二零一八年一月一日之結餘	6,300,567	5,959,114	208,337	30,165	(18)	206,032	12,704,197
Profit for the year	年度盈利	–	–	–	–	–	299,990	299,990
Lapse of share options	購股權失效	–	–	(2,039)	–	–	2,039	–
Exercise of share options	行使購股權	15,999	–	(5,287)	–	–	–	10,712
Recognition of equity-settled share-based payments	確認以股權結算以股份支付之付款	–	–	21,959	–	–	–	21,959
Conversion of convertible bonds	兑換可換股債券	70,145	–	–	–	–	–	70,145
Issue of ordinary shares	發行普通股	495,898	–	–	–	–	–	495,898
Issue of convertible preference shares	發行可換股優先股	–	287,047	–	–	–	–	287,047
Dividend declared and made	已宣派及派付之股息	–	–	–	–	–	(201,740)	(201,740)
Balance as at 31 December 2018	於二零一八年十二月三十一日之結餘	6,882,609	6,246,161	222,970	30,165	(18)	306,321	13,688,208
Profit for the year	年度盈利	–	–	–	–	–	202,406	202,406
Lapse of share options	購股權失效	–	–	(8,582)	–	–	8,582	–
Exercise of share options	行使購股權	10,819	–	(3,670)	–	–	–	7,149
Conversion of convertible preference shares	兑換可換股優先股	180,376	(181,256)	–	–	–	–	(880)
Dividend declared and made	已宣派及派付之股息	–	–	–	–	–	(234,207)	(234,207)
Balance as at 31 December 2019	於二零一九年十二月三十一日之結餘	7,073,804	6,064,905	210,718	30,165	(18)	283,102	13,662,676

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries, each of which is a limited liability company, as at 31 December 2019 and 2018 are as follows:

50. 主要附屬公司的詳情

於二零一九年及二零一八年十二月三十一日主要附屬公司(均為有限公司)的詳情如下：

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立／成立地點	Issued and fully paid ordinary share capital/ registered capital 已發行及繳足普通股本／註冊資本	Effectively attributable equity interests 實際應佔股本權益 Directly 直接	 Indirectly 間接	Principal activities (Place of operations) 主要業務(營業地點)
LVGEM Suzhou	HK	156 shares of HK$1 each	–	100% (2018: 100%)	Administration vehicle of the Group (HK)
綠景蘇州	香港	156股每股面值1港元之股份		(二零一八年：100%)	處理本集團行政工作(香港)
Prosper View Group Limited* ("PVGL")	HK	10,000 shares of HK$1 each	–	51% (2018: 51%)	Investment holding (HK)
協朗集團有限公司*(「協朗」)	香港	10,000股每股面值1港元之股份		(二零一八年：51%)	投資控股(香港)
Suzhou Garden Villa Development & Management Co., Ltd.	Mainland China *(Note (a))*	US$20,550,000	–	95% (2018: 95%)	Property development and investment (Mainland China)
蘇州錦華苑建設發展管理有限公司	中國內地*(附註(a))*	20,550,000美元		(二零一八年：95%)	物業發展及投資(中國內地)
Suzhou New Heritage GF Limited ("SNHGF")	Mainland China	US$26,600,000	–	61%# (2018: 61%#)	Property development and investment (Mainland China)
蘇州新綉地產有限公司(「蘇州新綉」)	中國內地	26,600,000美元		(二零一八年：61%#)	物業發展及投資(中國內地)
Suzhou New Heritage WZA Limited	Mainland China *(Note (b))*	US$15,000,000	–	100% (2018: 100%)	Property development and investment (Mainland China)
蘇州新興地產有限公司	中國內地*(附註(b))*	15,000,000美元		(二零一八年：100%)	物業發展及投資(中國內地)
New Heritage WJA Limited	Mainland China *(Note (b))*	US$13,000,000	–	100% (2018: 100%)	Property development and investment (Mainland China)
吳江新澤地產有限公司	中國內地*(附註(b))*	13,000,000美元		(二零一八年：100%)	物業發展及投資(中國內地)
Shenzhen LVGEM Asset Management Co., Ltd.	Mainland China *(Note (b))*	RMB16,000,000	–	100% (2018: 100%)	Property management service (Mainland China)
深圳市綠景資產管理有限公司	中國內地*(附註(b))*	人民幣16,000,000元		(二零一八年：100%)	物業管理服務(中國內地)
Shenzhen LVGEM Hotel Co., Ltd.	Mainland China *(Note (b))*	RMB10,000,000	–	100% (2018: 100%)	Hotel operation services (Mainland China)
深圳市綠景酒店有限公司	中國內地*(附註(b))*	人民幣10,000,000元		(二零一八年：100%)	酒店營運服務(中國內地)
Shenzhen LVGEM Jiyuan Property Management Service Co., Ltd.	Mainland China *(Note (b))*	RMB500,000	–	100% (2018: 100%)	Property management service (Mainland China)
深圳市綠景紀元管理服務有限公司	中國內地*(附註(b))*	人民幣500,000元		(二零一八年：100%)	物業管理服務(中國內地)
Shenzhen LVGEM Marketing Co., Ltd.	Mainland China *(Note (b))*	RMB1,000,000	–	100% (2018: 100%)	Consultancy services (Mainland China)
深圳市綠景房地產策劃有限公司	中國內地*(附註(b))*	人民幣1,000,000元		(二零一八年：100%)	顧問服務(中國內地)

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)* 50. 主要附屬公司的詳情*(續)*

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立／成立地點	Issued and fully paid ordinary share capital/ registered capital 已發行及繳足普通股本／註冊資本	Effectively attributable equity interests 實際應佔股本權益 Directly 直接	 Indirectly 間接	Principal activities (Place of operations) 主要業務(營業地點)
Shenzhen LVGEM Property Management Co., Ltd. 深圳市綠景物業管理有限公司	Mainland China *(Note (b))* 中國內地*(附註(b))*	RMB5,000,000 人民幣5,000,000元	–	100% (2018: 100%) (二零一八年：100%)	Property management services (Mainland China) 物業管理服務(中國內地)
Shenzhen LVGEM Real Estate Development Co., Ltd. 深圳市綠景房地產開發有限公司	Mainland China *(Note (b))* 中國內地*(附註(b))*	RMB150,000,000 人民幣150,000,000元	–	100% (2018: 100%) (二零一八年：100%)	Property development (Mainland China) 物業發展(中國內地)
Yiyang Zhonghe Real Estate Co., Ltd. 益陽中核置業有限公司	Mainland China *(Note (b))* 中國內地*(附註(b))*	RMB30,000,000 人民幣30,000,000元	–	100% (2018: 100%) (二零一八年：100%)	Property development (Mainland China) 物業發展(中國內地)
Zhengxinglong Real Estate (Shenzhen) Co.,Ltd. 正興隆房地產(深圳)有限公司	Mainland China *(Note (b))* 中國內地*(附註(b))*	HK$40,000,000 40,000,000港元	–	100% (2018: 100%) (二零一八年：100%)	Property development (Mainland China) 物業發展(中國內地)
Huazhou LVGEM Real Estate Development Co.,Ltd. 化州市綠景房地產開發有限公司	Mainland China *(Note (b))* 中國內地*(附註(b))*	RMB210,000,000 人民幣210,000,000元	–	100% (2018: 100%) (二零一八年：100%)	Property development (Mainland China) 物業發展(中國內地)
Zhuhai LVGEM Dongqiao Investment Co., Ltd. 珠海市綠景東橋投資有限公司	Mainland China *(Note (b))* 中國內地*(附註(b))*	RMB7,500,000 人民幣7,500,000元	–	90.64% (2018: 90.64%) (二零一八年：90.64%)	Property development (Mainland China) 物業發展(中國內地)
Zhengxinglong Real Estate (Zhuhai) Co., Ltd. 正興隆房地產(珠海)有限公司	Mainland China *(Note (b))* 中國內地*(附註(b))*	RMB407,000,000 人民幣407,000,000元	–	100% (2018: 100%) (二零一八年：100%)	Property development (Mainland China) 物業發展(中國內地)
Guangzhou Yuejing Real Estate Development Co.,Ltd. 廣州市粵景房地產開發有限公司	Mainland China *(Note (b))* 中國內地*(附註(b))*	RMB10,000,000 人民幣10,000,000元	–	93% (2018: 93%) (二零一八年：93%)	Property development (Mainland China) 物業發展(中國內地)
Jianmai Limited ("Jianmai") 景邁有限公司(「景邁」)	BVI 英屬維爾京群島	200 shares of US$1 each 200股每股面值1美元之股份	–	95% (2018: 95%) (二零一八年：95%)	Investment holding (HK) 投資控股(香港)
Wisdom Concept Development Limited 聰勁發展有限公司	HK 香港	2 shares of HK$1 each 2股每股面值1港元之股份	–	95% (2018: 95%) (二零一八年：95%)	Property development (HK) 物業發展(香港)

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)* 50. 主要附屬公司的詳情*(續)*

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立／成立地點	Issued and fully paid ordinary share capital/ registered capital 已發行及繳足普通股本／註冊資本	Effectively attributable equity interests 實際應佔股本權益 Directly 直接	 Indirectly 間接	Principal activities (Place of operations) 主要業務(營業地點)
Olinda	HK	20 shares of HK$1 each	–	100% (2018: 100%)	Property development and investment (HK)
	香港	20股每股面值1港元之股份		(二零一八年：100%)	物業發展及投資(香港)
Gemstones	BVI	1 share of US$1	100% (2018:100%)	–	Treasury vehicle (BVI)
碧玺	英屬維爾京群島	1股1美元之股份	(二零一八年：100%)		處理財資工作(英屬維爾京群島)
Zone Asia Investments (HK) Limited	HK	1 share of HK$1	–	100% (2018: 100%)	Investment holding (HK)
崇亞投資(香港)有限公司	香港	1股1港元之股份		(二零一八年：100%)	投資控股(香港)
World Margin Limited	HK	800,000 shares of HK$1 each	–	100% (2018: 100%)	Treasury vehicle (HK)
世謙有限公司	香港	800,000股每股面值1港元之股份		(二零一八年：100%)	處理財資工作(香港)
Greater Bay Area Intelligent City Limited	BVI	1 share of US$1	100% (2018: Nil)	–	Investment holding (BVI)
大灣區智慧城市有限公司	英屬維爾京群島	1股1美元之股份	(二零一八年：無)		投資控股(英屬維爾京群島)
Affluent Bright Investment Limited	BVI	10,000 share of HK$1 each	–	99.99% (2018: Nil)	Investment holding (HK)
溢明投資有限公司	英屬維爾京群島	10,000股每股面值1港元之股份		(二零一八年：無)	投資控股(香港)
Affluent Bright Investment (HK) Limited	HK	1 share of HK$1	–	99.99% (2018: Nil)	Investment holding (HK)
溢明投資(香港)有限公司	香港	1股1港元之股份		(二零一八年：無)	投資控股(香港)

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

* The Group has an effective interest of 51% (2018: 51%) in PVGL. In the opinion of the directors, the Group has the power to control over the relevant activities of PVGL and its subsidiary and PVGL and its subsidiary are consolidated in the financial statements of the Group accordingly.

\# Approximate percentage.

Notes:

(a) This subsidiary is registered as a Sino-foreign cooperative joint venture under the Mainland China law.

(b) These subsidiaries are registered as wholly foreign owned enterprises under the Mainland China law.

(c) Except for Zhengxinglong, which issued the Bond on 26 August 2016 as disclosed in note 35, and Gemstones, which issued Private Notes and Senior Notes in 2017 as disclosed in note 33 and note 35 respectively, none of the remaining subsidiaries had issued any debt securities at the end of the reporting period.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the results for the year or form a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Material non-controlling interests

Summarised consolidated financial information of PVGL and its subsidiary and Jianmai and its subsidiary that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

50. 主要附屬公司的詳情*(續)*

* 本集團擁有協朗的51%(二零一八年:51%)實際股權。董事認為,本集團有權控制協朗及其附屬公司的相關業務,因此協朗及其附屬公司已在本集團財務報表中綜合入賬。

\# 概約百分比

附註:

(a) 該附屬公司根據中國內地法律登記為中外合資合營公司。

(b) 該等附屬公司根據中國內地法律登記為外資獨資企業。

(c) 除正興隆(如附註35所披露,其於二零一六年八月二十六日發行該債券)及碧玺(如附註33及附註35分別披露,其於二零一七年發行私募票據及優先票據)外,於報告期末,其餘附屬公司概無發行任何債務證券。

本公司董事認為,上表列出之本公司附屬公司,主要影響本集團本年度之業績或為本集團資產及負債之主要組成部分。董事認為詳細交待其他附屬公司之詳情會令篇幅過於冗長。

重大非控股權益

有關協朗及其附屬公司以及景邁及其附屬公司(其擁有重大非控股權益)之綜合財務資料概要載列如下。下表所載財務資料概要指於集團內公司間對銷前之金額。

Name of subsidiary 附屬公司名稱		Proportion of equity interest held by non-controlling interests 非控股權益持有的股權比例		Total comprehensive income (expenses) allocated to non-controlling interests 分配給非控股權益的綜合收入(支出)總額		Accumulated non-controlling interests 累計非控股權益	
		2019 **二零一九年**	2018 二零一八年	**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
PVGL and its subsidiary	協朗及其附屬公司	**49%**	49%	**(1,152)**	(2,139)	**36,375**	37,527
Jianmai and its subsidiary	景邁及其附屬公司	**5%**	5%	**8**	15	**30,618**	30,610
Individually immaterial subsidiaries with non-controlling interests	個別不屬重大並擁有非控股權益的附屬公司	**N/A** **不適用**	N/A 不適用	**623**	(4,362)	**39,981**	39,358
				(521)	(6,486)	**106,974**	107,495

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

50. 主要附屬公司的詳情*(續)*

Material non-controlling interests *(Cont'd)*

重大非控股權益*(續)*

(i) PVGL and its subsidiary

(i) 協朗及其附屬公司

		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 assets	流動資產	**270,555**	271,056
Current liabilities	流動負債	**(143,564)**	(141,696)
Net assets	資產淨值	**126,991**	129,360
Equity attributable to owners of the Company	本公司股東應佔權益	**37,859**	39,058
Equity attributable to non-controlling interests of PVGL	協朗之非控股權益應佔權益	**36,375**	37,527
Equity attributable to non-controlling interests of SNHGF *(Note)*	蘇州新綉之非控股權益應佔權益*(附註)*	**52,757**	52,775
Total equity	權益總額	**126,991**	129,360
Other income, other gains and losses	其他收入、其他收益及虧損	**295**	(914)
Expenses	開支	**(2,664)**	(3,486)
Attributable to non-controlling interests of SNHGF *(Note)*	蘇州新綉非控股權益應佔*(附註)*	**18**	34
Loss for the year	年度虧損	**(2,351)**	(4,366)
Loss attributable to owners of the Company	本公司股東應佔虧損	**(1,199)**	(2,227)
Loss attributable to non-controlling interests	非控股權益應佔虧損	**(1,152)**	(2,139)
Loss for the year	年度虧損	**(2,351)**	(4,366)
Net cash used in operating activities	經營活動所用現金淨額	**(3,109)**	(185,774)
Net cash from investing activities	投資活動所得現金淨額	**–**	3,312
Net cash outflow	現金流出淨額	**(3,109)**	(182,462)

Note: As at 31 December 2019, the Group held 51% (2018: 51%) equity interests in PVGL, which indirectly held 80% (2018: 80%) equity interests in SNHGF. In addition, the Group also indirectly held the remaining 20% (2018: 20%) equity interests in SNHGF. Therefore, the Group effectively held 61% (2018: 61%) in SNHGF.

附註： 於二零一九年十二月三十一日，本集團持有協朗51%股權(二零一八年：51%)，協朗間接持有蘇州新綉80%股權(二零一八年：80%)。此外，本集團亦間接持有蘇州新綉餘下20%股權(二零一八年：20%)。因此，本集團實際持有蘇州新綉61%(二零一八年：61%)股權。

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

50. 主要附屬公司的詳情*(續)*

Material non-controlling interests *(Cont'd)*

重大非控股權益*(續)*

(ii) Jianmai and its subsidiary

(ii) 景邁及其附屬公司

		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 assets	流動資產	**684,751**	667,159
Current liabilities	流動負債	**(72,376)**	(54,952)
Net assets	資產淨值	**612,375**	612,207
Equity attributable to owners of the Company	本公司股東應佔權益	**581,757**	581,597
Equity attributable to non-controlling interests	非控股權益應佔權益	**30,618**	30,610
Total equity	權益總額	**612,375**	612,207
Other income	其他收入	**214**	380
Expenses	開支	**(46)**	(73)
Profit for the year	年度盈利	**168**	307
Profit attributable to owners of the Company	本公司股東應佔盈利	**160**	292
Profit attributable to non-controlling interests	非控股權益應佔盈利	**8**	15
Profit for the year	年度盈利	**168**	307
Net cash used in operating activities and net cash outflow	經營活動所用現金淨額及現金流出淨額	**(1,365)**	(5,650)

51. EVENTS AFTER REPORTING PERIOD

(i) Issuance of USD denominated senior notes

On 20 February 2020, the Group commenced the Exchange Offer to the holders of the existing USD denominated senior notes with principal amount of USD400,000,000 (equivalent to RMB2,801,040,000). The Exchange Offer extends the due date of the existing Senior Notes to 2023 with an increased coupon rate of 12% per annum. Upon the expiry of the Exchange Offer on 2 March 2020, senior note holders with an amount of USD227,390,000 (equivalent to RMB1,942,451,000) had validly tendered their notes for the exchange and accepted pursuant to the Exchange Offer. On the following day, the Group announced to issue a new series of USD denominated senior notes with principal amount of USD222,610,000 (equivalent to RMB1,558,849,000) for cash to the same amount at an interest rate of 12% per annum due 2023 (the "New Issuance"). The Exchange Offer and the New Issuance were completed on 10 March 2020. The Exchange Offer is a non-cash transaction and would be accounted for as a debt extinguishment of the existing Senior Notes as the terms associated with the Exchange Offer are substantially different from the existing Senior Notes. For details of transaction, please refer to the announcements of the Company dated 20 February 2020, 25 February 2020, 3 March 2020, 4 March 2020 and 11 March 2020.

(ii) Outbreak of COVID-19

The outbreak of a respiratory illness caused by a novel coronavirus, or known as the COVID-19, in China, has affected many businesses to different extent. As the Group's business are all in various locations in the mainland where different precautious measures were imposed by local governments, all at once or implemented at different stages depending on the latest development, the Group's ability to serve its customers may be largely depending on various government measures and the availability of workforce, which may be affected by the travel restrictions and home quarantine requirements. Due to the inherent unpredictable nature and rapid development relating to the novel coronavirus and its pervasive impact, the Group has taken action to negotiate with its major subcontractors and employees to confirm continuous and adequate supply of manpower. The Group will closely monitor in this regard and seek alternative subcontractors and manpower if necessary.

Given the dynamic nature of these circumstances and unpredictability of future development, the directors of the Company consider that the financial effects on the Group's consolidated financial statements cannot be reasonably estimated as at the date these financial statements are authorised for issue, but are expected to negatively affect the consolidated results and cash flows for the financial year ending 2020 and the financial position of the Group as at that date and beyond depending on how the situation evolves.

51. 報告期後事項

(i) 發行美元計值優先票據

於二零二零年二月二十日，本集團向本金金額400,000,000美元(相當於人民幣2,801,040,000元)的現有美元計值優先票據持有人展開交換要約。交換要約將現有優先票據的到期日延長至二零二三年，並將票息率提高至每年12%。交換要約於二零二零年三月二日屆滿後，持有227,390,000美元(相當於人民幣1,942,451,000元)的優先票據持有人已根據交換要約有效提交票據以作交換及接納。翌日，本集團公佈發行本金金額222,610,000美元(相當於人民幣1,558,849,000元)於二零二三年到期按年利率12%計息的新系列美元計值優先票據(「新發行」)，以換取同等金額的現金。交換要約及新發行於二零二零年三月十日完成。由於與交換要約有關的條款與現有優先票據有重大差異，故交換要約為一項非現金交易，並將作為就現有優先票據的債務償還入賬。有關交易的詳情請參閱本公司日期為二零二零年二月二十日、二零二零年二月二十五日、二零二零年三月三日、二零二零年三月四日及二零二零年三月十一日的公告。

(ii) COVID-19爆發

在中國爆發由新型冠狀病毒(又稱COVID-19)引致的呼吸道疾病已對各行各業造成不同程度的影響。由於本集團的所有業務分佈於內地多個地區，而各地方政府已施行不同的預防措施，並視乎最新情況發展即時或分階段實施所有該等措施，本集團服務客戶的能力可能在很大程度上取決於各項政府措施及可動用的人力資源而定，而人力資源可能受旅遊限制及家居隔離等規定的影響。鑒於有關新型冠狀病毒及其廣泛影響本身的不可預測性及急劇發展，本集團已採取行動與其主要分包商及僱員磋商，以確保持續及充足的人手供應。本集團將會密切監察有關狀況，並於必要時尋找替代分包商及工作人手。

鑒於該等情況不斷變化且未來發展難以預測，本公司董事認為，於該等財務報表獲授權刊發當日無法合理估計本集團的綜合財務報表會受到的財務影響，惟視乎事態發展而定，預期將對截至二零二零年財政年度的綜合業績及現金流量以及本集團於該日及往後的財務狀況造成負面影響。

Independent Auditor's Report
獨立核數師報告

Deloitte.

德勤

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TO THE SHAREHOLDERS OF
LVGEM (CHINA) REAL ESTATE INVESTMENT COMPANY LIMITED
(incorporated in the Cayman Islands with limited liability)

致
綠景(中國)地產投資有限公司股東
(於開曼群島註冊成立之有限公司)

OPINION

We have audited the consolidated financial statements of LVGEM (China) Real Estate Investment Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 61 to 185, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

意見

本核數師(以下簡稱「我們」)已審計列載於第61至185頁綠景(中國)地產投資有限公司(以下簡稱「貴公司」)及其附屬公司(以下簡稱「貴集團」)的綜合財務報表，此綜合財務報表包括於二零一八年十二月三十一日的綜合財務狀況報表與截至該日止年度的綜合損益表、綜合損益及其他全面收益表、綜合權益變動表和綜合現金流量表，以及綜合財務報表附註(包括主要會計政策概要)。

我們認為，該等綜合財務報表已根據香港會計師公會(「香港會計師公會」)所頒佈之《香港財務報告準則》(「香港財務報告準則」)真實而公平地反映了　貴集團於二零一八年十二月三十一日之綜合財務狀況以及其截至該日止年度之綜合財務表現及其綜合現金流量，並已遵守香港《公司條例》之披露規定而妥善編製。

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.

意見的基礎

我們根據香港會計師公會頒佈的《香港審計準則》(「香港審計準則」)進行審核。我們在該等準則下的責任在我們的報告內核數師就審核綜合財務報表須承擔的責任一節內進一步闡述。根據香港會計師公會的職業會計師道德守則(「守則」)，我們獨立於　貴集團，並已遵循守則履行其他道德責任。我們相信，我們所獲得的審核憑證能充足及適當地為我們的審核意見提供基礎。

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.

關鍵審核事項

根據我們的專業判斷，關鍵審核事項為我們審核於本期間的綜合財務報表中最重要的事項。我們在審核整體綜合財務報表及就此達致我們的意見時處理此等事項，而我們不會就此等事項單獨發表意見。

KEY AUDIT MATTERS *(Cont'd)*

Key audit matter

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter as they represented 51% of the Group's total assets, combined with the judgements associated with determining the fair value.

As disclosed in note 13 to the consolidated financial statements, the fair value of completed investment properties and investment properties under development amounted to approximately RMB12,713,915,000 and RMB9,403,336,000 respectively as at 31 December 2018 and an increase in fair value recognised in profit or loss amounted to approximately RMB323,461,000 in aggregate for the year then ended. The completed investment properties were located in the People's Republic of China (the "PRC"), while the investment properties under development were located in the PRC, Hong Kong and the Kingdom of Cambodia ("Cambodia").

As set out in note 4 to the consolidated financial statements, the Group's investment properties were stated at fair value based on the valuation performed by independent professional valuers ("Valuers"). As disclosed in note 13 to the consolidated financial statements, the fair value of completed investment properties and investment properties under development have been arrived at using income capitalisation approach and residual approach, respectively, which were dependent on certain key inputs and assumptions in respect of prevailing market conditions such as capitalisation rate and monthly market rent for income capitalisation approach, gross development value and developer's profit for residual approach.

How our audit addressed the key audit matter

Our procedures in relation to the valuation of investment properties included:

- Evaluating the competence, capabilities and objectivity of the Valuers;
- Obtaining an understanding of the valuation processes and significant assumptions to assess if these approaches meet the requirements of HKFRSs and industry norms;
- Evaluating the appropriateness of the valuation methods applied by the Valuers, in particular the valuation techniques and the capitalisation rate, based on our knowledge of the property markets in the PRC, Hong Kong and Cambodia; and
- Assessing the reasonableness of other valuation inputs and source data, including monthly market rent for income capitalisation approach, gross development value and developer's profit for residual approach by comparing these estimates, on a sample basis, to entity-specific information such as rental income, tenancy summary, capital expenditures details and size of the investment properties, as well as market data based on our knowledge of the property markets in the PRC, Hong Kong and Cambodia.

關鍵審核事項*(續)*

關鍵審核事項

投資物業之估值

我們將投資物業之估值以及與釐定公允價值有關之判斷確定為一項關鍵審核事項，此乃由於投資物業之公允價值佔貴集團總資產之51%。

誠如綜合財務報表附註13所披露，已完成投資物業及發展中投資物業於二零一八年十二月三十一日的公允價值分別約為人民幣12,713,915,000元及人民幣9,403,336,000元，而於損益確認之公允價值增幅合共約人民幣323,461,000元乃於截至該日止年度之溢利中入賬。已完成投資物業位於中華人民共和國(「中國」)，而發展中投資物業則位於中國、香港及柬埔寨王國(「柬埔寨」)。

誠如綜合財務報表附註4所載， 貴集團之投資物業乃基於獨立專業估值師行(「估值師」)進行的估值按公允價值列賬。誠如綜合財務報表附註13所披露，已完成投資物業及發展中投資物業的公允價值分別採用收入資本計算法及殘值法釐定，有關方法乃依賴有關當前市況之若干關鍵輸入數據及假設，包括收入資本計算法的資本化比率及市場月租，以及殘值法的總開發價值及開發商利潤。

我們的審計如何處理關鍵審計事項

我們就投資物業估值之程序包括：

- 評估估值師之資歷、能力及客觀性；
- 瞭解估值過程及重大假設，以評估該等方法是否符合《香港財務報告準則》規定及行業慣例；
- 根據我們對中國、香港及柬埔寨物業市場之認識，評估估值師所應用的估值方法(尤其是估值技術及資本化比率)是否恰當；及
- 根據我們對中國、香港及柬埔寨物業市場之認識，透過按抽樣基準將該等估計與實體之特定資料(例如租金收入、租賃概要、資本開支詳情及投資物業之規模)進行比較，評估其他估值輸入數據及來源數據是否合理，包括收入資本計算法的市場月租，及殘值法的總開發價值及開發商利潤以及市場數據。

KEY AUDIT MATTERS *(Cont'd)*

Key audit matter

Assessment of net realisable value of properties held for sale and properties under development for sale

We identified the assessment of net realisable value of properties held for sale and properties under development for sale as a key audit matter due to the significant judgement involved in the determination of net realisable value (the "NRV") of these properties.

The Group had properties under development for sale of approximately RMB7,407,278,000 and properties held for sale of approximately RMB3,302,382,000 (collectively referred to as "Properties for Sale") as at 31 December 2018, which are situated in the PRC and Hong Kong.

As disclosed in note 4 to the consolidated financial statements, the directors of the Company determined the NRV of the properties held for sale by using prevailing market data such as most recent sale transactions, and the NRV of the properties under development for sale was determined by using estimates of future cash flows to be derived from these properties. These estimates required judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, marketing costs (including price discounts required to stimulate sales) and the excepted costs to completion of properties, the legal and regulatory framework and general market conditions.

How our audit addressed the key audit matter

Our procedures in relation to assessment of the NRV of the Properties for Sale included:

- Performing sensitivity analysis to identify the impact that changes in key inputs such as the estimated future selling prices have on the NRV of the Properties for Sale;
- Assessing the appropriateness of the estimated future selling prices of the Properties for Sale, on a sample basis, by comparing them to transaction prices of similar properties in the nearby or relevant locations, or actual selling price of properties sold subsequent to the end of the reporting period in the same project or relevant locations, based on our knowledge of the property markets in the PRC and Hong Kong; and
- Challenging the Group's forecast of construction cost, on a sample basis, by comparing to the construction costs for similar units and against signed contracts or quotes with subcontractors.

關鍵審核事項*(續)*

關鍵審核事項

待售物業及發展中待售物業之可變現淨值評估

我們將待售物業及發展中待售物業之可變現淨值評估確定為一項關鍵審核事項，此乃由於釐定該等物業之可變現淨值(「可變現淨值」)涉及重大判斷。

於二零一八年十二月三十一日， 貴集團之發展中待售物業及待售物業(統稱「該等待售物業」)分別約為人民幣7,407,278,000元及約人民幣3,302,382,000元，而有關物業位於中國及香港。

誠如綜合財務報表附註4所披露，本公司董事採用最近期銷售交易等當前市場數據釐定待售物業之可變現淨值，而發展中待售物業之可變現淨值乃採用自該等物業衍生之未來現金流估計而釐定。該等估計須參考附近地點的近期銷售交易、推廣費用(包括促銷所需的價格折扣)及有關預計完成物業的費用、法律和監管架構及一般市況，從而對預期的銷售價格作出判斷。

我們的審計如何處理關鍵審計事項

我們就該等待售物業可變現淨額之評估之程序包括：

- 進行敏感度分析，以識別主要輸入數據變動的影響，如估計未來售價對該等待售物業可變現淨額之影響；
- 根據我們對中國及香港物業市場的認識，透過將該等待售物業與鄰近或相關地區之類似物業的售價進行比較，或與於報告期末後出售之物業的實際售格進行比較，抽樣評估該等待售物業之預計未來售價是否恰當；及
- 透過將同類單位的建設成本及與已簽署的合約或分包商的報價進行比較，按抽樣基準質疑 貴集團對建設成本的預測。

KEY AUDIT MATTERS *(Cont'd)*

Key audit matter

Revenue recognised from sales of properties

We identified revenue recognised from sales of properties as a key audit matter as the revenue from sales of properties is significant to the consolidated statement of profit or loss and there is judgement involved in determining the appropriate point at which to recognise revenue from sales of properties.

As disclosed in "Revenue recognition" paragraph under note 3 to the consolidated financial statements, revenue from sales of properties is recognised when the completed property is transferred to customers, being at the point that customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable. The Group has recognised revenue of RMB3,664,328,000 from its property development and sales segment for the year ended 31 December 2018, which is disclosed in note 5 to the consolidated financial statements.

How our audit addressed the key audit matter

Our procedures in relation to revenue recognised from sales of properties included:

- Assessing the management's control over the point of time at which revenue from sales of properties is recognised by obtaining an understanding of the management's control process and testing the control on a sample basis; and
- Reviewing the terms stated in the sales and purchase agreements, on a sample basis, and obtaining evidence regarding the completion and the delivery of properties, on a sample basis, including completion certificates and delivery notices, to assess whether the criteria for revenue recognition set out in "Revenue recognition" paragraph under note 3 to the consolidated financial statements have been met.

Provision for land appreciation tax

We identified the provision for land appreciation tax ("LAT") as a key audit matter since the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised certain LAT calculations and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount on the appreciation of land value and its related LAT.

LAT is prepaid when properties are pre-sold to the buyers and is provided when properties are delivered to the buyers and revenue is recognised. As disclosed in note 9 to the consolidated financial statements, current year's provision for LAT amounted to RMB685,180,000 was recognised in the consolidated statement of profit or loss for the year ended 31 December 2018. As disclosed in note 4 to the consolidated financial statements, the Group recognises LAT based on the management's best estimates according to the understanding of the tax rules, which are determined by the appreciation of land value. The amount of the land appreciation is determined with reference to estimated proceeds of the sales of properties less the estimated deductible expenditures, including the cost of land use rights and all property development expenditures.

關鍵審核事項*(續)*

關鍵審核事項

物業銷售確認之收入

由於物業銷售收入就綜合損益表而言屬重大，而就確認物業銷售收入釐定合適時間涉及判斷，故我們將物業銷售確認之收入確定為一項關鍵審核事項。

誠如綜合財務報表附註3「收入確認」一段所披露，物業銷售之收入於竣工物業轉移至客戶時(即該客戶獲得竣工物業的控制權時)確認，且本集團現時很有可能有權支付及收取代價。截至二零一八年十二月三十一日止年度， 貴集團的物業開發及銷售分類確認收入人民幣3,664,328,000元，有關詳情披露於綜合財務報表附註5。

我們的審計如何處理關鍵審計事項

我們就物業銷售確認收入之程序包括：

- 透過瞭解管理層之控制過程及按抽樣基準測試控制，評估管理層於確認物業銷售收入時之控制；及
- 抽樣審閱買賣協議所載列之條款，及取得有關物業竣工及交付之證明(包括竣工證明及交付通知)，以評估是否符合綜合財務報表附註3「收入確認」一段所載列有關收入確認之標準。

土地增值稅之計提

我們將土地增值稅(「土地增值稅」)之計提確定為一項關鍵審核事項，此乃由於中國城市不同稅收管轄區對土地增值稅的執行及結算不盡相同，而 貴集團尚未與中國地方稅務局落實若干土地增值稅的計算及付款方法。因此，須作出重大判斷以釐定土地增值額及其相關土地增值稅。

土地增值稅於物業預售予買家時已預付，而土地增值稅則於物業交付予買家及收益獲確認時已作撥備。誠如綜合財務報表附註9所披露，截至二零一八年十二月三十一日止年度，本年度撥備土地增值稅人民幣685,180,000元已於綜合損益表內確認。誠如綜合財務報表附註4所披露， 貴集團根據管理層按照其對稅務規則之理解作出之最佳估計，即按土地增值額預計確認土地增值稅。土地增值金額參考物業銷售減預計可扣稅開支之所得款項而釐定，有關可扣稅開支包括土地使用權成本以及所有物業開發開支。

KEY AUDIT MATTERS *(Cont'd)*

Key audit matter

How our audit addressed the key audit matter

Our procedures in relation to the provision for LAT included:

- Involving our tax specialists in the PRC to assess the accuracy of the land appreciation amount calculations based on their knowledge of the relevant tax rules and regulations, in particular to the LAT rate announced by the State Administration of Taxation in the PRC; and
- Evaluating the estimated proceeds of the sales of properties and estimated deductible expenditures, adopted by the management by comparing their estimates made in previous years to actual results as well as current year's estimates.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

關鍵審核事項*(續)*

關鍵審核事項

我們的審計如何處理關鍵審計事項

我們就土地增值税之計提之程序包括：

- 中國税務專家基於他們對相關税務規則及法規(尤其是中國國家税務總局公佈之土地增值税率)之理解評估計算土地增值額之準確度；及
- 透過比較管理層於過往年度對實際業績作出之估計及本年度的估計，評估彼等採用之估計銷售物業所得款項及估計可扣税開支。

其他資料

貴公司董事須對其他資料承擔責任。其他資料包括載於本年報的資料，惟不包括綜合財務報表及我們就此作出的核數師報告。

我們對綜合財務報表作出的意見並無涵蓋其他資料，而我們不會對其他資料發表任何形式的核證結論。

就我們審核綜合財務報表而言，我們的責任為閱讀其他資料，從而考慮其他資料是否與綜合財務報表或我們在審核過程中獲悉的資料存在重大不符，或似乎存在重大錯誤陳述。倘若我們基於已進行的工作認為其他資料出現一項重大錯誤陳述，我們須報告有關事實。我們毋須就此作出報告。

董事及管治層就綜合財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的《香港財務報告準則》及香港《公司條例》的披露要求編製綜合財務報表，以令綜合財務報表作出真實而公平的反映，及落實其認為編製綜合財務報表所必要的內部控制，以使綜合財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述。

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

董事及管治層就綜合財務報表須承擔的責任*(續)*

在編製綜合財務報表時，董事須負責評估 貴集團持續經營的能力，並披露與持續經營有關的事項(如適用)。除非董事擬將 貴集團清盤或停止營運，或除此之外並無其他實際可行的辦法，否則須採用以持續經營為基礎的會計法。

該等管治層負責監督 貴集團的財務報告流程。

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

核數師就審核綜合財務報表須承擔的責任

我們的目標為合理確定此等綜合財務報表整體而言不會存在由於欺詐或錯誤而導致的重大錯誤陳述，並按照委任之協定條款向全體股東發出載有我們意見的核數師報告。除此之外，本報告別無其他目的。我們不會就本報告內容向任何其他人士負上或承擔任何責任。合理確定屬高層次的核證，惟根據《香港審計準則》進行的審核工作不能保證總能察覺所存在的重大錯誤陳述。錯誤陳述可因欺詐或錯誤產生，倘個別或整體在合理預期情況下可影響使用者根據該等綜合財務報表作出的經濟決定時，則被視為重大錯誤陳述。

在根據《香港審計準則》進行審計的過程中，我們運用專業判斷，保持專業懷疑態度。我們亦：

- 識別及評估由於欺詐或錯誤而導致綜合財務報表存在重大錯誤陳述的風險、設計及執行審計程序以應對該等風險，以及獲取充足和適當的審計憑證，作為我們意見的基礎。由於欺詐可能涉及串謀、偽造、蓄意遺漏、虛假陳述或凌駕內部監控的情況，因此未能發現因欺詐而導致的重大錯誤陳述的風險高於未能發現因錯誤而導致的重大錯誤陳述的風險。

- 了解與審計相關的內部監控，以設計適當的審計程序，惟並非旨在對 貴集團內部監控的有效性發表意見。

- 評估董事所採用會計政策的恰當性及作出會計估計和相關披露的合理性。

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Cont'd)*

- 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 those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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 the independent auditor's report is Yuen Wing Hang.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
21 March 2019

核數師就審核綜合財務報表須承擔的責任 *(續)*

- 對董事採用持續經營會計法的恰當性作出結論，並根據所獲取的審計憑證，確定是否存在與事項或情況有關的重大不確定性，從而可能導致對　貴集團的持續經營能力產生重大疑慮。倘我們認為存在重大不確定性，則有必要在核數師報告中提請使用者注意綜合財務報表中的相關披露。或倘有關披露不足，則修訂我們意見。我們結論乃基於截至核數師報告日期止所取得的審計憑證。然而，未來事項或情況可能導致　貴集團無法持續經營。

- 評估綜合財務報表的整體呈報方式、結構及內容，包括披露資料，以及綜合財務報表是否中肯反映相關交易和事項。

- 就　貴集團內實體或業務活動的財務資料獲取充足及適當的審計憑證，以便對綜合財務報表發表意見。我們負責　貴集團審計的方向、監督及執行。我們為審計意見承擔全部責任。

我們與管治層就(其中包括)審計的計劃範圍、時間安排及重大審計發現進行溝通，該等發現包括我們在審計過程中識別的內部監控的任何重大缺失。

我們亦向管治層作出聲明，指出我們已符合有關獨立性的相關道德要求，並與彼等溝通可能被合理認為會影響我們獨立性的所有關係及其他事宜以及相關防範措施(如適用)。

從與管治層溝通的事項中，我們釐定對本期間綜合財務報表的審計至關重要的事項，因而構成關鍵審計事項。我們在核數師報告中描述該等事項，除非法律或法規不允許公開披露該等事項，或在極端罕見的情況下，倘合理預期在我們報告中溝通某事項造成的負面後果超出產生的公眾利益，則我們決定不應在報告中傳達該事項。

出具獨立核數師報告的審計項目的項目合夥人為袁永恒。

德勤 • 關黃陳方會計師行
執業會計師

香港
二零一九年三月二十一日

Consolidated Statement of Profit or Loss
綜合損益表

		NOTES 附註	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
Revenue	**收益**	5	**4,515,685**	2,967,751
Cost of sales	銷售成本		**(1,829,515)**	(1,029,862)
Gross profit	**毛利**		**2,686,170**	1,937,889
Other income, other gains and losses	其他收入、其他收益及虧損	6	**155,095**	121,640
Selling expenses	銷售開支		**(132,982)**	(67,694)
Administrative expenses	行政開支		**(390,433)**	(361,572)
Fair value changes on investment properties	投資物業的公允價值變動	13	**323,461**	478,423
Fair value changes on derivative component of convertible bonds	可換股債券衍生工具部份的公允價值變動	34	**172,192**	2,373
Finance costs	融資成本	7	**(657,995)**	(613,592)
Share of results of joint ventures	應佔合營公司業績		**(8)**	(93)
Profit before tax	**除税前盈利**	8	**2,155,500**	1,497,374
Income tax expense	所得税開支	9	**(925,097)**	(458,811)
Profit for the year	**年度盈利**		**1,230,403**	1,038,563
Profit (loss) for the year attributable to:	**以下人士應佔年度盈利(虧損):**			
Owners of the Company	本公司股東		**1,237,167**	1,035,392
Non-controlling interests	非控股權益		**(6,764)**	3,171
			1,230,403	1,038,563
			RMB cents 人民幣分	RMB cents 人民幣分
Earnings per share attributable to the owners of the Company during the year	**年度本公司股東應佔每股盈利**	12		
– Basic	**– 基本**		**25.21**	22.06
– Diluted	**– 攤薄**		**13.60**	12.89

Consolidated Statement of Profit or Loss and Other Comprehensive Income
綜合損益及其他全面收益表

For the year ended 31 December 2018
截至二零一八年十二月三十一日止年度

		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
Profit for the year	**年度盈利**	**1,230,403**	1,038,563
Other comprehensive (expense) income	**其他全面(開支)收益**		
Item that may be subsequently reclassified to profit or loss:	***隨後或會重新分類至損益之項目：***		
Exchange differences arising on translation	匯兑產生的換算差額	**(59,930)**	50,415
Fair value changes on available-for-sale investments, net of tax	可供出售投資之公允價值變動（扣除税項）	**–**	(87,592)
Item that will not be reclassified to profit or loss:	***隨後不會重新分類至損益之項目：***		
Fair value changes on investment in equity instrument at fair value through other comprehensive income, net of tax	按公允價值計入其他全面收益之股本工具投資之公允價值變動（扣除税項）	**34,917**	–
Other comprehensive expense for the year	**年度其他全面開支**	**(25,013)**	(37,177)
Total comprehensive income for the year	**年度全面收益總額**	**1,205,390**	1,001,386
Total comprehensive income (expense) attributable to:	**以下人士應佔全面收益(開支)總額：**		
Owners of the Company	本公司股東	**1,211,876**	1,001,397
Non-controlling interests	非控股權益	**(6,486)**	(11)
		1,205,390	1,001,386

Consolidated Statement of Financial Position
綜合財務狀況報表

		NOTES 附註	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
Non-current assets	**非流動資產**			
Investment properties	投資物業	13	**22,117,251**	19,650,677
Property, plant and equipment	物業、廠房及設備	14	**458,393**	413,871
Goodwill	商譽	15	**231,602**	231,602
Interests in joint ventures	於合營公司的權益	16	**6,060**	6,068
Amount due from a joint venture	應收一間合營公司款項	16	**522,318**	522,323
Available-for-sale investments	可供出售投資	17	**–**	444,259
Equity instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之股本工具	19	**490,816**	–
Deferred tax assets	遞延稅項資產	20	**345,030**	175,201
Deposits paid	已付按金	21	**–**	1,210,000
			24,171,470	22,654,001
Current assets	**流動資產**			
Properties under development for sale	發展中待售物業	22	**7,407,278**	5,621,635
Properties held for sale	待售物業	23	**3,302,382**	729,206
Other inventories	其他存貨	24	**629**	1,145
Accounts receivable	應收賬款	25	**11,576**	377,292
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	26	**890,294**	1,138,263
Financial assets at fair value through profit or loss	按公允價值計入損益之金融資產		**10,559**	–
Debt instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之債務工具	18	**20,000**	–
Tax recoverable	可收回稅款		**8,048**	32,594
Other financial assets	其他金融資產	27	**–**	150,000
Restricted bank deposits	受限制銀行存款	28	**3,915,826**	2,117,521
Bank balances and cash	銀行結餘及現金	29	**3,674,042**	3,975,163
			19,240,634	14,142,819
Current liabilities	**流動負債**			
Accounts payable	應付賬款	30	**1,383,514**	600,037
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	31	**744,814**	3,725,372
Contract liabilities	合同負債	32	**2,268,288**	–
Tax liabilities	稅項負債		**1,468,779**	1,009,685
Borrowings	借貸	33	**3,232,448**	3,615,042
Senior notes and bond	優先票據及債券	35	**2,591,909**	–
Debt component of convertible bonds	可換股債券債務部分	34(a)	**–**	589,650
Derivative component of convertible bonds	可換股債券衍生工具部分	34(b)	**–**	111,078
			11,689,752	9,650,864
Net current assets	**流動資產淨值**		**7,550,882**	4,491,955
Total assets less current liabilities	**總資產減流動負債**		**31,722,352**	27,145,956

Consolidated Statement of Financial Position
綜合財務狀況報表

		NOTES 附註	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
Non-current liabilities	**非流動負債**			
Borrowings	借貸	33	**13,309,348**	9,343,235
Senior notes and bond	優先票據及債券	35	**2,809,060**	5,250,854
Debt component of convertible bonds	可換股債券債務部分	34(a)	**1,381,645**	–
Derivative component of convertible bonds	可換股債券衍生工具部分	34(b)	**198,105**	–
Deferred tax liabilities	遞延稅項負債	20	**2,585,251**	2,482,664
			20,283,409	17,076,753
Net assets	**資產淨值**		**11,438,943**	10,069,203
Capital and reserves	**股本及儲備**			
Share capital	股本	36	**41,141**	39,121
Reserves	儲備	37	**11,290,307**	9,796,941
Equity attributable to owners of the Company	本公司股東應佔權益		**11,331,448**	9,836,062
Non-controlling interests	非控股權益		**107,495**	233,141
Total equity	**權益總額**		**11,438,943**	10,069,203

The consolidated financial statements on pages 61 to 185 were approved and authorised for issue by the board of directors on 21 March 2019 and are signed on its behalf by:

第61至185頁之綜合財務報表已獲董事會於二零一九年三月二十一日批准及授權刊發，並由以下董事代表簽署：

HUANG Jingshu
黃敬舒
DIRECTOR
董事

DENG Chengying
鄧承英
DIRECTOR
董事

Consolidated Statement of Changes in Equity
綜合權益變動表

		Attributable to owners of the Company 本公司股東應佔權益											
		Share capital 股本 RMB'000 人民幣千元	Share premium 股份溢價 RMB'000 人民幣千元	Convertible preference shares 可換股優先股 RMB'000 人民幣千元	Other reserve 其他儲備 RMB'000 人民幣千元	Exchange reserve 匯兌儲備 RMB'000 人民幣千元	Investment revaluation reserve 投資重估儲備 RMB'000 人民幣千元	Share option reserve 購股權儲備 RMB'000 人民幣千元	Statutory reserve 法定儲備 RMB'000 人民幣千元	Retained profits 保留盈利 RMB'000 人民幣千元	Sub-total 小計 RMB'000 人民幣千元	Non-controlling interests 非控股權益 RMB'000 人民幣千元	Total equity 權益總額 RMB'000 人民幣千元
Balance as at 1 January 2017	於二零一七年一月一日的結餘	39,115	6,299,142	5,959,114	(11,235,356)	66,011	163,336	128,404	147,427	7,397,319	8,964,512	233,152	9,197,664
Profit for the year	年度盈利	–	–	–	–	–	–	–	–	1,035,392	1,035,392	3,171	1,038,563
Fair value changes on available-for-sale investments, net of tax	可供出售投資之公允價值變動（扣除稅項）	–	–	–	–	–	(87,592)	–	–	–	(87,592)	–	(87,592)
Exchange differences arising on translation	匯兌產生的換算差額	–	–	–	–	53,597	–	–	–	–	53,597	(3,182)	50,415
Total comprehensive income (expense) for the year	年度全面收益(開支)總額	–	–	–	–	53,597	(87,592)	–	–	1,035,392	1,001,397	(11)	1,001,386
Recognition of equity-settled share-based payments *(note 39)*	確認以股權結算以股份支付的款項*(附註39)*	–	–	–	–	–	–	80,408	–	–	80,408	–	80,408
Exercise of share options	行使購股權	6	1,425	–	–	–	–	(475)	–	–	956	–	956
Transfer to statutory reserve	轉撥至法定儲備	–	–	–	–	–	–	–	2,385	(2,385)	–	–	–
Dividend declared and made *(note 11)*	已宣派及派付的股息*(附註11)*	–	–	–	–	–	–	–	–	(211,211)	(211,211)	–	(211,211)
Balance as at 31 December 2017	於二零一七年十二月三十一日的結餘	39,121	6,300,567	5,959,114	(11,235,356)	119,608	75,744	208,337	149,812	8,219,115	9,836,062	233,141	10,069,203
Profit (loss) for the year	年度盈利(虧損)	–	–	–	–	–	–	–	–	1,237,167	1,237,167	(6,764)	1,230,403
Fair value changes on investments in equity instrument at fair value through other comprehensive income, net of tax	按公允價值計入其他全面收益之股本工具投資之公允價值變動（扣除稅項）	–	–	–	–	–	34,917	–	–	–	34,917	–	34,917
Exchange differences arising on translation	匯兌產生的換算差額	–	–	–	–	(60,208)	–	–	–	–	(60,208)	278	(59,930)
Total comprehensive expense (income) for the year	年度全面開支(收益)總額	–	–	–	–	(60,208)	34,917	–	–	1,237,167	1,211,876	(6,486)	1,205,390
Recognition of equity-settled share-based payments *(note 39)*	確認以股權結算以股份支付的款項*(附註39)*	–	–	–	–	–	–	21,959	–	–	21,959	–	21,959
Conversion of convertible bonds *(note 34)*	兑換可換股債券*(附註34)*	240	70,145	–	–	–	–	–	–	–	70,385	–	70,385
Issue of ordinary shares *(note 36)*	發行普通股*(附註36)*	1,722	495,898	–	–	–	–	–	–	–	497,620	–	497,620
Issue of convertible preference shares *(note 37)*	發行可換股優先股*(附註37)*	–	–	287,047	–	–	–	–	–	–	287,047	–	287,047
Acquisition of a subsidiary and acquisition of non-controlling interest in a subsidiary *(note 38 (b))*	收購一間附屬公司及收購一間附屬公司之非控股權益*(附註38 (b))*	–	–	–	(398,435)	–	–	–	–	–	(398,435)	1,386	(397,049)
Acquisition of an additional interest in a subsidiary *(note)*	增加收購於一間附屬公司的權益*(附註)*	–	–	–	(4,096)	–	–	–	–	–	(4,096)	(119,267)	(123,363)
Lapse of share options	購股權失效	–	–	–	–	–	–	(2,039)	–	2,039	–	–	–
Exercise of share options	行使購股權	58	15,999	–	–	–	–	(5,287)	–	–	10,770	–	10,770
Transfer to statutory reserve	轉撥至法定儲備	–	–	–	–	–	–	–	71,564	(71,564)	–	–	–
Dividend declared and made *(note 11)*	已宣派及派付的股息*(附註11)*	–	–	–	–	–	–	–	–	(201,740)	(201,740)	(1,279)	(203,019)
Balance as at 31 December 2018	於二零一八年十二月三十一日的結餘	41,141	6,882,609	6,246,161	(11,637,887)	59,400	110,661	222,970	221,376	9,185,017	11,331,448	107,495	11,438,943

Note:

During the year ended 31 December 2018, the Group has acquired an additional 20% equity interests in a non-wholly owned subsidiary, Jianmai Limited ("Jianmai"), from a non-controlling shareholder at a consideration of HK$142,000,000 (equivalent to RMB123,363,000). Upon completion of the acquisition, the equity interests of Jianmai held by the Group increased from 75% to 95%. The difference between the consideration paid for acquisition and the attributable net assets being acquired was included in other reserve.

附註：

截至二零一八年十二月三十一日止年度，本集團已向一名非控股股東收購非全資附屬公司景邁有限公司(「景邁」)之額外20%股權，代價為142,000,000港元(相當於人民幣123,363,000元)。於收購事項完成後，本集團所持之景邁股權由75%增加至95%。收購事項之已付代價與已收購之應佔資產淨值之間之差額計入其他儲備。

Consolidated Statement of Cash Flows
綜合現金流量表

For the year ended 31 December 2018
截至二零一八年十二月三十一日止年度

		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
Operating activities	**經營活動**		
Profit before tax	除税前盈利	**2,155,500**	1,497,374
Adjustments for:	調整項目：		
Depreciation	折舊	**40,529**	35,331
Loss (gain) on disposal of property, plant and equipment	出售物業、廠房及設備的虧損（收益）	**2**	(233)
Loss (gain) on disposal of investment properties	出售投資物業的虧損(收益)	**3,299**	(2,306)
Fair value changes on investment properties	投資物業的公允價值變動	**(323,461)**	(478,423)
Fair value changes on derivative component of convertible bonds	可換股債券衍生工具部分的公允價值變動	**(172,192)**	(2,373)
Fair value changes on financial assets at fair value through profit or loss	按公允價值計入損益之金融資產之公允價值變動	**47**	–
Share of results of joint ventures	應佔合營公司業績	**8**	93
Reversal of impairment loss on accounts receivable	撥回應收款項減值虧損	**(39)**	(82)
Equity-settled share-based payments	以股權結算以股份支付的款項	**21,959**	80,408
Recovery of other receivables previously written-off	撥回以前已撇銷的其他應收款項	**(1,500)**	(331)
Write-down on other receivables	撇減其他應收款項	**–**	3,210
Interest income	利息收入	**(103,905)**	(31,022)
Investment income	投資收入	**(5,816)**	(5,446)
Dividend income	股息收入	**(15,665)**	(12,050)
Finance costs	融資成本	**657,995**	613,592
Exchange difference	匯兑差額	**51,288**	(88,999)
Operating cash flows before movements in working capital	營運資金變動前的經營現金流量	**2,308,049**	1,608,743
Increase in properties under development for sale and properties held for sale	發展中待售物業及待售物業增加	**(1,380,684)**	(685,814)
Decrease (increase) in other inventories	其他存貨減少(增加)	**516**	(139)
Decrease (increase) in accounts receivable	應收賬款減少(增加)	**365,755**	(360,674)
Decrease (increase) in deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項減少(增加)	**124,621**	(64,412)
Increase (decrease) in accounts payable	應付賬款增加(減少)	**783,265**	(321,276)
Increase in contract liabilities	合同負債增加	**2,268,288**	–
(Decrease) increase in accruals, deposits received and other payables	應計費用、已收按金及其他應付款項減少(增加)	**(1,193,879)**	1,160,150
Cash from operations	經營活動所得的現金	**3,275,931**	1,336,578
Income taxes paid	已付所得税	**(520,338)**	(108,522)
Net cash from operating activities	**經營活動所得現金淨額**	**2,755,593**	1,228,056
Investing activities	**投資活動**		
Placement of restricted bank deposits	存放受限制銀行存款	**(6,795,462)**	(5,468,427)
Acquisition of subsidiaries *(note 21(b) and 38(a))*	收購附屬公司*(附註21(b)及38(a))*	**(1,590,000)**	(4,518,136)
Repayment of consideration payable *(note 38(a))*	支付應付代價*(附註38(a))*	**(2,068,852)**	–
Additional costs of investment properties	投資物業之額外成本	**(1,189,777)**	(285,046)
Advances to related parties	向關聯方支付墊款	**(1,126,965)**	(1,142,063)
Advance to a non-controlling interest	向非控股權益墊款	**(15,734)**	–
Placement of short-term time deposits with original maturity beyond three months but within one year	存放原定於三個月以上但一年內到期的短期存款	**(442,133)**	(624,929)
Purchase of other financial assets	購置其他金融資產	**(284,342)**	(360,000)
Purchase of property, plant and equipment	購置物業、廠房及設備	**(78,306)**	(7,692)
Purchases of debt instrument at fair value through other comprehensive income	購置按公允價值計入其他全面收益之債務工具	**(20,000)**	–
Purchases of financial assets at fair value through profit or loss	購置按公允價值計入損益之金融資產	**(10,736)**	–
Withdrawal of restricted bank deposits	提取受限制銀行存款	**4,998,888**	5,089,896
Repayment from related parties	關聯方還款	**1,036,999**	1,291,074
Repayment from a non-controlling interest	非控股權益還款	**3,227**	–
Withdrawal of short-term deposits with original maturity beyond three months but within one year	提取原定於三個月以上但一年內到期的短期存款	**624,929**	200,000
Proceeds from disposal of other financial assets	出售其他金融資產所得款項	**434,342**	415,446
Interest received	已收利息	**87,591**	31,022
Dividend income received	已收股息收入	**15,665**	12,050
Proceeds from disposal of investment properties	出售投資物業所得款項	**1,536**	31,290
Proceeds from disposal of property, plant and equipment	出售物業、廠房及設備所得款項	**135**	252
Repayment from (advance to) a joint venture	一間合營公司還款／(向一間合營公司支付墊款)	**5**	(100)
Deposits paid	已付按金	**–**	(1,000,000)
Net cash used in investing activities	**投資活動所用現金淨額**	**(6,418,990)**	(6,335,363)

Consolidated Statement of Cash Flows
綜合現金流量表

		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
Financing activities	**融資活動**		
Repayments of borrowings	償還借貸	**(4,994,599)**	(2,940,712)
Interest paid	已付利息	**(1,231,136)**	(750,644)
Dividend paid	已付股息	**(203,019)**	(211,211)
Acquisition of an additional interest in a subsidiary	增加收購於一間附屬公司的權益	**(75,348)**	–
Transaction costs on issue of senior notes and bond	發行優先票據及債券之交易成本	**–**	(47,352)
Proceeds from new borrowings	新造借貸所得款項	**8,286,284**	7,120,305
Proceeds from issue of senior notes and bond	發行優先票據及債券所得款項	**–**	2,687,226
Proceeds from issue of convertible bonds	發行可換股債券所得款項	**959,968**	–
Issue of new shares upon exercise of share options	行使購股權以發行新股	**10,770**	956
Proceeds from issue of new shares	發行新股所得款項	**497,620**	–
Proceeds from issue of convertible preference shares	發行可換股優先股所得款項	**287,047**	–
Capital contribution by non-controlling shareholders of subsidiaries	非控股股東於附屬公司之出資	**1,386**	–
Net cash from financing activities	**融資活動所得的現金淨額**	**3,538,973**	5,858,568
Net (decrease) increase in cash and cash equivalents	**現金及現金等價物(減少)增加淨額**	**(124,424)**	751,261
Effect of foreign exchange rate changes	**外匯匯率變動的影響**	**6,099**	6,727
Cash and cash equivalents at beginning of the year	**年初現金及現金等價物**	**3,350,234**	2,592,246
Cash and cash equivalents at end of the year	**年末現金及現金等價物**	**3,231,909**	3,350,234
Represented by:	指：		
Cash and cash equivalents	現金及現金等價物	**3,231,909**	3,350,234
Add: Fixed deposits with original maturity date more than three months but within one year	加：原到期日為多於三個月但少於一年的定期存款	**442,133**	624,929
Bank balances and cash	**銀行結餘及現金**	**3,674,042**	3,975,163

1. GENERAL

LVGEM (China) Real Estate Investment Company Limited (the "Company") is incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the Company's registered office and principal place of business are PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and Suites 1701-1703, 17/F., Everbright Centre, 108 Gloucester Road, Wanchai, Hong Kong respectively. Its ultimate controlling party is Mr. WONG Hong King ("Mr. Wong"), father of Ms. HUANG Jingshu, the Chairman of the Company, and Mr. HUANG Hao Yuan, the Executive Director of the Company.

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 50.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

1. 一般資料

綠景(中國)地產投資有限公司(「本公司」)為一家於開曼群島註冊成立之有限公司，其股份於香港聯合交易所有限公司(「聯交所」)主板上市。本公司註冊辦事處及主要營業地點之地址分別為PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands及香港灣仔告士打道光大中心17樓1701-1703室。其最終控制方為黃康境先生(「黃先生」)，彼乃本公司主席黃敬舒女士及本公司執行董事黃浩源先生之父親。

本公司為一間投資控股公司。其主要附屬公司的業務載於財務報表附註50。

綜合財務報表以人民幣(「人民幣」)呈列，人民幣亦為本公司的功能貨幣。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)

於本年度強制生效之新訂及經修訂香港財務報告準則

本集團已於本年度首次應用以下由香港會計師公會(「香港會計師公會」)頒佈的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	金融工具
香港財務報告準則第15號	來自客戶合約的收益及相關修訂本
香港(國際財務報告詮釋委員會)－詮釋第22號	外幣交易及預付代價
香港財務報告準則第2號(修訂本)	以股份為基礎之付款交易的分類及計量
香港財務報告準則第4號(修訂本)	與香港財務報告準則第4號「保險合約」一併應用的香港財務報告準則第9號「金融工具」
香港會計準則第28號(修訂本)	作為香港財務報告準則二零一四年至二零一六年週期之年度改進一部分
香港會計準則第40號(修訂本)	轉移投資物業

除上述者外，於本年度應用該等新訂及經修訂香港財務報告準則對本集團於本年度及以往年度的財務表現及狀況及／或在本綜合財務報表所載的披露並無任何重大影響。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sales of properties
- Hotel operation, property management service

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)*(續)*

2.1 香港財務報告準則第15號「來自客戶合約的收益」

於本年度，本集團首次應用香港財務報告準則第15號。香港財務報告準則第15號取代香港會計準則第18號「*收益*」、香港會計準則第11號「*建築合約*」及相關詮釋。

本集團已追溯應用香港財務報告準則第15號，而初始應用該準則的累計影響於初始應用日期二零一八年一月一日確認。初始應用日期的任何差額於期初保留溢利確認(或其他權益組成部分，如適用)，及並無重列比較資料。此外，根據香港財務報告準則第15號的過渡條文，本集團已選擇僅將該準則追溯用於於二零一八年一月一日尚未完成的合約。因若干比較資料乃根據香港會計準則第18號「*收益*」、香港會計準則第11號「*建築合約*」及相關詮釋編製，所以若干比較資料無法比較。

本集團確認來自下列主要來源來自客戶合約的收益：

- 物業銷售
- 酒店運營、物業管理服務

有關本集團因應用香港財務報告準則第15號而產生之履約責任及會計政策資料分別於附註5及3中披露。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

2.1 HKFRS 15 Revenue from Contracts with Customers *(Cont'd)*

Summary of effects arising from initial application of HKFRS 15

The following adjustment was made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)*(續)*

2.1 香港財務報告準則第15號「來自客戶合約的收益」*(續)*

初始應用香港財務報告準則第15號產生之影響概要

以下調整乃對於二零一八年一月一日綜合財務狀況表確認的款項作出。尚未計入不受變動影響的項目。

		Note 附註	Carrying amounts previously reported at 31 December 2017 於二零一七年十二月三十一日先前呈報的賬面值 RMB'000 人民幣千元	Reclassification 重新分類 RMB'000 人民幣千元	Carrying amounts under HKFRS 15 at 1 January 2018 於二零一八年一月一日香港財務報告準則第15號項下的賬面值 RMB'000 人民幣千元
Current liabilities	**流動負債**				
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	(a)	3,725,372	(922,148)	2,803,224
Contract liabilities	合同負債	(a)	–	922,148	922,148

Note:

(a) As at 1 January 2018, deposits received in advance from customers mainly for presale of properties of RMB922,148,000 previously included in accruals, deposits received and other payables was reclassified to contract liabilities.

附註：

(a) 於二零一八年一月一日，先前計入應計費用、已收按金及其他應付款項的主要就預售物業向客戶預收的按金人民幣922,148,000元已重新分類至合同負債。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

2.1 HKFRS 15 Revenue from Contracts with Customers *(Cont'd)*

Summary of effects arising from initial application of HKFRS 15 (Cont'd)

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

		Note 附註	As reported 如呈報 RMB'000 人民幣千元	Adjustment 調整 RMB'000 人民幣千元	Amounts without application of HKFRS 15 並無應用香港財務報告準則第15號的款項 RMB'000 人民幣千元
Current liabilities	**流動負債**				
Accruals, deposits received and other payables	應計費用、已收按金及其他應付款項	(a)	744,814	2,268,288	3,013,102
Contract liabilities	合同負債	(a)	2,268,288	(2,268,288)	–

Note:

(a) As at 31 December 2018, deposits received in advance from customers mainly for presale of properties of RMB2,268,288,000 were classified as contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of cash flows as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

		As reported 如呈報 RMB'000 人民幣千元	Adjustment 調整 RMB'000 人民幣千元	Amounts without application of HKFRS 15 並無應用香港財務報告準則第15號的款項 RMB'000 人民幣千元
Operating activities	**經營活動**			
(Decrease) increase in accruals, deposits received and other payables	應計費用、已收按金及其他應付款項(減少)增加	(1,193,879)	2,268,288	1,074,409
Increase in contract liabilities	合同負債增加	2,268,288	(2,268,288)	–

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)*(續)*

2.1 香港財務報告準則第15號「來自客戶合約的收益」*(續)*

初始應用香港財務報告準則第15號產生之影響概要(續)

下表概述應用香港財務報告準則第15號對於二零一八年十二月三十一日本集團綜合財務狀況表各項目的影響。尚未計入不受變動影響的項目。

附註:

(a) 於二零一八年十二月三十一日,主要就預售物業向客戶預收的按金人民幣2,268,288,000元已重新分類至合同負債。

下表概述應用香港財務報告準則第15號對於二零一八年十二月三十一日本集團綜合現金流量表各項目的影響。尚未計入不受變動影響的項目。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)*(續)*

2.2 香港財務報告準則第9號「金融工具」

於本年度，本集團已應用香港財務報告準則第9號「金融工具」及對其他香港財務報告準則的相應修訂。香港財務報告準則第9號引入就1)金融資產及金融負債的分類及計量及2)金融資產的預期信貸虧損(「預期信貸虧損」)的新要求。

本集團已根據香港財務報告準則第9號所載的過渡條文，向於二零一八年一月一日(初始應用日期)尚未終止確認的工具追溯應用香港財務報告準則第9號(即應用分類及計量規定(包括預期信貸虧損模式下之減值))，而並無應用該等規定至於二零一八年一月一日已終止確認的工具。於二零一七年十二月三十一日的賬面值與二零一八年一月一日的賬面值之間的差額於期初保留溢利及其他權益部分確認，並無重列比較資料。

因此，若干比較資料或許不能用作比較，原因為比較資料乃根據香港會計準則第39號「*金融工具：確認及計量*」編製。

因應用香港財務報告準則第9號而產生之會計政策於附註3中披露。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

2.2 HKFRS 9 Financial Instruments *(Cont'd)*

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

		Note 附註	Carrying amounts previously reported at 31 December 2017 於二零一七年十二月三十一日先前呈報的賬面值 RMB'000 人民幣千元	Reclassification 重新分類 RMB'000 人民幣千元	Carrying amounts under HKFRS 9 at 1 January 2018 於二零一八年一月一日香港財務報告準則第9號項下的賬面值 RMB'000 人民幣千元
Non-current assets	**非流動資產**				
Available-for-sale investments	可供出售投資	(a)	444,259	(444,259)	–
Equity instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之股本工具	(a)	–	444,259	444,259

Note:

(a) The Group elected to present in other comprehensive income for the fair value change of its equity investment previously classified as available-for-sale investments, of which approximately RMB444,259,000 related to the equity interests in certain listed equity securities in the PRC previously measured at fair value under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, RMB444,259,000 was reclassified from available-for-sale investments to equity instrument at fair value through other comprehensive income. The accumulated fair value gains of approximately RMB75,744,000 relating to those investments previously carried at fair value continued to accumulate in investment revaluation reserve.

The Group applied the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for accounts receivable. Except for those which had been determined as credit impaired under HKAS 39, accounts receivable have been assessed and grouped based on internal credit rating for impairment purpose.

As at 1 January 2018, adjustment for credit loss allowance is considered as insignificant.

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)*(續)*

2.2 香港財務報告準則第9號「金融工具」*(續)*

初始應用香港財務報告準則第9號產生之影響概要(續)

下表闡述涉及預期信貸虧損的金融資產及其他項目根據香港財務報告準則第9號及香港會計準則第39號於初始應用日期(二零一八年一月一日)之分類及計量。

附註:

(a) 本集團選擇於其他全面收益呈列先前分類為可供出售投資的股本投資公允價值變動,其中約人民幣444,259,000元與於先前根據香港會計準則第39號按公允價值計量的中國若干上市股本證券的股權有關。該等投資不會持作買賣,且預期於可預見未來不會出售。於初始應用香港財務報告準則第9號的日期,人民幣444,259,000元由可供出售投資重新分類至按公允價值計入其他全面收益之股本工具。與先前按公允價值列賬的該等投資有關的累計公允價值收益約人民幣75,744,000元繼續於投資重估儲備內累計。

本集團應用香港財務報告準則第9號的簡化方法計量預期信貸虧損,為應收賬款使用存續期預期信貸虧損。除根據香港會計準則第39號被釐定為信貸減值之該等款項外,應收賬款已根據內部信用評級進行評估及分組作減值用途。

於二零一八年一月一日,信貸虧損撥備調整考慮並不重大。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)*(續)*

已頒佈但尚未生效之新訂及經修訂香港財務報告準則

本集團並無提早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16號	租賃[1]
香港財務報告準則第17號	保險合約[3]
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[1]
香港財務報告準則第3號(修訂本)	業務之定義[4]
香港財務報告準則第9號(修訂本)	具有負補償之提前還款特點[1]
香港財務報告準則第10號及香港會計準則第28號(修訂本)	投資者與其聯營公司或合營公司之間的資產出售或注資[2]
香港會計準則第1號及香港會計準則第8號(修訂本)	重大性之定義[5]
香港會計準則第19號(修訂本)	計劃修訂、縮減或結算[1]
香港會計準則第28號(修訂本)	於聯營公司及合營公司之長期權益[1]
香港財務報告準則(修訂本)	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[1]

1 於二零一九年一月一日或以後開始的年度期間生效。
2 於釐定日期或以後開始的年度期間生效。
3 於二零二一年一月一日或以後開始的年度期間生效。
4 對收購日期為於二零二零年一月一日或以後開始的首個年度期間初或以後的業務合併及資產收購生效。
5 於二零二零年一月一日或以後開始的年度期間生效。

除下文所述之新訂及經修訂香港財務報告準則外，本公司董事預期應用所有其他新訂及經修訂香港財務報告準則於可見未來將不會對綜合財務報表造成重大影響。

香港財務報告準則第16號租賃

香港財務報告準則第16號為識別出租人及承租人之租賃安排及會計處理引入一個綜合模式。於香港財務報告準則第16號生效後，其將取代香港會計準則第17號*租賃*及相關詮釋。

香港財務報告準則第16號根據已識別資產是否由客戶控制來區分租賃及服務合約。

除短期租賃及租賃低值資產外，經營租賃及融資租賃之差異自承租人之會計法中移除，且承租人須就所有租賃確認使用權資產及相應負債之模式替代。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

HKFRS 16 Leases *(Cont'd)*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group. Upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance with the nature, as appropriate.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB209,469,000 as disclosed in note 44. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of RMB8,229,000 and refundable rental deposits received of RMB119,202,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)*(續)*

香港財務報告準則第16號租賃*(續)*

使用權資產初步按成本計量，隨後按成本(若干例外情況除外)減累計折舊及減值虧損計量，經租賃負債之任何重新計量調整。租賃負債初步按當日尚未支付之租賃付款之現值計量。隨後，租賃負債經(其中包括)利息及租賃付款以及租賃修改之影響予以調整。就現金流量之分類而言，本集團現時呈列先期預付租賃款項作為有關自用租賃土地及該等分類為投資物業之投資現金流量，而其他經營租賃付款則呈列為經營現金流量。於應用香港財務報告準則第16號後，本集團將把有關租賃負債之租賃付款分配至本金及利息部分，並將其呈列為融資現金流量。先期預付租賃款項將繼續根據其性質(如適用)呈列為投資或經營現金流量。

根據香港會計準則第17號，本集團已就租賃土地(本集團為承租人)確認預付租賃款項。應用香港財務報告準則第16號可能導致該等資產分類出現潛在變動，視乎本集團是否分開呈列使用權資產或按將呈列相應有關資產(如擁有)之相同項目呈列而定。

除若干亦適用於出租人之規定外，香港財務報告準則第16號大致上轉承香港會計準則第17號之出租人會計法規定，並繼續要求出租人將租賃分類為經營租賃或融資租賃。

此外，香港財務報告準則第16號要求廣泛披露。

於二零一八年十二月三十一日，本集團之不可撤銷經營租賃承擔為人民幣209,469,000元，詳情於附註44中披露。初步評估表示該等安排將符合租賃之定義。於應用香港財務報告準則第16號後，本集團將確認使用權資產及有關所有該等租賃之相應負債，除非其符合低價值或短期租賃的資格。

此外，本集團目前將已付可退還租金按金人民幣8,229,000元及已收可退還租金按金人民幣119,202,000元視為應用香港會計準則第17號項下租賃之權利及責任。根據香港財務報告準則第16號項下租賃付款之定義，該等按金並非與使用相關資產之權利有關之付款，因此，該等按金之賬面值可能調整至攤銷成本。對已付可退還租金按金之調整將被視為額外租賃付款並計入使用權資產之賬面值。對已收可退還租金按金之調整將被視為預付租賃付款。

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Cont'd)*

HKFRS 16 Leases *(Cont'd)*

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group would elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group would not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group would elect the modified retrospective approach for the application of HKFRS 16 as lessee and would recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments

HK(IFRIC)-Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to determine whether uncertain tax positions are assessed separately or as a group; and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings.

The directors of the Company anticipate that the application of HK(IFRIC)-Int 23 would not have material financial impact to the consolidated financial statements in respect of the uncertainty of land appreciation tax ("LAT") based on the facts and circumstances as at 31 December 2018 but may result in more disclosures in the future.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

2. 應用新訂及經修訂香港財務報告準則(「香港財務報告準則」)*(續)*

香港財務報告準則第16號租賃*(續)*

應用新規定可能會導致上述計量、呈列及披露有所變動。本集團將選擇實際權宜方法，從而將香港財務報告準則第16號應用於先前應用香港會計準則第17號及香港(國際財務報告詮釋委員會)－詮釋第4號「釐定安排是否包含租賃」而識別為租賃之合約，且不將此準則應用於先前未應用香港會計準則第17號及香港(國際財務報告詮釋委員會)－詮釋第4號識別為包含租賃之合約。因此，本集團將不會重新評估於初始應用日期前已存在之合約是否為或是否包含租賃。此外，本集團(作為承租人)將選擇經修訂追溯法應用香港財務報告準則第16號，並將確認初始應用對年初保留溢利之累計影響，而並無重列比較資料。

香港(國際財務報告詮釋委員會)－詮釋第23號－所得稅處理的不確定性

香港(國際財務報告詮釋委員會)－詮釋第23號載列如何於所得稅處理存在不確定性時確定會計稅務狀況。該詮釋要求實體釐定不確定的稅務狀況為單獨或作為一組而評估；及評估稅務機關是否可能接受實體於其所得稅報稅中使用或擬使用不確定稅務處理。

根據於二零一八年十二月三十一日之事實及情況，本公司董事預期應用香港(國際財務報告詮釋委員會)－詮釋第23號將不會對綜合財務報表構成有關土地增值稅(「土地增值稅」)不確定性之重大財務影響，惟可能造成更多未來披露。

香港會計準則第1號及香港會計準則第8號(修訂本)重大性之定義

修訂本涵蓋於作出重大判斷時之額外指引及解釋，對重大性之定義作出修訂。修訂本亦統一所有香港財務報告準則之定義，並將於本集團自二零二零年一月一日起之年度期間強制生效。應用修訂本預期不會對本集團之財務狀況及表現造成重大影響，惟或會影響於綜合財務報表之呈列及披露。

3. 主要會計政策

綜合財務報表乃根據香港會計師公會頒佈的香港財務報告準則而編製。此外，綜合財務報表包括聯交所證券上市規則(「上市規則」)及香港公司條例的適用披露規定。

於各報告期末，除下文所載會計政策闡釋的投資物業及若干金融工具按公允價值計量外，綜合財務報表乃按歷史成本基準編製。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. 主要會計政策*(續)*

歷史成本一般按換取貨品及服務所付出代價之公允價值計量。

公允價值是於計量日期市場參與者於有序交易中出售資產可收取或轉讓負債須支付的價格，而不論該價格是否直接可觀察或可使用其他估值技術估計。若市場參與者於計量日期對資產或負債定價時會考慮資產或負債的特點，則本集團於估計資產或負債的公允價值時會考慮該等特點。此等綜合財務報表中作計量及／或披露用途的公允價值乃按此基準釐定，惟屬於香港財務報告準則第2號*以股份為基礎的付款*範圍的以股份為基礎之付款交易、屬於香港會計準則第17號*租賃*範圍內的租賃交易，以及與公允價值有部份相若地方但並非公允價值的計量，譬如香港會計準則第2號存貨內的可變現淨額或香港會計準則第36號*資產減值*的使用價值除外。

非金融資產的公允價值計量須考慮市場參與者充分利用該資產或充分利用該資產向另一市場參與者進行銷售從而產生經濟效益的能力。

此外，就財務申報而言，公允價值計量根據公允價值計量的輸入數據可觀察程度及公允價值計量的輸入數據對其整體的重要性分類為第一級、第二級或第三級，詳情如下：

- 第一級輸入數據是實體於計量日期可以取得的相同資產或負債於活躍市場之報價(未經調整)；
- 第二級輸入數據是就資產或負債直接或間接地可觀察之輸入數據(第一級內包括的報價除外)；及
- 第三級輸入數據是資產或負債的不可觀察輸入數據。

主要會計政策載列於下文。

綜合基準

綜合財務報表包括本公司及其所控制之實體及其附屬公司之財務報表。當本公司符合以下要素時，則本公司取得控制權：

- 可對投資對象行使權力；
- 因參與投資對象業務而承擔浮動回報的風險或享有權利；及
- 有能力使用其權力影響其回報。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation *(Cont'd)*

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. 主要會計政策*(續)*

綜合基準*(續)*

倘有事實及情況顯示上述三項控制權要素有一項或以上出現變動，本公司會重新評估其是否對投資對象擁有控制權。

附屬公司之綜合入賬於本集團取得有關附屬公司之控制權起開始，並於本集團失去有關附屬公司之控制權時終止。具體而言，年內所收購或出售附屬公司之收入及開支乃自本集團取得控制權之日期起計入綜合損益表，直至本集團不再控制有關附屬公司之日期為止。

損益及其他全面收益之每個項目乃歸屬於本公司股東及非控股權益。附屬公司之全面收益總額歸屬於本公司股東及非控股權益，即使此舉會導致非控股權益產生虧絀結餘。

於必要時，將對附屬公司之財務報表作出調整，以令彼等之會計政策與本集團之會計政策一致。

有關本集團成員公司之間交易的所有集團內公司間之資產及負債、權益、收入、支出及現金流量於綜合入賬時悉數對銷。

附屬公司的非控股權益從本集團權益中獨立呈列，指現時擁有的權益且賦予持有人權利於清盤時按比例分佔相關附屬公司淨資產。

本集團於現有附屬公司的權益變動

未導致本集團失去對附屬公司控制權的本集團於附屬公司的權益變動以權益交易列賬。為反映其於附屬公司的相關權益變動(包括根據本集團與非控股權益之權益比例重新歸屬本集團與非控股權益之相關儲備)，本集團的相關權益部分及非控股權益的賬面值會作出調整。

非控股權益於重新分配相關權益部分後所作調整數額與已付或已收代價公允價值之間的任何差額直接於權益內確認，並歸屬於本公司股東。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Basis of consolidation *(Cont'd)*

Changes in the Group's interests in existing subsidiaries (Cont'd)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

3. 主要會計政策*(續)*

綜合基準*(續)*

本集團於現有附屬公司的權益變動(續)

當本集團失去附屬公司的控制權時，該附屬公司之資產及負債以及非控股權益(如有)會被確認。收益或虧損於損益確認，並按以下兩者的差額計算得出：(i)已收代價的公允價值任何留存權益的公允價值的總和；及(ii)本公司股東應佔附屬公司資產(包括商譽)及負債的賬面值。先前就該附屬公司於其他全面收益確認的所有金額，按猶如本集團已直接出售該附屬公司的相關資產或負債入賬處理(即按適用的國際財務報告準則所規定／許可，重新分類至損益或轉撥至另一類權益)。前附屬公司於失去控制權日時任何保留投資的公平值視為初始確認香港財務報告準則第9號／香港會計準則第39號項下後續會計處理之公平值或(倘適用)初始確認聯營公司或合營公司投資的成本。

業務合併

收購業務採用收購法入賬。業務合併之轉撥代價按公允價值計量，而計算方法為本集團所轉讓之資產於收購日之公允價值、本集團向被收購方原擁有人產生之負債及本集團於交換被收購方之控制權發行之股權。有關收購之費用於產生時一般於損益中確認。

於收購日，所收購之可識別資產及所承擔之負債按公允價值確認，惟下文所述者除外：

— 遞延稅項資產或負債及與僱員福利安排有關之資產或負債，分別根據香港會計準則第12號*所得稅*及香港會計準則第19號*僱員福利*確認並計量；

— 與被收購公司以股份為基礎之付款安排或以本集團訂立以股份為基礎之付款安排取代被收購公司以股份為基礎之付款安排相關之負債或股本工具乃於收購日期根據香港財務報告準則第2號*以股份為基礎之付款*計量(見下文會計政策)；及

— 根據香港財務報告準則第5號*持作出售之非流動資產及已終止經營業務*分類為持作出售之資產(或出售組別)則根據該準則計量。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Business combinations *(Cont'd)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. 主要會計政策*(續)*

業務合併*(續)*

商譽是以所轉撥之代價、於被收購方中所佔任何非控股權益金額、及收購方以往持有被收購方股權(如有)之公允價值之總和，減所收購之可識別資產及所承擔之負債於收購日期之淨值後，所超出之差額計值。倘經過重新評估後，所收購之可識別淨資產與所承擔負債之淨額高於轉撥之代價、非控股權益於被收購方中所佔任何金額與收購方先前持有被收購方之權益(如有)之公允價值之總和，則差額即時於損益內確認為議價收購收益。

屬現時擁有之權益且於清盤時讓持有人有權按比例分佔相關附屬公司之資產淨值之非控股權益，初步按非控股權益應佔被收購方可識別資產淨值的已確認金額比例或按公允價值計量。計量基準視乎每項交易而作出選擇。

於業務合併乃分階段完成時，本集團先前持有之被收購方股權乃按於收購日期(即本集團獲得控制權之日期)之公允價值重新計量，而所產生之收益或虧損(如有)乃於損益內或其他全面收益(按適用者)確認。倘本集團已出售先前所持有的股權，則於收購日期前根據香港財務報告準則第9號／香港會計準則第39號計量並已於其他全面收益確認因於被收購方權益而產生之金額，將按所規定的相同基準入賬。

倘業務合併之初步會計處理於合併發生之報告期末尚未完成，則本集團呈報未完成會計處理之項目之臨時數額。該等臨時數額會於計量期間(見上文)內追溯調整，並確認額外資產或負債，以反映所取得於收購日期已存在而據所知可能影響該日已確認數額之相關事實與情況之新資料。

收購附屬公司並不構成一項業務

當本集團收購一組並不構成業務之資產及負債時，本集團透過首先向其後以公允價值模式計量之投資物業及金融資產／金融負債按相關公允價值分配收購價，以識別及確認所收購個別可識別資產及所承擔負債，而收購價餘下結餘其後按其於購買日期之相關公允價值為基準分配至其他可識別資產及負債。有關交易並不會產生商譽或議價收購收益。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represents the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group dispose of an operation within the cash-generating unit (or a cash-generating unit within group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of a joint venture is described below.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. 主要會計政策*(續)*

商譽

因收購業務產生之商譽乃按業務收購日期釐定之成本(見上文會計政策)減累計減值虧損(如有)列賬。

就減值測試而言，商譽乃分配至預期從合併之協同效應中獲利之本集團各現金產生單位(或現金產生單位組別)，即指就內部管理而言監察商譽的最低水平，且不大於經營分部。

本集團每年會就獲分配商譽之現金產生單位(或現金產生單位組別)進行減值測試，或於有跡象顯示該單位可能已經減值時更頻繁地進行測試。就於報告期內收購產生之商譽而言，已獲分配商譽之現金產生單位(或現金產生單位組別)於報告期末前進行減值測試。可收回數額少於其賬面值，則本集團會首先分配減值虧損以減少任何商譽之賬面值，再根據該單位(或現金產生單位組別)之各項資產之賬面值按比例分配予其他資產。

出售相關現金產生單位或現金產生單位組別中任何現金產生單位時，釐定出售損益時須計入商譽之應佔金額。當本集團出售現金產生單位(或現金產生單位組別中的一個現金產生單位)內的業務時，所出售商譽金額按所出售業務(或現金產生單位)與所保留現金單位(或現金產生單位組別)部分的相對價值計量。

本集團就因收購合營公司產生之商譽的政策如下文所述。

投資合營公司

合營公司指一項聯合安排，對安排擁有共同控制權之訂約方據此對聯合安排之資產淨值擁有權利。共同控制是指按照合約約定對某項安排所共有的控制，共同控制僅在當相關活動要求共同享有控制權之各方作出一致同意之決定時存在。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Investments in joint ventures *(Cont'd)*

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interest in the joint venture that are not related to the Group.

3. 主要會計政策*(續)*

投資合營公司*(續)*

合營公司的業績、資產及負債按權益法計入此綜合財務報表中。按照權益法，於合營公司之投資乃按成本於綜合財務狀況報表中首次確認，並於其後就確認集團應佔該合營公司之損益及其他全面收益而作出調整。合營公司之資產淨值變動(損益及其他全面收益除外)不會列賬，惟有關變動導致本集團持有之所有權權益有所變動則另作別論。倘集團所佔於合營公司之虧損等於或超越集團於合營公司應佔權益(包括任何實際上構成集團於合營公司投資淨值其中部分之長遠權益)，集團應不再確認應佔的虧損。確認額外虧損只限於集團須受合法或結構性責任或代合營公司支付款項。

於合營公司之投資採用權益會計法自被投資者成為合營公司當日起入賬。於收購合營公司之投資時，投資成本超過本集團應佔被投資者之可識別資產及負債之公允價值淨值之任何部份均確認為商譽，並計入投資之賬面值。本集團應佔可識別資產及負債之公允價值淨值超過投資成本之任何部份(經重新評估後)於收購投資之期間即時確認為損益。

本集團評估是否具客觀證據證明於合營公司之權益可能減值。倘存在任何客觀證據，該項投資之全部賬面值(包括商譽)會根據香港會計準則第36號以單一項資產的方式進行減值測試，方法是比較其可收回金額(即使用價值與公允價值減出售成本之較高者)與賬面值。任何已確認之減值虧損構成該項投資之賬面值的一部份，有關減值虧損之任何撥回乃於該項投資之可收回金額其後增加之情況根據香港會計準則第36號確認。

倘本集團削減其於合營公司之所有權權益而本集團繼續採用權益法，若有關收益或虧損會於出售相關資產或負債時重新分類至損益，則本集團會將先前已於其他全面收入確認與削減所有權權益有關之收益或虧損部分重新分類至損益。

倘集團實體與本集團之合營公司進行交易，僅在合營公司之權益與本集團無關之情況下，與合營公司進行交易所產生之盈利及虧損，方會於本集團之綜合財務報表中確認。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

For property management service, the Group recognises revenue in the amount to which the entity has a right to invoice, as the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date.

3. 主要會計政策*(續)*

來自客戶合約的收益(根據附註2的過渡條文應用香港財務報告準則第15號)

根據香港財務報告準則第15號，本集團於(或當)完成履約責任時(即於與特定履約責任相關的貨品或服務的「控制權」轉移予客戶時)確認收益。

履約責任指一項明確貨品或服務(或一批貨品或服務)或一系列大致相同的明確貨品或服務。

倘符合以下其中一項條件，則控制權為隨時間轉移，而收益則參考相關履約責任的完成進度隨時間確認：

- 客戶於本集團履約時同時收取及消耗本集團履約所提供的利益；
- 本集團的履約創造或提升客戶於本集團履約時控制的資產；或
- 本集團的履約並無創造對本集團具有替代用途的資產，而本集團擁有強制執行權收取至今已履約部分的款項。

否則，收益於客戶獲得明確商品或服務控制權時確認。

合約負債指本集團因自客戶收取代價(或到期收取的代價)，而須向客戶轉讓貨品或服務的責任。

隨時間確認收益：計量完全履行履約責任的進展情況

就物業管理服務而言，當本集團擁有可收取來自客戶的代價之權利時，而代價之金額與客戶迄今為止達致之表現價值直接對應，則本集團可按有權開具發票的金額確認收益。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) *(Cont'd)*

Existence of significant financing component

For sales of properties, in determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (e.g. sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

3. 主要會計政策*(續)*

來自客戶合約的收益(根據附註2的過渡條文應用香港財務報告準則第15號)*(續)*

存在重大融資部分

就物業銷售，釐定交易價時，倘協定之付款時間(明示或暗示)為客戶或本集團提供有關向客戶轉讓貨品或服務之重大融資利益，本集團會就貨幣時間價值之影響調整承諾代價金額。於該等情況下，合約即包含重大融資部分。不論融資承諾是否明確列於合約或隱含在合約訂約方協定之付款條款中，均可能存在重大融資部分。

對於付款與轉讓相關貨品或服務相隔期間不足一年之合約，本集團應用可行權宜之計，而不就任何重大融資部分調整交易價。

就於轉移本集團已就重大融資而調整已承諾之代價金額之相關貨品或服務前自客戶收取之預付款項而言，本集團應用將於本集團與客戶之間於合約開始之獨立融資交易中反映之折現率。於預付款項期間收取相關利息開支，且轉移相關貨品及服務按相同基準入賬列作其他借貸成本。

獲得合約之增量成本

獲得合約之增量成本指本集團取得客戶合約所產生之成本，倘未獲得該合約，則不會產生有關成本。

倘預期可收回有關成本(如銷售佣金)，則本集團確認該等成本為一項資產。所確認資產隨後按與向客戶轉讓有關該資產之貨品或服務一致之系統基準攤銷至損益。

倘該等成本將在一年內悉數攤銷至損益，則本集團將應用可行權宜方法，支銷所有增量成本以獲得合約。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Goods, services, interests and dividends

Revenue from sale of properties in the ordinary course of business is recognised when the respective properties have been completed and delivered to the buyers. Deposits and instalments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under current liabilities.

Revenue from hotel operation is recognised when the relevant services are provided. Property management fee income and rental income are recognised in profit or loss when the services are rendered.

Dividend income from investments is recognised when the rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3. 主要會計政策*(續)*

收入確認(於二零一八年一月一日前)

收入以已售貨品之已收及應收代價之公允價值計算。收入已就估計客戶退貨，回扣及其他類似撥備作出扣減。

收入於收入金額能可靠計量、未來經濟利益可能流入本集團以及符合下文所述本集團的各業務的特定條件時確認。

貨品、服務、權益及股息

日常業務過程中銷售物業所得之收入於相關物業已完成發展及已交付予買家時確認。於符合上述收入確認標準前所收取之買方按金及分期付款計入綜合財務狀況報表內之流動負債項下。

來自酒店經營的收益於提供有關服務時確認。物業管理收入及租金收入於有關服務提供時在損益表確認。

投資所得股息收入乃於確定股東收取付款之權利時確認。

利息收入按未償還本金額及適用之實際利率以時間比例累計。有關利率指於初步確認時將金融資產之估計未來所收現金在預計可使用期內折現至資產賬面淨值之利率。

租賃

當租賃條款將擁有權的大多數風險及回報轉讓予承租人時，租賃分類為融資租賃。所有其他租賃均分類為經營租賃。

本集團作為出租人

經營租賃所得租金收入按直線法於相關租賃年期內於損益中確認。

本集團日常業務運作中產生的租金收入呈列為收益。

本集團作為承租人

經營租賃付款於租賃期內按直線法確認為開支。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Leases *(Cont'd)*

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve attributed to non-controlling interests as appropriate.

3. 主要會計政策*(續)*

租賃*(續)*

租賃土地及樓宇

當本集團支付包括租賃土地及建築成份的物業權益時，本集團會按因擁有每個成份而附帶的絕大部份風險及回報是否已轉移到本集團的基礎上評估每個成份，除非兩個成份均明顯為經營租賃，在此情況下，整項物業被視為經營租賃。具體來說，整體代價(包括任何一次性預付款)按土地成份及樓宇成份租賃權益於初始確認時的相對公允價值，按比例分配到租賃土地及樓宇成份。

倘相關付款分配能可靠計量時，租賃土地的權益入賬為經營租賃，並於綜合財務狀況表列賬為「預付租賃款項」，且於租賃期內按直線基準攤銷，惟於獲分類及按公平值模式以投資物業入賬者除外。當租金不可於租賃土地及樓宇成分間可靠地分配時，整項物業一般當作融資租賃下的租賃土地般分類。

外幣

於編製各個別集團實體之財務報表時，以該實體功能貨幣以外之貨幣(外幣)進行之交易按交易日期之現行匯率予以確認。於各報告期末，以外幣列值之貨幣項目按有關日期現行之匯率予以重新換算。按歷史成本計量以外幣列值之非貨幣項目不予重新換算。

因結算貨幣項目及重新換算貨幣項目而產生之匯兑差額，於其產生期間在損益內確認，惟應收或應付海外業務而結算並無計劃亦不可能發生(因此構成海外業務投資淨額之一部分)之貨幣項目之匯兑差額外，該等匯兑差額初步於其他綜合收益內確認，並於出售海外業務時自權益重新分類至損益。

就呈報綜合財務報表而言，本集團海外業務的資產及負債乃按各報告期末的現行匯率換算為本集團的呈報貨幣(即人民幣)。收入及開支項目則按期內的平均匯率換算，除非匯率於該期間內出現大幅波動則另作別論；於該情況，則採用交易當日現行匯率。所產生的匯兑差額(如有)乃於其他全面收益確認及於匯兑儲備項下之權益累計(於適當時撥作非控股權益)。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Foreign currencies *(Cont'd)*

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instrument at the grant date.

3. 主要會計政策*(續)*

外幣*(續)*

出售海外業務時(即出售本集團於海外業務的全部權益、或出售涉及失去包括海外業務的附屬公司的控制權),本公司擁有人就該等業務應佔的所有累計的匯兑差額乃重新分類至損益。

此外,就部分出售不導致本集團失去附屬公司之控制權而言,累計匯兑差額分佔部分重新歸類至非控股權益且不會於損益內予以確認。

借貸成本

與收購、興建或生產合格資產(須用一段較長時間達致其擬定用途或出售的資產)直接有關的借貸成本會計入該等資產的成本,直至資產大致上達致其擬定用途或出售時為止。

所有其他借貸成本均於其產生期間於損益賬確認。

退休福利成本

界定供款退休福利計劃的付款乃於僱員提供服務並因而享有供款權利時確認為開支。

短期及其他長期僱員福利

短期僱員福利於僱員提供服務時按預期支付福利的未折現金額確認。所有短期僱員福利均確認為開支,除非有另一項香港財務報告準則規定或允許將福利計入資產成本則作別論。

僱員累計福利(如工資及薪金、年假及病假)於扣除任何已付金額後確認為負債。

以股份支付的款項

以股權結算以股份支付之付款交易

授予僱員之購股權

向僱員和其他提供類似服務人士以股權結算以股份支付之付款按照股本工具於授出日期的公平值計量。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Share-based payments *(Cont'd)*

Equity-settled share-based payment transactions (Cont'd)

Share options granted to employees *(Cont'd)*

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in share option reserve. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. 主要會計政策*(續)*

以股份支付的款項*(續)*

以股權結算以股份支付之付款交易(續)

授予僱員之購股權*(續)*

以股權結算以股份支付之付款按授出日期釐定的公平值(並無計及所有非市場歸屬條件)乃根據本集團對最終將歸屬的股本工具之估計，於歸屬期內以直線法支銷，而相應增加計入購股權儲備。於各報告期末，本集團根據所有相關非市場歸屬條件的評估修訂預期歸屬股本工具的估計數目。修訂原有估計的影響(如有)於損益內確認，令累計開支反映經修訂的估計，並相應調整至購股權儲備。

當購股權獲行使時，先前於購股權儲備中確認之款項將轉撥至股份溢價。當購股權於歸屬日期後被沒收或於屆滿日仍未獲行使，先前於購股權儲備中確認之款項將轉撥至保留溢利。

稅項

所得稅開支乃指即期應付稅項及遞延稅項的總額。

即期應付稅項乃按年內應課稅溢利計算。應課稅溢利與稅前溢利有所不同，此乃由於在其他年度應課稅或可減免之收入或開支項目以及毋須課稅或不可減免的項目。本集團的即期稅項負債乃使用於報告期末已頒佈或實質頒佈的稅率計算。

遞延稅項於綜合財務報表內資產及負債賬面值與用作計算應課稅溢利的相應稅基的暫時差額確認。遞延稅項負債一般會就所有應課稅的暫時差額確認，而遞延稅項資產一般乃按可能出現可動用可減免的暫時差額的應課稅溢利時確認所有扣減暫時差額。若於一項交易中，因業務合併以外原因初步確認資產及負債而引致不影響應課稅溢利及會計溢利的暫時差額，則不會確認該等遞延稅項資產及負債。此外，若暫時差額是源自商譽之初始確認，則不確認遞延稅項負債。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Taxation *(Cont'd)*

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. 主要會計政策*(續)*

稅項*(續)*

遞延稅項負債乃按因於附屬公司的投資及於合營公司的權益有關的應課稅暫時差額而確認，惟若本集團能控制暫時差額的撥回及暫時差額於可見將來可能不會撥回的情況則除外。與該等投資及權益相關的可扣減暫時差額產生的遞延稅項資產僅於可能將有足夠應課稅溢利以應用暫時差額且預期將於可見將來撥回時方始確認。

遞延稅項資產的賬面值於各報告期末作審閱，並在不再可能有足夠應課稅溢利收回全部或部分資產時作扣減。

遞延稅項資產及負債乃按預期於償還負債或資產變現期間適用的稅率計量，所根據的稅率(及稅法)乃於報告期末已頒佈或實質上已頒佈者。

遞延稅項負債及資產的計量反映本集團於報告期末預期將要收回或償還其資產及負債的賬面值的稅務後果。

就計量遞延稅項負債而言，利用公平值模型計量的投資物業之賬面值乃假設通過銷售全數收回，除非該假設被推翻則除外。當投資物業可予折舊及於本集團的業務模式(其業務目標是隨時間而非透過銷售消耗投資物業所包含的絕大部分經濟利益)內持有時，有關假設會被推翻。

當即期稅項資產與即期稅項負債可依法相互抵銷，且是源自同一稅務機關所徵收的所得稅有關，加上本集團擬按淨額基準償付結清其即期稅項資產及負債時，遞延稅項資產及負債可相互抵銷。

即期及遞延稅項於損益賬確認，惟倘彼等與於其他全面收入確認或直接於權益確認的項目有關。在該情況下，即期及遞延稅項亦分別於其他全面收入確認或直接於權益確認。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Property, plant and equipment

Property, plant and equipment, other than freehold land and construction in progress, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Construction in progress including property, plant and equipment in the course of construction for production, supply or administrative purposes and freehold land are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties are initially measured at cost, including any directly attributable expenditure. Cost incurred for investment properties under development comprises development expenditure including professional charges directly attributable to the development and borrowing costs, and these costs are capitalised as part of the carrying amount of the investment properties under development during the development period.

Subsequent to initial recognition, investment properties including completed investment properties and investment properties under development, are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

3. 主要會計政策*(續)*

物業、廠房及設備

物業、廠房及設備(除了永久業權土地及在建工程),於綜合財務狀況報表以成本減其後累計折舊及累計減值虧損(如有)列賬。

物業、廠房及設備當中的興建中的在建工程(作生產、供應或行政用途)及永久業權土地均按成本減任何已確認減值虧損列賬。成本包括專業費用,以及就合資格資產而言,根據本集團的會計政策撥作資本的借貸成本。該等物業於完成及可作擬定用途使用時分類至適當的類別。該等資產按其他物業資產的相同基準,在可作擬定用途時開始折舊。

資產(除了永久業權土地及在建工程)會以直線法在其估計使用年期內撇銷其成本減去殘值後確認折舊。估計使用年期、殘值和折舊方法會在每個報告期末覆核,並採用未來適用法對估計變更的影響進行核算。

物業、廠房及設備項目將於出售時或預期繼續使用有關資產亦不會帶來任何未來經濟利益時終止確認。出售或棄用某個物業、廠房及設備項目所產生任何收益或虧損,按有關資產的出售所得款項與其賬面值差額計算,並在損益內確認。

投資物業

投資物業指為賺取租金及/或資本增值而持有的物業(包括作該等用途的在建物業)。

投資物業按成本值(包括任何直接應佔費用)進行初始計量。在發展中投資物業產生之成本包括開發直接相關專業費用及借貸成本等發展開支,該等成本於開發期間資本化為發展中投資物業賬面值的一部分。

於初次確認後,投資物業(包括已完成投資物業及發展中投資物業)乃按其公允價值計量。投資物業公允價值變動所產生之盈虧於產生期間計入損益賬。

投資物業於出售時或於投資物業永久不可使用及預期其出售不會產生任何未來經濟利益時予以撇除確認。撇除確認該物業所產生之任何收益或虧損(計算為出售所得款項淨額與該資產賬面值間之差額)於該物業被撇除確認之當期計入損益。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Properties under development for sale

Properties under development which are intended to be held for sale are carried at lower of cost and net realisable value and are shown as current assets. Cost includes the costs of land (including relocation costs), development expenditure incurred and, where appropriate, borrowing costs capitalised during construction period. Net realisable value is determined based on prevailing market conditions.

Properties under development for sales are transferred to properties held for sale upon completion of development activities, which is when the relevant completion certificates are issued by the respective government authorities.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to the properties held for sale. Net realisable value is determined based on prevailing market conditions.

Where there is a transfer from properties held for sale to investment properties that are carried at fair value, the difference between the fair value of the property at that date and its carrying amount is recognised in profit or loss.

Other inventories

Other inventories comprising consumable stores for own consumption which are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment on tangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. 主要會計政策*(續)*

發展中待售物業

擬持作出售的發展中物業乃按成本與可變現淨值兩者之間較低者入賬並列作流動資產。成本包括土地成本(包括拆遷費用)、所產生的發展開支及於建築期間資本化的借貸成本(倘適用)。可變現淨值乃基於當前市況釐定。

開發活動竣工時，即有關政府機關發出相關竣工證明時，發展中待售物業結轉至持作出售物業。

待售物業

待售物業按成本及可變現淨值兩者之較低者列賬。成本乃按待售物業應佔之土地及發展成本總額釐定。可變現淨值乃根據當前市場情況釐定。

待售物業轉撥至按公允價值列賬之投資物業時，有關物業於該日之公允價值與其賬面值之差額於損益內確認。

其他存貨

其他存貨包括供本身消耗的消耗品庫存材料，初步按成本確認，而隨後以較低成本及可變現淨值確認。成本按加權平均法計算。

除商譽外有形資產減值

本集團會於報告期末審閱其有形資產之賬面值，以確定有否任何跡象顯示該等資產已出現減值虧損。倘有任何該等跡象存在，須估計相關資產可收回金額以釐定減值虧損程度(如有)。

有形資產之可收回金額乃按個別基準進行估計。倘無法按個別基準估計可回收金額，本集團將估計該資產所屬現金產生單位可回收金額。如能確定一個合理及一致之分配基準，公司資產亦分配至個別現金產生單位，否則會分配至如能確定一個合理及一致之分配基準的情況下之最小現金產生單位。

可收回金額乃公允價值扣除出售成本與使用價值之較高者。在評估使用價值時，估計未來現金流量將使用稅前貼現率貼現至其現值，以反映目前貨幣時間值之市場估量及未調整未來現金流估計之資產(或現金產生單位)有關之風險。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Impairment on tangible assets other than goodwill *(Cont'd)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. 主要會計政策*(續)*

除商譽外有形資產減值*(續)*

倘資產(或現金產生單位)可收回金額估計低於其賬面值，則該資產(或現金產生單位)賬面值將扣減至其可收回金額。於分配減值虧損時，首先分配減值虧損以減低任何商譽的賬面值(如適用)，然後根據該單位內各項資產的賬面值按比例分配至其他資產。資產的賬面值不會被減少至低於其公允價值減出售成本(如可計量)、其使用價值(如可釐定)及零之最高者。以其他方式分配至資產的減值虧損金額按比例分配至該單位的其他資產。減值虧損應即時於損益內確認。

倘若減值虧損其後撥回，則該資產(或現金產生單位)之賬面值會增加至修訂後之估計可收回款額，惟所增加之賬面值數額不得超過倘以往年度該資產(或現金產生單位)未有確認減值虧損之賬面值。減值虧損撥回會即時於損益賬內確認。

金融工具

倘集團實體成為工具合約條文的訂約方，則確認金融資產及金融負債。所有常規購買或出售金融資產均按交易日基準確認及終止確認。常規購買或出售的方式乃購買或銷售金融資產，並要求於市場上按規則或慣例設定之時間框架內交付資產。

財務資產及財務負債初步按公允價值計量，惟自二零一八年一月一日起來自與客戶訂立合約的貿易應收款項初始按香港財務報告準則第15號計量。與收購或發行直接相關之財務資產及財務負債(透過損益按公允價值列賬的金融資產或金融負債除外)，於初步確認時加入財務資產或財務負債(如適用)的公允價值，或自財務資產或財務負債(如適用)的公允價值中扣除。與收購金融資產或透過損益按公允價值列賬的金融負債直接相關之交易成本會即時於損益內確認。

實際利率法為計算金融資產或金融負債攤銷成本及於有關期間分配利息收入及利息開支之方法。實際利率為可準確將金融資產或金融負債在預計年期或較短期間內(如適用)產生之估計未來現金收入及付款(包括構成實際利率不可或缺部分之已付或已收之一切費用及點數、交易成本及其他溢價或折價)折算為初步確認時之賬面淨值之利率。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/ initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost of FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產

金融資產之分類及其後計量(根據附註2之過渡條文應用香港財務報告準則第9號後)

符合以下條件的金融資產其後按攤銷成本計量：

- 目的為收取合約現金流的業務模式下持有的金融資產；及
- 合約條款引述於特定日期產生僅為支付本金及未償還本金利息的現金流量。

符合以下條件的金融資產其後按公允價值計入其他全面收益(「按公允價值計入其他全面收益」)之方式計量：

- 目的為收取合約現金流和出售的業務模式下持有的金融資產；及
- 合約條款引述於特定日期產生僅為支付本金及未償還本金利息的現金流量。

所有其他金融資產其後按公允價值計入損益(「按公允價值計入損益」)計量，倘該股權投資並非持作買賣或收購方應用香港財務報告準則第3號「*業務合併*」於業務合併中確認或然代價，於金融資產初始應用／初始確認日期本集團可作不可撤回之選擇於其他全面收益(「其他全面收益」)內呈列股權投資其後的公允價值變動除外。

在下列情況下，金融資產被分類為持作買賣：

- 主要為於短期內出售而收購；或
- 初步確認屬於本集團合併管理之可識別金融工具組合之一部份，並具有最近實際短期獲利模式；或
- 並未被指定且可有效作為對沖工具之衍生工具。

此外，本集團可不可撤回地指定須按攤銷成本計量或按公允價值計入其他全面收益之金融資產以按公允價值計入損益之方式計量，前提為有關指定可消除或大幅減少會計錯配。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) *(Cont'd)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產之分類及其後計量(根據附註2之過渡條文應用香港財務報告準則第9號後)*(續)*

(i) 攤銷成本及利息收入

金融資產之利息收入使用實際利率法確認及其後按攤銷成本計量，債務工具／應收款項其後以按公允價值計入其他全面收益之方式計量。利息收入乃通過對金融資產之賬面總值應用實際利率計算得出，惟其後成為信貸減值之金融資產除外(見下文)。就其後成為信貸減值之金融資產而言，利息收入透過對下一報告期間金融資產之攤銷成本應用實際利率予以確認。倘信貸減值金融工具之信貸風險有所改善，以致金融資產不再出現信貸減值，則利息收入透過於資產被釐定為不再出現信貸減值後之報告期間開始時，對金融資產賬面總值應用實際利率予以確認。

(ii) 分類為按公允價值計入其他全面收益之債務工具

由於採用實際利率法計算之利息收入而分類為按公允價值計入其他全面收益之債務工具賬面值之其後變動於損益中確認。該等債務工具賬面值之所有其他變動於其他全面收益中確認，並於投資重估儲備項下累計。減值撥備於損益中確認，並在不減少該等債務工具賬面值的情況下對其他全面收益作出相應調整。倘該等債務工具按攤銷成本計量，則在損益中確認之金額與本應在損益中確認之金額相同。當該等債務工具終止確認時，先前於其他全面收益中確認之累計收益或虧損重新分類至損益。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) *(Cont'd)*

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, other gains and losses" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts receivable, other receivables, restricted bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產之分類及其後計量(根據附註2之過渡條文應用香港財務報告準則第9號後)*(續)*

(iii) 指定為按公允價值計入其他全面收益之股本工具

按公允價值計入其他全面收益之股本工具投資其後按公允價值計量，其公允價值變動產生之收益及虧損於其他全面收益中確認，並於投資重估儲備項下累計；且毋須進行減值評估。累計收益或虧損不會於出售股權投資後重新分類至損益，且將繼續於投資重估儲備內持有。

當本集團收取股息的權利獲確立時，該等股本工具投資的股息於損益內確認，除非股息明確表示收回部分投資成本。股息計入損益內「其他收入、其他收益及虧損」項目中。

(iv) 按公允價值計入損益之金融資產

不符合按攤銷成本或按公允價值計入其他全面收益計量之標準之金融資產乃按公允價值計入損益計量。

按公允價值計入損益之金融資產於各報告期末按公允價值計量，而任何公允價值收益或虧損均於損益內確認。於損益內確認之收益或虧損淨額包括就金融資產賺取之任何股息或利息。

金融資產減值(根據附註2之過渡條文應用香港財務報告準則第9號後)

本集團就須根據香港財務報告準則第9號項下減值的金融資產(包括應收賬款、其他應收款項、受限制銀行存款及銀行結餘)確認預期信貸虧損的虧損撥備。預期信貸虧損金額於各報告日期予以更新，以反映信貸風險自初始確認以來的變動。

存續期預期信貸虧損指於相關工具預計年期內所有可能的違約事件將產生的預期信貸虧損。相反，12個月預期信貸虧損(「12個月預期信貸虧損」)指於報告日期後12個月內可能發生的違約事件預計產生的該部分有效期預期信貸虧損。評估乃根據本集團過往信貸虧損經驗進行，並就債務人特定因素、整體經濟環境及報告日期當前情況及預測未來情況的評估作出調整。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) *(Cont'd)*

The Group always recognises lifetime ECL for accounts receivable without significant financing component. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, 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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產減值(根據附註2之過渡條文應用香港財務報告準則第9號後)*(續)*

本集團一直就並無重大融資組成部分的應收賬款確認存續期預期信貸虧損。本集團就該等資產之預期信貸虧損使用撥備矩陣配合適當分組作集體評估。

對於所有其他工具而言，本集團按12個月預期信貸虧損等額計量虧損撥備，除非信貸風險自初始確認以來顯著上升，本集團確認存續期預期信貸虧損。評估是否應確認存續期預期信貸虧損的依據，是自初始確認以來發生違約的可能性或風險顯著上升。

(i) 信貸風險顯著上升

評估信貸風險自初始確認以來是否顯著上升時，本集團會比較金融工具於報告日期發生違約的風險與金融工具於初始確認日期發生違約的風險。作出評估時，本集團會考慮合理及具支持性的定量及定性資料，包括過往經驗及可以合理成本及精力獲取的前瞻性資料。

具體而言，評估信貸風險是否顯著上升時會考慮以下資料：

- 金融工具外部(如有)或內部信貸測評的實際或預期顯著惡化；
- 信貸風險的外部市場指標顯著惡化，例如債務人的信貸息差、信用違約掉期價格顯著上升；
- 商業、金融或經濟情況目前或預期有不利變動，預計將導致債務人償還債項的能力顯著下降；
- 債務人經營業績實際或預期顯著惡化；
- 債務人的監管、經濟或技術環境有實際或預計的重大不利變動，導致債務人履行債務責任的能力顯著下降。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) *(Cont'd)*

(i) Significant increase in credit risk *(Cont'd)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產減值(根據附註2之過渡條文應用香港財務報告準則第9號後)*(續)*

(i) 信貸風險顯著上升*(續)*

不論上述評估結果如何，本集團均假設合約付款逾期超過30日後信貸風險自初始確認以來顯著上升，除非本集團有合理及具支持性的資料說明其他情況。

儘管存在上述情況，倘債務工具於報告日期展示為具有低信貸風險，本集團假設債務工具的信貸風險自初始確認起並無大幅增加。倘i)其違約風險偏低，ii)借方有強大能力於短期滿足其合約現金流量責任，及iii)較長期的經濟及業務狀況存在不利變動，惟將未必削弱借方達成其合約現金流量責任的能力，則債務工具的信貸風險會被釐定為偏低。當債務工具的內部或外部信貸評級為「投資級別」(按照全球理解的釋義)，則本集團會視該債務工具的信貸風險偏低。

本集團定期監察用以確定信貸風險曾否顯著增加的標準的成效，並於適當時候作出修訂，從而確保有關標準能夠於款項逾期前確定信貸風險顯著增加。

(ii) 違約定義

儘管上文所述，本集團認為，倘該工具逾期超過90天，則已發生違約事件，除非本集團有合理且有理據的資料顯示更寬鬆的違約標準更為合適。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) *(Cont'd)*

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產減值(根據附註2之過渡條文應用香港財務報告準則第9號後)*(續)*

(iii) 信貸減值金融資產

倘發生一項或多項對金融資產估計未來現金流量有不利影響的違約事件，則金融資產出現信貸減值。金融資產信貸減值的證據包括有關下列事件的可觀察數據：

(a) 發行人或借款人出現嚴重財務困難；

(b) 違反合約，如違約或逾期事件；

(c) 借款人的放款人因與借款人出現財務困難有關的經濟或合約理由而給予借款人在一般情況下放款人不予考慮的優惠條件；

(d) 借款人可能破產或進行其他財務重組；或

(e) 因財務困難而導致該金融資產失去活躍市場。

(iv) 撇銷政策

倘有資料顯示交易對手處於重大財政困難時，且並無實際收回可能(例如交易對手已被清盤或已進入破產程序)，或就應收賬款而言，有關金額逾期超過兩年(以較早發生者為準)，本集團會撇銷金融資產。在考慮法律意見(如適當)後，已撇銷的金融資產仍可根據本集團的收回程序實施強制執行。撇銷構成終止確認事件。任何其後收回均會於損益內確認。

(v) 預期信貸虧損的計量及確認

預期信貸虧損的計量為違約可能性、違約損失率(即出現違約時的損失幅度)及違約風險的函數。違約可能性及違約損失率的評估乃按照歷史數據進行，並就前瞻性資料作出調整。預期信貸虧損的估計反映無偏頗及概率加權之金額，乃按發生相應違約風險之權重釐定。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) *(Cont'd)*

(v) Measurement and recognition of ECL *(Cont'd)*

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For those rental income receivable including in accounts receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 *Leases*.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's accounts and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of accounts receivable where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產減值(根據附註2之過渡條文應用香港財務報告準則第9號後)*(續)*

(v) 預期信貸虧損的計量及確認*(續)*

一般而言，預期信貸虧損為根據合約到期支付予本集團的所有合約現金流量與本集團預期收取的現金流量之間的差異，並按於初始確認時釐定的實際利率折現。就該等應收租金收入(包含在應收賬款)而言，用於釐定預期信貸虧損的現金流量與按照香港會計準則第17號*租賃*計量租賃應收款項時使用的現金流量一致。

倘預期信貸虧損按整體基準計量或針對個別工具層面的證據可能尚未提供的情況，則金融工具按以下基準分組：

- 金融工具的性質(即本集團的應收款項及其他應收款項、融資租賃應收款項及應收客戶款項均作為單獨組別進行評估。提供予關聯方的貸款單獨評估預期信貸虧損)；
- 逾期狀況；
- 債務人的性質、規模及行業；及
- 可用的外部信貸評級。

管理層定期檢討分組，以確保各組的組成繼續具有類似的信貸風險特徵。

利息收入乃按金融資產的總賬面值計算，除非金融資產發生信貸減值，於該情況下，利息收入按金融資產的攤銷成本計算。

除按公允價值計入其他全面收益計量的債務工具投資外，本集團透過調整所有金融工具的賬面值於損益確認其減值收益或虧損，惟應收賬款除外，其相應調整乃透過虧損撥備賬確認。就按公允價值計入其他全面收益計量的債務工具投資而言，虧損撥備於其他全面收益確認，並在不減少該等債務工具賬面值的情況下於投資重估儲備內累計。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial asset at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

(ii) AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Equity securities held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Dividends on AFS equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產之分類及其後計量(於二零一八年一月一日應用香港財務報告準則第9號前)

金融資產分為以下指定類別:按公允價值計入損益之金融資產、可供出售(「可供出售」)金融資產以及貸款及應收款項。分類視乎金融資產之性質及目的而定,並於首次確認時釐定。所有以常規方式購入或出售之金融資產均按買賣日期基準確認及終止確認。以常規方式購入或出售指須於市場規定或慣例所訂時限內交付資產之金融資產購入或出售。

(i) 按公允價值計入損益之金融資產

當金融資產持作買賣時,則金融資產分類為按公允價值計入損益。

在下列情況下,金融資產分類為持作買賣:

- 主要為在短期內出售而收購;或
- 初步確認時屬於本集團集中管理的已識別金融工具組合的一部分,且具有最近實際短期獲利模式;或
- 並非指定且實際用作對沖工具的衍生工具。

按公允價值計入損益之金融資產乃按公允價值列賬,而重新計量產生之任何收益或虧損於損益確認。於損益確認之收益或虧損淨額包括金融資產的任何已賺取股息或利息。

(ii) 可供出售金融資產

可供出售金融資產乃指定可供出售或並未分類為(a)貸款和應收款項,(b)持至到期投資或(c)按公允價值計入損益之金融資產之非衍生工具。

由本集團持有的分類為可供出售金融資產的權益證券於各報告期末按公允價值計量。可供出售股權投資之股息乃於確定本集團有權收取該股息時於損益中確認。可供出售金融資產賬面值的其他變動於其他全面收益中確認及於投資重估儲備中累積。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) *(Cont'd)*

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amount due from a joint venture, accounts and other receivables, restricted bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產之分類及其後計量(於二零一八年一月一日應用香港財務報告準則第9號前)*(續)*

(iii) 貸款及應收款項

貸款及應收款項乃並無於活躍市場報價的固定或待定金額付款的非衍生財務資產。於初步確認後，貸款及應收款項(包括應收一間合營公司款項、應收賬款及其他應收款項、受限制銀行存款及銀行結餘及現金)均以實際利率法，按攤銷成本減任何已識別減值虧損列賬。

利息收入透過採用實際利率確認，惟短期應收款項除外，因為確認有關短期應收款之利息屬微不足道。

金融資產減值(於二零一八年一月一日應用香港財務報告準則第9號前)

除按公允價值計入損益者外，金融資產會於各報告期末評定是否有減值跡象。倘有客觀證據顯示，該項金融資產之預期未來現金流量因於初步確認該金融資產後發生之一項或多項事件而受到影響，則金融資產會被視為減值。

若可供出售股權投資之公允價值顯著或長期低於其成本價，則被視為需作減值之客觀證據。

就其他金融資產而言，減值之客觀證據可能包括：

- 發行人或交易對手出現重大財政困難；或
- 違約，如未能繳付或拖欠利息或本金；或
- 借款人有可能面臨破產或財務重組。

就按已攤銷成本列賬之金融資產而言，所確認之減損虧損金額為資產賬面值與估計未來現金流量按金融資產原實際利率貼現之現值兩者間之差額。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) *(Cont'd)*

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

金融資產減值(於二零一八年一月一日應用香港財務報告準則第9號前)*(續)*

與所有金融資產有關之減值虧損會直接於金融資產之賬面值中作出扣減，惟應收賬款除外，其賬面值則透過撥備賬作出扣減。撥備賬內之賬面值變動會於損益內確認。當應收款項被視為不可收回時，其將於撥備賬內撇銷。於其後重新收回之先前撇銷之款項將計入損益。

當可供出售金融資產需作減值時，早前於其他全面收益中確認之累計收益或虧損，將於該期間重新分類到損益中。

就按已攤銷成本列賬之金融資產而言，倘於隨後期間減值之數額減少，而此項減少能客觀地與確認減值虧損後發生之事項有關，則先前確認之減值虧損於損益撥回，資產於撥回減值當日之賬面值不得超逾假設未確認減值時之已攤銷成本。

可供出售股權投資先前已於損益中確認之減值虧損不能通過損益撥回。任何於減值後出現之公允價值增加將於其他全面收益中確認及於投資重估儲備中累積。

終止確認金融資產

僅於從資產收取現金流量之合約權利已到期，或其已轉讓金融資產並將資產擁有權之絕大部份風險及回報轉移至另一實體，則本集團終止確認金融資產。

於終止確認按攤銷成本計量的金融資產時，資產賬面值與已收及應收代價總和間之差額於損益確認。

應用香港財務報告準則第9號後，於終止確認分類為按公允價值計入其他全面收益的債務工具投資時，先前於投資重估儲備中累計的累計收益或虧損重新分類至損益。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial assets (Cont'd)

Derecognition of financial assets *(Cont'd)*

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including accounts and other payables, borrowings, debt component of convertible bonds and senior notes and bond are subsequently measured at amortised cost, using the effective interest method.

3. 主要會計政策*(續)*

金融工具*(續)*

金融資產(續)

終止確認金融資產*(續)*

於終止確認本集團於應用香港財務報告準則第9號後在初步確認時選擇以按公允價值計入其他全面收益之方式計量的股本工具投資時，先前於投資重估儲備中累計的累計收益或虧損不會重新分類至損益，惟會轉撥至保留溢利。

於終止確認可供出售金融資產時，先前於投資重估儲備中累計的累計收益或虧損重新分類至損益。

金融負債及股本

分類為債務或股本

債務及股本工具乃根據合約安排之內容以及金融負債和股本工具之定義被分類為金融負債或股本。

股本工具

股本工具為證明於扣除所有負債後實體之資產剩餘權益之任何合約。由本集團發行之股本工具按已收取所得款項減直接發行成本後確認。

金融負債

所有金融負債其後均使用實際利率法按攤銷成本計量。

按攤銷成本列賬之金融負債

金融負債包括使用實際利率法，其後按攤銷成本計量之應付賬款及其他應付款項、借貸、可換股債券、優先票據及債券之債務部分。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity (Cont'd)

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts liabilities are measured initially at their fair values It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 (since 1 January 2018)/HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (before application of HKFRS 9 on 1 January 2018); and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Convertible bonds contain debt and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

Non-substantial modifications of financial liabilities (under HKFRS 9 since 1 January 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

3. 主要會計政策*(續)*

金融工具*(續)*

金融負債及股本(續)

財務擔保合約

財務擔保合約為發行人須因指定債務人未能根據債務工具之條款支付到期款項致使持有人蒙受損失時，向持有人償付指定款項之合約。財務擔保合約負債初步按其公允價值計量。其後按下列各項之較高者計量：

- 根據香港財務報告準則第9號(自二零一八年一月一日起)／香港會計準則第37號「*撥備、或然負債及或然資產*」(於二零一八年一月一日應用香港財務報告準則第9號前)釐定之虧損撥備金額；及

- 初次確認之金額減去於擔保期內確認之累計攤銷(如適用)。

含有債務及衍生工具部分之可換股債券

倘兑換股權將透過以固定金額之現金或另一項金融資產換取固定數目之本集團實體之股本工具以外的方式結算，則分類為兑換股權衍生工具。

於發行日期，債務部分及衍生工具部分均按公允價值確認。於往後期間，可換股債券的債務部分乃採用實際利率法按攤銷成本入賬。衍生工具部分乃按公允價值計量，而公允價值的變動則於損益中確認。

與發行可換股債券有關的交易成本乃按彼等相關公允價值的比例分配至債務及衍生工具部分。與衍生工具部分有關的交易成本即時於損益中扣除。與債務部分有關的交易成本計入債務部分的賬面值，並採用實際利率法按可換股債券的年期攤銷。

金融負債之非重大變更(自二零一八年一月一日起根據香港財務報告準則第9號)

就不會導致終止確認的金融負債的非重大變更而言，相關金融負債的賬面值將會按照經修改合約現金流量的現值計算，並按照金融負債的初始實際利率貼現。已產生的交易成本或費用將調整為經修改金融負債的賬面值，並在剩餘年期內攤銷。對金融負債賬面值的任何調整均於修改日期在損益內確認。

3. SIGNIFICANT ACCOUNTING POLICIES *(Cont'd)*

Financial instruments *(Cont'd)*

Financial liabilities and equity (Cont'd)

Senior notes and bond

Senior notes issued by the Group that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

Bond issued by the Group that contains both liability and interest rate adjustments (which is closely related to the host contract) is not separated into host contract and embedded derivative on initial recognition. At the date of issue, the bond is recognised at fair value.

In subsequent periods, the liability components of the senior notes and bond are carried at amortised cost using effective interest method. The early redemption option of senior notes is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that related to the issue of the senior notes and bond are included in the carrying amount of the senior notes and bond and amortised over the period of the senior notes and bond using the effective interest method.

Derivatives financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. 主要會計政策*(續)*

金融工具*(續)*

金融負債及股本(續)

優先票據及債券

本集團發行包含負債及提前贖回權(與主合約並無密切關係)之優先票據在初步確認時分開歸類於有關項目。於發行日期，負債及提前贖回權部分均按公允價值確認。

本集團發行包含負債及利率調整(與主合約有密切關係)之債券在初步確認時並無分類作主合約及嵌入式衍生工具。於發行日期，債券按公允價值確認。

於後續期間，優先票據及債券之負債部分乃使用實際利率法按攤銷成本列賬。優先票據之提前贖回權按照公允價值計量，並於損益內確認公允價值變動。

與發行優先票據及債券相關之交易成本乃計入優先票據及債券之賬面值，並按優先票據及債券之期限採用實際利率法攤銷。

衍生金融工具

衍生工具最初於衍生工具合約訂立當日按其公允價值確認，並其後於報告期末按公允價值重新計量。由此產生之收益或虧損於損益內確認，除非衍生工具被指定為對沖工具並行之有效。在該情況下，於損益確認之時間乃視乎對沖關係之性質而定。

終止確認金融負債

僅在本集團的義務已經履行、解除或到期時，本集團才終止確認金融負債。終止確認的金融負債的賬面值與已付及應付的代價之間的差額會在損益中確認。

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors of the Company have determined that certain of the Group's investment properties as at 31 December 2018 amounting to RMB12,840,412,000 (2017: RMB12,632,999,000) situated in the People's Republic of China (the "PRC") 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. The presumption that the carrying amounts of certain of the Group's investment properties situated in the PRC are recovered entirely through sale has been rebutted and the deferred tax on the changes in fair value of these investment properties is recognised according to the relevant tax rules. For remaining investment properties amounting to RMB9,276,839,000 (2017: RMB7,017,678,000), the presumption that the carrying amounts of these investment properties measured using fair value model were recovered entirely through sales was not rebutted.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

4. 重要會計判斷及主要估計不確定性來源

於應用附註3所載之本集團會計政策時，本公司董事須就從其他來源並非顯而易見之資產及負債賬面值作出判斷、估計及假設。估計及相關假設乃基於過往經驗及認為屬相關之其他因素作出。實際結果可能有別於該等估計。

估計及相關假設會持續檢討。倘若會計估計修訂只影響修訂估計之期間，則有關修訂會在該期間確認；倘若有關修訂既影響當期，亦影響未來期間，則有關修訂會在修訂期間及未來期間確認。

應用會計政策的重要判斷

以下乃本公司董事於應用本集團會計政策過程中所作對綜合財務報表確認之數額構成最重大影響之重要判斷，惟涉及估計者(見下文)除外。

投資物業遞延稅項

就計量由使用公允價值模型計量的投資物業所產生的遞延稅項負債或遞延稅項資產而言，本公司董事決定本集團於二零一八年十二月三十一日金額為人民幣12,840,412,000元(二零一七年：人民幣12,632,999,000)的若干位於中華人民共和國(「中國」)的投資物業乃根據旨在假以時日而非透過出售消耗投資物業所包含的絕大部分經濟利益的業務模式持有。本集團若干位於中國的投資物業賬面值可因出售而完全收回的假設已被駁回，而就該等投資物業的公允價值變動而產生的遞延稅項乃根據相關稅項規定確認。餘下投資物業為人民幣9,276,839,000元(二零一七年：人民幣7,017,678,000元)，就該等投資物業而言，該等使用公允價值模式計量的投資物業賬面值可透過銷售全面收回的推定未被駁回。

主要估計不確定性來源

下文闡述於報告期末可能構成重大風險以致對下一財政年度之資產與負債之賬面值作出重大調整之未來相關主要假設及其他主要估計不確定性來源。

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Key sources of estimation uncertainty *(Cont'd)*

Income tax

The Group is subject to income tax in various jurisdictions. Significant judgement is required in determining the amount of the provision of tax and the timing of payment of the related taxation. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in periods in which such determinations are made.

The Group is subject to LAT in the PRC. However, the implementation and settlement of this tax varies among various tax jurisdictions in cities of the PRC, and the Group has not finalised certain LAT calculation and payments with local tax authorities in the PRC. Accordingly, significant judgement is required in determining the amount on the appreciation of land value and its related LAT. The Group recognised LAT based on the management's best estimates according to the understanding of the tax rules, which are determined by the appreciation of land value. The amount of the land appreciation is determined with reference to estimated proceeds of the sales of properties less the estimated deductible expenditures, including the cost of land use rights and all property development expenditures.

During the year, the Group incurred LAT of RMB685,180,000 (2017: RMB228,502,000) which was charged to the consolidated statement of profit or loss as income tax expense. The directors of the Company considered the amount charged to the consolidated statement of profit or loss to be adequate as this is calculated according to the method which is in compliance with the existing rules and interpretation of LAT.

As at 31 December 2018, a deferred tax asset of RMB nil (2017: RMB28,350,000) in relation to unused tax losses has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised in respect of tax losses of RMB23,066,000 (2017: RMB198,810,000) as it is not probable that taxable profit will be available due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, additional recognition of deferred tax assets may arise, which would be recognised in the consolidated statement of profit or loss for the period in which it takes place.

4. 重要會計判斷及主要估計不確定性來源*(續)*

主要估計不確定性來源*(續)*

所得稅

本集團須繳納不同司法權區的所得稅。釐定稅項撥備的金額及支付相關稅項的時間須作出重大判斷。當最終稅項結果不同於最初記錄的金額時，有關差額將對作出該等釐定期間的所得稅及遞延稅項撥備產生影響。

本集團在中國須繳付土地增值稅。然而，中國城市不同稅收管轄區對土地增值稅的執行及結算不盡相同，而本集團尚未與中國任何地方稅務局落實其若干土地增值稅的計算及付款方法。因此，須作出重大判斷以釐定土地增值額及其相關土地增值稅。本集團根據管理層按其對稅務規則的理解作出的最佳估計，即按土地增值額確認土地增值稅。土地增值金額參考物業銷售減預計可扣稅開支之預計所得款項而釐定，有關可扣稅開支包括土地使用權成本以及所有物業開發開支。

年內，本集團產生土地增值稅人民幣685,180,000元（二零一七年：人民幣228,502,000元），作為所得稅開支自綜合損益表中扣除。本公司董事認為，自綜合損益表中扣除的該筆款額充分，因為此乃根據符合土地增值稅現有規則及詮釋的方法計算。

於二零一八年十二月三十一日，有關未動用稅項虧損之遞延稅項資產人民幣零元(二零一七年：人民幣28,350,000元)已於本集團綜合財務狀況報表中確認。由於未來盈利來源的不可預測性，將不太可能取得應課稅盈利，因此並無就稅項虧損人民幣23,066,000元(二零一七年：人民幣198,810,000元)確認遞延稅項資產。遞延稅項資產的變現能力主要取決於未來是否有足夠的未來盈利或應課稅臨時差額。如所產生的實際未來盈利高於預期，可能產生遞延稅項資產的額外確認，並於產生該項確認的期間於綜合損益表內確認。

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Cont'd)*

Key sources of estimation uncertainty *(Cont'd)*

Valuation of investment properties

Investment properties with the aggregate carrying amount as at 31 December 2018 of RMB22,117,251,000 (2017: RMB19,650,677,000) are stated at fair value based on the valuation performed by independent professional valuers. The fair value of the investment properties was determined by reference to valuations conducted on these properties by an independent firm of property valuers using property valuation techniques which involve certain assumptions. Changes in assumptions may result in changes in the fair value of the Group's investment properties which are reported in the consolidated statement of profit or loss and affect the carrying amount of these properties included in the consolidated statement of financial position.

Information about valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties are disclosed in note 13.

Assessment of net realisable value of properties held for sale and properties under development for sale

The directors of the Company determine the net realisable value of completed properties held for sale with carrying amount of RMB3,302,382,000 (2017: RMB729,206,000) by using prevailing market data such as most recent sale transactions.

The assessment of directors of the Company on net realisable value of properties under development for sale with carrying amount of RMB7,407,278,000 (2017: RMB5,621,635,000) requires the estimates of future cash flows to be derived from these properties. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, marketing costs (including price discounts required to stimulate sales) and the expected costs to completion of properties, the legal and regulatory framework and general market conditions.

The Group had not recognised any an impairment loss for the years ended 31 December 2018 and 2017. Where there is any decrease in the estimated selling prices arising from any changes to the property market conditions, a further loss will be recognised on the properties held for sale and properties under development for sale.

4. 重要會計判斷及主要估計不確定性來源*(續)*

主要估計不確定性來源*(續)*

投資物業之估值

於二零一八年十二月三十一日，總賬面值為人民幣22,117,251,000元(二零一七年：人民幣19,650,677,000元)的投資物業乃基於獨立專業估值師行的估值按公允價值列賬。投資物業之公允價值乃參考獨立物業估值公司採用物業估值法(涉及若干假設)對該等物業進行之估值而釐定。該等假設變動可能導致本集團投資物業的公允價值出現變動，該等公允價值變動於綜合損益表呈報，並影響綜合財務狀況報表所列之該等物業之賬面值。

有關釐定投資物業公允價值所採用的估值技術、輸入數據及主要假設資料披露於附註13。

待售物業及發展中待售物業之可變現淨值評估

本公司董事採用最新銷售交易等現行市場數據，而釐定賬面值為人民幣3,302,382,000元(二零一七年：人民幣729,206,000元)之待售建成物業的可變現淨額。

本公司董事對賬面值為人民幣7,407,278,000元(二零一七年：人民幣5,621,635,000元)之發展中待售物業的可變現淨額的評估須按有關物業未來的現金流量估計。有關估算須根據附近地點的近期銷售交易、推廣費用(包括促銷的價格折扣)及有關預計完成物業的費用、法律和監管架構及一般市況，從而判斷出預期的銷售價格。

截至二零一八年及二零一七年十二月三十一日止年度，本集團沒有確認任何減值虧損。倘房地產市場情況的任何變動使估計銷售價格下跌，將於待售物業及發展中待售物業確認進一步虧損。

5. REVENUE AND SEGMENT INFORMATION

Revenue represents the income from property development, property leasing and provision of comprehensive services, net of business tax and other sales related taxes and after deduction of any discounts.

An analysis of the Group's revenue for the year is as follows:

5. 收益及分類資料

收入為來自物業發展、物業租賃及提供綜合服務的收入，並扣除營業税及其他銷售有關税項以及任何折扣。

年內本集團之收益分析如下：

		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
Sales of properties	物業銷售	**3,664,328**	2,114,289
Rental income	租金收入	**543,176**	498,295
Revenue from hotel operation, property management service and other service	來自酒店運營、物業管理服務及其他服務的收益	**308,181**	355,167
		4,515,685	2,967,751
Timing of revenue recognition from contracts with customers	確認來自客戶合約的收益的時間		
At a point in time	某個時間點確認	**3,664,328**	2,114,289
Over time	隨着時間確認	**308,181**	355,167

Sales of properties

For contracts entered into with customers on sales of properties, the relevant properties specified in the contracts are based on customers' specifications with no alternative use. Taking into the consideration of relevant terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of relevant properties to customers. Revenue from sales of residential properties is therefore recognised at a point in time when the completed property is transferred to customers, being at the point that customer obtains the control of the completed property and the Group has present right to payment and collection of the consideration is probable.

The Group receives an upfront payment, ranging from RMB20,000 to RMB2,000,000, for different properties from customers for the subscription of properties and such amount will be treated as the deposits from customers after signing the sale and purchase agreement. However, depending on the market conditions, the Group may offer customers a discount compared to the listed sale price, provided that the customers agree to pay the rest of the consideration earlier. Such advance payment schemes result in contract liabilities being recognised throughout the construction period for the full amount of the contract price (also see note 32).

For contracts entered into with customers on sales of properties, the expected duration of satisfying the performance obligation is within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

The Group considers the advance payment contains no significant financing component and accordingly no adjustments of the amount of consideration would be made.

物業銷售

就出售物業與客戶訂立之合約而言，合約中規定之相關物業乃基於客戶要求，並無其他替代用途。經考慮相關條款、法律環境及相關法律先例，本集團認為，在轉讓相關物業予客戶前，本集團並無收取付款之可強制執行權利。因此，出售住宅物業之收益於已竣工物業轉讓予客戶之時間點確認，即客戶獲得已竣工物業之控制權而本集團擁有收取付款之現時權利及可能收取代價之時間點。

本集團就不同物業向客戶收取介乎人民幣20,000元至人民幣2,000,000元的物業認購預付款，有關款項將於簽訂買賣協議後作為客戶按金入賬。但是，取決於市場狀況，本集團可能向客戶提供較所列出售價有所折讓之價格，惟客戶須同意提早支付代價結餘。該預先付款計劃導致於建設期確認有關合約價格全款之合約負債(請同時參閱附註32)。

就與客戶訂立的物業銷售合約而言，預期完成履約責任的年期為一年內。在香港財務報告準則第15號允許的情況下，並無披露分配至該等未獲履行合約的交易價。

本集團認為預付款項並無重大融資成分，因此並無對代價金額作出調整。

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

Rental income

Revenue from leasing of commercial properties, office premises and car parks continues to be accounted for in accordance with HKAS 17 "Leases".

Revenue from hotel operation, property management service and other service

Revenue from hotel operation and property management service is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

All hotel operation service is for periods less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

For property management service, the Group elected to apply practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

In identifying its operating segments, the executive directors of the Company, being the chief operating decision makers, generally follow the Group's service lines, which represent the main products and services provided by the Group. The Group has identified the following reportable segments under HKFRS 8:

– Real estate development and sales: sales of properties

– Commercial property investment and operations: lease of commercial properties, office premises and car parks

– Comprehensive services: hotel operation, property management service and other service income

Each of these operating segments is managed separately as each of these products and service lines requires different resources as well as marketing approaches.

5. 收益及分類資料*(續)*

租金收入

商業物業、辦公室及停車場租賃所得之收益繼續根據香港會計準則第17號「租賃」入賬。

酒店運營、物業管理服務及其他服務收入所得之收益

客戶於本集團履約時取得並耗用本集團履約所提供之利益時，酒店運營及物業管理服務所得收益會隨時間按已完成相關履約責任之進度而確認。

所有酒店營運服務均為期一年或以下。在香港財務報告準則第15號允許的情況下，並無披露分配至該等未獲履行合約的交易價。

就物業管理服務而言，本集團選擇應用實際權宜方法，就本集團有權開具發票的金額中確認收益。在香港財務報告準則第15號允許的情況下，並無披露分配至該等未獲履行合約的交易價。

本公司執行董事(即主要營運決策者)通常根據本集團的服務系列(即本集團提供的主要產品及服務)確定經營分類。本集團已根據香港財務報告準則第8號確定下列可呈報分類：

— 房地產發展及銷售：物業銷售

— 商業物業投資與經營：商業物業、辦公室及停車場租賃

— 綜合服務：酒店運營、物業管理服務及其他服務收入

由於該等產品及服務系列各自需要不同的資源及營銷方式，故該等經營分類獲單獨管理。

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

5. 收益及分類資料*(續)*

Segment revenue and results

分類收益及業績

The following is an analysis of the Group's revenue and results by operating and reportable segment:

以下為本集團按經營及可呈報分類的收益及業績的分析：

For the year ended 31 December 2018

截至二零一八年十二月三十一日止年度

		Real estate development and sales 房地產開發及銷售 RMB'000 人民幣千元	Commercial property investment and operations 商業物業投資與經營 RMB'000 人民幣千元	Comprehensive services 綜合服務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Revenue:	**收益：**				
From external customers	來自外部客戶	**3,664,328**	**543,176**	**308,181**	**4,515,685**
Inter-segment revenue	分類間收益	**–**	**9,895**	**45,819**	**55,714**
Total segment revenue	**分類收益總額**	**3,664,328**	**553,071**	**354,000**	**4,571,399**
Reportable segment profit	**可呈報分類盈利**	**2,119,707**	**457,685**	**108,778**	**2,686,170**

For the year ended 31 December 2017

截至二零一七年十二月三十一日止年度

		Real estate development and sales 房地產開發及銷售 RMB'000 人民幣千元	Commercial property investment and operations 商業物業投資與經營 RMB'000 人民幣千元	Comprehensive services 綜合服務 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Revenue:	**收益：**				
From external customers	來自外部客戶	2,114,289	498,295	355,167	2,967,751
Inter-segment revenue	分類間收益	–	9,607	9,510	19,117
Total segment revenue	**分類收益總額**	2,114,289	507,902	364,677	2,986,868
Reportable segment profit	**可呈報分類盈利**	1,374,457	429,444	133,988	1,937,889

Inter-segment sales are at mutually agreed terms.

分類間銷售按共同協定之條款進行。

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

Reconciliations of reportable segment revenue, profit or loss

The Group does not allocate fair value changes on investment properties, fair value changes on derivative component of convertible bonds, other income, other gains and losses, depreciation, finance costs, share of results of joint ventures and corporate expenses to individual reportable segment profit or loss for the purposes of resource allocation and performance assessment by the chief operating decision makers while the investment properties are allocated to the segment of "commercial property investment and operations" for presenting segment assets.

The accounting policies adopted in preparing the reportable segment information are the same as the Group's accounting policies described in note 3.

5. 收益及分類資料*(續)*

可呈報分類收益、損益之對賬

本集團並無就主要營運決策者作出之資源分配及表現評估而將投資物業的公允價值變動、可換股債券衍生工具部分的公允價值變動、其他收入、其他收益及虧損、折舊、融資成本、應佔合營公司業績及公司開支分配至獨立可呈報分類之損益內，而投資物業則就呈報分類資產分配至「商業物業投資與經營」分類。

編製可呈報分類資料所採納之會計政策與本集團附註3所述會計政策相同。

		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
Revenue	**收益**		
Reportable segment revenue	可呈報分類收益	**4,571,399**	2,986,868
Elimination of inter-segment revenue	對銷分類間收益	**(55,714)**	(19,117)
Consolidated revenue	綜合收益	**4,515,685**	2,967,751
Profit	**盈利**		
Reportable segment profit	可呈報分類盈利	**2,686,170**	1,937,889
Fair value changes on investment properties	投資物業的公允價值變動	**323,461**	478,423
Other income, other gains and losses	其他收入、其他收益及虧損	**155,095**	121,640
Depreciation	折舊	**(40,529)**	(35,331)
Finance costs	融資成本	**(657,995)**	(613,592)
Share of results of joint ventures	應佔合營公司業績	**(8)**	(93)
Fair value changes on derivative component of convertible bonds	可換股債券衍生工具部分的公允價值變動	**172,192**	2,373
Corporate expenses	公司開支	**(482,886)**	(393,935)
Consolidated profit before tax	除税前綜合盈利	**2,155,500**	1,497,374

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

5. 收益及分類資料*(續)*

Segment assets and liabilities

分類資產及負債

The following is an analysis of the Group's assets by reportable and operating segment, no liabilities are presented as the information is not reportable to the chief operating decision makers in the resource allocation and assessment of performance:

以下為本集團按可呈報及經營分類的資產分析，由於毋須就資源分配及表現評估向主要營運決策者呈報負債，因此並無呈列該等資料：

Segment assets

分類資產

		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
Assets	**資產**		
Real estate development and sales	房地產發展及銷售	**10,720,169**	8,169,519
Commercial property investment and operations	商業物業投資與經營	**22,119,061**	19,651,457
Comprehensive services	綜合服務	**365,004**	309,787
Reportable segment assets	可報告分類資產	**33,204,234**	28,130,763
Goodwill	商譽	**231,602**	231,602
Available-for-sale investments	可供出售投資	**–**	444,259
Equity instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之股本工具	**490,816**	–
Financial assets at fair value through profit or loss	按公允價值計入損益之金融資產	**10,559**	–
Debt instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之債務工具	**20,000**	–
Other financial assets	其他金融資產	**–**	150,000
Bank balances and cash (including restricted bank deposits)	銀行結餘及現金(包括受限制銀行存款)	**7,589,868**	6,092,684
Deferred tax assets	遞延稅項資產	**345,030**	175,201
Interests in joint ventures and amount due from a joint venture	於合營公司的權益及應收一間合營公司款項	**528,378**	528,391
Corporate assets	公司資產	**991,617**	1,043,920
Consolidated total assets	綜合總資產	**43,412,104**	36,796,820

For the purpose of monitoring segment performance and allocating resources between segments, all assets are allocated to operating segments other than goodwill, equity instrument at fair value through other comprehensive income, financial assets at fair value through profit or loss, debt instrument at fair value through other comprehensive income, available-for-sale investments, other financial assets, bank balances and cash (including restricted bank deposits), deferred tax assets, interests in joint ventures and amount due from a joint venture and corporate assets.

為監測分類表現及分類間的資源分配，除商譽、按公允價值計入其他全面收益之股本工具、按公允價值計入損益之金融資產、按公允價值計入其他全面收益之債務工具、可供出售投資、其他金融資產、銀行結餘及現金(包括受限制銀行存款)、遞延稅項資產、於合營公司的權益及應收一間合營公司款項以及公司資產外，所有資產分配至經營分類。

5. REVENUE AND SEGMENT INFORMATION *(Cont'd)*

5. 收益及分類資料*(續)*

Geographical information

地區資料

The Group's operations are located on the PRC, Hong Kong, the United States of America (the "USA") and the Kingdom of Cambodia ("Cambodia"). All revenue from external customers are generated from the PRC for the years ended 31 December 2018 and 2017. Information about the Group's non-current assets is presented based on the geographical location of the assets.

本集團的業務位於中國、香港、美利堅合眾國(「美國」)及柬埔寨王國(「柬埔寨」)。截至二零一八年及二零一七年十二月三十一日止年度，所有來自外部客戶的收益均源自中國。本集團的非流動資產資料按資產的地理位置呈列。

		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
PRC	中國	**13,638,238**	14,430,979
Hong Kong	香港	**8,458,137**	6,995,524
USA	美國	**203,765**	146,796
Cambodia	柬埔寨	**803,882**	229,640
		23,104,022	21,802,939

Note: Non-current assets excluded goodwill, equity instrument at fair value through other comprehensive income, available-for-sale investments and deferred tax assets.

附註： 非流動資產不包括商譽、按公允價值計入其他全面收益之股本工具、可供出售投資及遞延稅項資產。

No major customers contributed over 10% of the total sales of the Group for the years ended 31 December 2018 and 2017.

截至二零一八年及二零一七年十二月三十一日止年度並無主要客戶佔本集團總銷售額超出10%。

6. OTHER INCOME, OTHER GAINS AND LOSSES

6. 其他收入、其他收益及虧損

		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
Interest income	利息收入	**103,905**	31,022
Investment income from other financial assets	來自其他金融資產的投資收入	**5,816**	5,446
Dividend received from equity instrument at FVTOCI – Relating to investments held at the end of the reporting period	按公允價值計入其他全面收益之股本工具所收取之股息－與報告期末持有之投資有關	**15,665**	–
Dividend received from available-for-sale investments	可供出售投資所收取之股息	**–**	12,050
(Loss) gain on disposal of property, plant and equipment	出售物業、廠房及設備的(虧損)收益	**(2)**	233
(Loss) gain on disposal of investment properties	出售投資物業的(虧損)收益	**(3,299)**	2,306
Foreign exchange gain (loss), net	匯兑收益(虧損)淨額	**24,349**	(19,846)
Recovery of other receivables previously written-off	撥回以前已撇銷的其他應收款項	**1,500**	331
Write-down on other receivables	撇減其他應收款項	**–**	(3,210)
Gain on disposal of a PRC property development project right *(Note)*	出售中國物業發展項目權利的收益*(附註)*	**–**	86,397
Fair value changes on financial assets at FVTPL	按公允價值計入損益之金融資產之公允價值變動	**(47)**	–
Others	其他	**7,208**	6,911
		155,095	121,640

6. OTHER INCOME, OTHER GAINS AND LOSSES *(Cont'd)*

Note: Amount represented gain on disposal of a Group's property development project (the "Project") right. The Project was required to fulfil the prerequisite conditions including negotiating with the inhabitants and obtaining exclusive right to develop the Project and the Group had completed and fulfilled the relevant requirements based on the existing regulations. During the year ended 31 December 2017, the Project's associated development right had been sold to an independent third party at consideration of approximately RMB89,623,000 and resulted in a gain on disposal of approximately RMB86,397,000.

6. 其他收入、其他收益及虧損*(續)*

附註： 該款項指出售一項本集團物業開發項目(「該項目」)權利之收益。該項目須達成若干先決條件，包括與原居民磋商並取得該項目之獨家開發權。本集團已按現有法例達成相關要求。截至二零一七年十二月三十一日止年度，本集團已向一名獨立第三方出售有關該項目之發展權，代價約為人民幣89,623,000元，因此錄得出售收益約人民幣86,397,000元。

7. FINANCE COSTS

7. 融資成本

		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
Interest on:	利息：		
Bank and other borrowings	銀行及其他借貸	**820,891**	545,452
Convertible bonds	可換股債券	**131,969**	107,299
Senior notes and bond	優先票據及債券	**410,200**	242,685
Less: Amount capitalised in investment properties under development and properties under development for sale*	減：撥充在建投資物業及發展中待售物業資本化的數額*	**(705,065)**	(281,844)
		657,995	613,592

* The finance costs have been capitalised at rates ranging from 3.67% to 9.00% (2017: 3.64% to 6.65%) per annum.

* 融資成本乃按年息率3.67%至9.00%(二零一七年：3.64%至6.65%)資本化。

8. PROFIT BEFORE TAX

8. 除税前盈利

		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
Profit before tax is arrived at after charging (crediting):	除税前盈利乃經扣除(計入):		
Cost of properties held for sale recognised as expense	確認為開支的待售物業成本	**1,544,621**	739,832
Depreciation of property, plant and equipment	物業、廠房及設備折舊	**40,652**	35,444
Less: Amount capitalised in investment properties under development and properties under development for sale	減：撥充在建投資物業及發展中待售物業資本化的數額	**(123)**	(113)
		40,529	35,331
Gross rental income from investment properties	投資物業所得租金收入總額	**543,176**	498,295
Outgoings in respect of investment properties that generated rental income during the year	有關於本年度產生租金收入之投資物業的開支	**(85,491)**	(68,851)
		457,685	429,444
Operating lease charges in respect of land and buildings	有關土地及樓宇的經營租賃費用	**29,178**	30,761
Reversal on impairment loss on accounts receivable	應收賬款減值虧損撥回	**(39)**	(82)
Auditor's remuneration	核數師酬金	**2,341**	2,612
Staff costs	員工成本		
– *Directors' emoluments (note 10)*	－*董事酬金(附註10)*	**13,722**	23,836
– Salaries and other benefits in kind	－薪金及其他實物利益	**285,753**	239,447
– Equity-settled share-based payments	－以股權結算以股份支付的款項	**18,008**	66,382
– Amount recognised as expense for retirement benefit costs	－確認為退休福利成本開支的數額	**22,007**	16,266
Less: Amount capitalised in investment properties under development and properties under development for sale	減：撥充在建投資物業及發展中待售物業資本化的數額	**(56,556)**	(58,652)
		282,934	287,279

9. INCOME TAX EXPENSE

9. 所得稅開支

		Notes 附註	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
Current tax	即期稅項			
PRC Enterprise Income Tax ("EIT")	中國企業所得稅(「企業所得稅」)			
– Current year	– 本年度	(a)	**467,249**	307,634
– Underprovision in prior year	– 過往年度撥備不足		**13,330**	14,163
			480,579	321,797
PRC LAT	中國土地增值稅			
– Current year	– 本年度	(b)	**685,180**	228,502
– Overprovision in prior year	– 過往年度超額撥備	(c)	**(161,781)**	(224,516)
			523,399	3,986
Deferred taxation *(note 20)*	遞延稅項*(附註20)*			
– Current year	– 本年度		**(119,326)**	77,047
– Underprovision in prior year	– 過往年度撥備不足		**40,445**	55,981
			(78,881)	133,028
Total income tax expense	所得稅開支總額		**925,097**	458,811

Notes:

(a) Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

No Hong Kong Profits Tax has been provided for as the Group had no estimated assessable profits for both years.

(b) Under the Provisional Rules on LAT Implementation Rules of the PRC implemented on 27 January 1995, all gains from the sales or transfer of land use rights, buildings and their attached facilities in the PRC are subject to LAT 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.

(c) The amount includes overprovision of LAT of RMB161,781,000 (2017: RMB223,922,000) in relation to an urban redevelopment project in Shenzhen, the PRC. The Group has recomputed the LAT provision based on the actual relocation compensation to original inhabitants finalised during the years ended 31 December 2018 and 2017 respectively.

附註：

(a) 根據中華人民共和國企業所得稅法(「企業所得稅法」)及企業所得稅法實施條例，自二零零八年一月一日起，中國附屬公司的稅率為25%。

由於本集團於兩個年度並無任何估計應課稅盈利，故此並無就香港利得稅計提撥備。

(b) 根據於一九九五年一月二十七日實施的中國土地增值稅暫行條例實施細則，所有因銷售或轉讓於中國的土地使用權、樓宇及其相關設施而獲得的收益，均須繳納土地增值稅，稅款按土地增值額(即銷售物業所得款項減可扣減支出，包括土地使用權成本及所有物業發展開支)以累進稅率計算，稅率介乎30%至60%不等。

(c) 該金額包括與位於中國深圳的一項城市改造項目有關的土地增值稅超額撥備人民幣161,781,000元(二零一七年：人民幣223,922,000元)。本集團已分別根據截至二零一八年及二零一七年十二月三十一日止年度內落實向原居民作出的實際搬遷補償重新計算有關土地增值稅撥備。

9. INCOME TAX EXPENSE *(Cont'd)*

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

9. 所得稅開支*(續)*

本年度所得稅開支可與綜合損益表的除稅前盈利對賬如下：

		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
Profit before tax	除稅前盈利	**2,155,500**	1,497,374
Tax at the PRC EIT at 25% (2017: 25%)	按25%中國企業所得稅稅率（二零一七年：25%)	**538,875**	374,344
Tax effect of expenses not deductible for tax purposes	不可扣稅開支的稅務影響	**73,126**	86,381
Tax effect of income not taxable for tax purposes	毋須課稅收入的稅務影響	**(70,739)**	(50,325)
Tax effect of temporary difference arising from withholding tax for undistributed profits	未分派利潤預扣稅的暫時差額所產生的稅務影響	**11,000**	12,000
Tax effect of tax losses not recognised	未確認稅項虧損的稅務影響	**71**	12,931
Utilisation of tax losses previously not recognised	動用先前未確認之稅項虧損	**(44,007)**	(1,978)
Tax effect of deductible temporary differences not recognised	未確認之可扣稅暫時差額之稅務影響	**2,805**	2,260
PRC LAT charge	中國土地增值稅支出	**523,399**	3,986
Tax effect of PRC LAT charge	中國土地增值稅支出之稅務影響	**(130,850)**	(997)
Underprovision in prior year, net	過往年度撥備不足淨值	**13,330**	14,163
Others	其他	**8,087**	6,046
Income tax expense for the year	本年度所得稅開支	**925,097**	458,811

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

10. 董事及僱員酬金

(a) Directors' emoluments

(a) 董事酬金

The emoluments paid or payable to each of the 9 (2017: 9) directors are as follows:

已付或應付9名(二零一七年：9名)董事各自的薪酬如下：

		Notes 附註	Fees 袍金 RMB'000 人民幣千元	Salaries and allowance 薪金及津貼 RMB'000 人民幣千元	Equity-settled share-based payments 以股權結算以股份支付的款項 RMB'000 人民幣千元	Contributions to retirement benefit scheme 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
2018	**二零一八年**						
Executive directors	**執行董事**						
Ms. Huang Jingshu	黃敬舒女士		–	**2,310**	**382**	**116**	**2,808**
Mr. Tang Shouchun	唐壽春先生	(a)	–	**2,201**	**850**	**110**	**3,161**
Mr. Ye Xingan	葉興安先生		–	**1,900**	**850**	**59**	**2,809**
Ms. Deng Chengying	鄧承英女士		–	**1,500**	**722**	**–**	**2,222**
Mr. Huang Hao Yuan	黃浩源先生	(b)	–	**827**	**382**	**38**	**1,247**
			–	**8,738**	**3,186**	**323**	**12,247**
Non-executive director	**非執行董事**						
Ms. Li Lihong	李麗紅女士	(d)	–	–	–	–	–
Independent non-executive directors	**獨立非執行董事**						
Mr. Zhu Jiusheng	祝九勝先生		**245**	–	**255**	–	**500**
Mr. Wang Jing	王敬先生		**220**	–	**255**	–	**475**
Ms. Hu Gin Ing	胡競英女士		**245**	–	**255**	–	**500**
			710	–	**765**	–	**1,475**
			710	**8,738**	**3,951**	**323**	**13,722**

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Cont'd)*

10. 董事及僱員酬金*(續)*

(a) Directors' emoluments *(Cont'd)*

(a) 董事酬金*(續)*

		Notes 附註	Fees 袍金 RMB'000 人民幣千元	Salaries and allowance 薪金及津貼 RMB'000 人民幣千元	Equity-settled share-based payments 以股權結算以股份支付的款項 RMB'000 人民幣千元	Contributions to retirement benefit scheme 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
2017	**二零一七年**						
Executive directors	**執行董事**						
Ms. Huang Jingshu	黃敬舒女士		–	2,369	1,325	118	3,812
Mr. Tang Shouchun	唐壽春先生	(a)	–	2,256	2,945	113	5,314
Mr. Ye Xingan	葉興安先生		–	1,900	2,945	54	4,899
Ms. Deng Chengying	鄧承英女士		–	1,500	2,503	–	4,003
Mr. Huang Hao Yuan	黃浩源先生	(b)	–	624	1,137	38	1,799
Mr. Chen Tieshen	陳鐵身先生	(c)	–	108	522	–	630
			–	8,757	11,377	323	20,457
Independent non-executive directors	**獨立非執行董事**						
Mr. Zhu Jiusheng	祝九勝先生		252	–	883	–	1,135
Mr. Wang Jing	王敬先生		226	–	883	–	1,109
Ms. Hu Gin Ing	胡競英女士		252	–	883	–	1,135
			730	–	2,649	–	3,379
			730	8,757	14,026	323	23,836

Notes: (a) Appointed and acted as the Chief Executive Officer of the Company.

(b) Appointed and acted as the Executive Director of the Company since 21 February 2017.

(c) Acted as the Executive Director of the Company since 15 May 2014 and resigned on 21 February 2017.

(d) Appointed and acted as the Non-executive Director of the Company since 29 March 2018.

附註： (a) 獲委任並作為本公司行政總裁。

(b) 自二零一七年二月二十一日起獲委任並作為本公司執行董事。

(c) 自二零一四年五月十五日起作為本公司執行董事，並於二零一七年二月二十一日辭任。

(d) 自二零一八年三月二十九日起獲委任並作為本公司非執行董事。

No directors waived or agreed to waive any emoluments for the years ended 31 December 2018 and 2017.

截至二零一八年及二零一七年十二月三十一日止年度，概無董事放棄或同意放棄任何酬金。

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group. The non-executive director's and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

上表所列執行董事的酬金為彼等就本公司及本集團管理事宜提供服務的報酬。上表所列非執行董事及獨立非執行董事的酬金乃為彼等擔任本公司董事所提供之服務的報酬。

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Cont'd)*

10. 董事及僱員酬金*(續)*

(b) Employees' emoluments

(b) 僱員酬金

The five highest paid employees of the Group during the year included three directors (2017: three directors). Details of the remuneration for the year of the remaining two (2017: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

於年內，本集團五位最高薪酬僱員當中，包括三名董事(二零一七年：三名)。本年度餘下兩名(二零一七年：兩名)並非本公司董事亦非主要行政人員之最高薪酬僱員之薪酬詳情如下：

		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
Salaries, allowance and benefits in kind	薪酬、津貼及實物福利	**3,500**	3,500
Equity-settled share-based payments	以股權結算以股份支付的款項	**1,571**	5,794
Contributions to retirement benefit scheme	退休福利計劃供款	**59**	57
		5,130	9,351

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the followings bands is as follows:

介乎下列酬金範圍之並非本公司董事之最高薪酬僱員人數如下：

		2018 **二零一八年**	2017 二零一七年
Hong Kong Dollar ("HK$") 2,500,001 to HK$3,000,000	2,500,001港元(「港元」)至3,000,000港元	**1**	–
HK$3,000,001 to HK$3,500,000	3,000,001港元至3,500,000港元	**1**	–
HK$5,000,001 to HK$5,500,000	5,000,001港元至5,500,000港元	**–**	2
		2	2

11. DIVIDENDS

11. 股息

		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
Dividends recognised as distribution during the year:	年內確認為分派之股息：		
2017 Final dividend- HK5 cents (equivalent to approximately RMB4.4 cents)	二零一七年末期股息－5港仙（相當於約人民幣4.4分）	**201,740**	–
2016 Final dividend- HK5 cents (equivalent to approximately RMB4.5 cents)	二零一六年末期股息－5港仙（相當於約人民幣4.5分）	**–**	211,211
		201,740	211,211

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK5.3 cents (equivalent to approximately RMB4.65 cents) (2017: HK5 cents) per ordinary share of the Company has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

報告期末後，本公司董事建議派發截至二零一八年十二月三十一日止年度末期股息每股本公司普通股5.3港仙(相當於約人民幣4.65分)(二零一七年：5港仙)，惟須待股東於應屆股東大會上批准。

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

12. 每股盈利

本公司股東應佔每股基本及攤薄盈利乃基於以下數據計算：

		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
Earnings	**盈利**		
Earnings for the purposes of basic earnings per share	用於計算每股基本盈利的盈利	**1,237,167**	1,035,392
Effect of dilutive potential earnings in respect of	潛在攤薄盈利對以下各項的影響		
– Convertible bonds	－可換股債券	**(18,803)**	50,908
Earnings for the purposes of diluted earnings	用於計算攤薄盈利的盈利	**1,218,364**	1,086,300

		2018 **二零一八年**	2017 二零一七年
Number of shares	**股份數目**		
Weighted average number of ordinary shares of the Company for the purpose of basic earnings per share	用於計算每股基本盈利的本公司普通股加權平均數	**4,906,539,369**	4,693,739,778
Effect of dilutive potential ordinary shares in respect of	潛在攤薄普通股對以下各項的影響		
– Share options	－購股權	**94,740,027**	35,099,564
– Convertible bonds	－可換股債券	**431,840,962**	287,940,630
– Convertible preference shares	－可換股優先股	**3,527,514,957**	3,413,473,023
Weighted average number of ordinary shares of the Company for the purpose of diluted earnings per share	就計算每股攤薄盈利的本公司普通股加權平均數	**8,960,635,315**	8,430,252,995

13. INVESTMENT PROPERTIES

13. 投資物業

		Completed investment properties 已完成投資物業 RMB'000 人民幣千元	Investment properties under development at fair value 按公允價值入賬之發展中投資物業 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
At 1 January 2017	於二零一七年一月一日	11,274,253	952,764	12,227,017
Acquisition of subsidiaries *(note 38 (a))*	收購附屬公司*(附註38(a))*	–	6,586,892	6,586,892
Transfer from properties held for sale	轉撥自待售物業	105,415	–	105,415
Additions	添置	–	286,079	286,079
Disposals	出售	(28,984)	–	(28,984)
Increase in fair value recognised in profit or loss, unrealised	於損益中確認之公允價值增加，未變現	273,905	204,518	478,423
Exchange adjustments	匯兑調整	–	(4,165)	(4,165)
At 31 December 2017	於二零一七年十二月三十一日	11,624,589	8,026,088	19,650,677
Transfer from properties held for sale	轉撥自待售物業	162,692	–	162,692
Additions	添置	–	1,590,400	1,590,400
Disposals	出售	(4,835)	–	(4,835)
Transfer upon completion	完成時轉讓	756,463	(756,463)	–
Increase in fair value recognised in profit or loss, unrealised	於損益中確認之公允價值增加，未變現	175,006	148,455	323,461
Exchange adjustments	匯兑調整	–	394,856	394,856
At 31 December 2018	於二零一八年十二月三十一日	12,713,915	9,403,336	22,117,251

All the completed investment properties are rented out under operating leases or are held for capital appreciation purposes.

The fair values of the Group's investment properties with aggregate carrying value of RMB22,117,251,000 as at 31 December 2018 (2017: RMB19,650,677,000) were arrived at on the basis of valuations carried out on those dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, which is a firm of independent qualified professional valuers not connected to the Group.

For completed investment properties, the valuations have been arrived at using income capitalisation approach, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for the similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective properties.

所有已完成投資物業均已根據經營租賃出租或為資本增值目的而持有。

於二零一八年十二月三十一日，本集團賬面總值為人民幣22,117,251,000元(二零一七年：人民幣19,650,677,000元)之投資物業之公允價值乃根據仲量聯行企業評估及諮詢有限公司於該日所進行的估值達致，該公司為與本集團並無關聯之獨立合資格專業估值師行。

就已完成投資物業而言，該估值乃採用收入資本計算法進行。物業內所有可出租單位的市值租金乃參照可出租單位以及毗鄰相似物業的其他出租單位已得的租金進行評估。採用之資本化比率乃參照當地相似物業的收益率並根據估值師所知各物業的特質進行調整。

13. INVESTMENT PROPERTIES *(Cont'd)*

For investment properties under development that are measured at fair value, the valuations have been arrived at residual approach assuming that the investment properties will be completed in accordance with the development proposals and the relevant approvals for the proposals have been obtained. The key inputs in the valuations include the market value of the completed investment properties, which are estimated with reference to sales evidence of similar properties in the nearest locality, with adjustments made to account for differences in locations and other factors specific to the respective properties based on the valuers' judgement. Costs of development are also taken into account including construction costs, finance costs and professional fees, as well as developer's profit margin which reflects the remaining risks associated with the development of the properties at the valuation date and the return that the developer would require for bringing them to completion status, which is determined by the valuers based on its analyses of recent land transactions and market value of similar completed properties in the respective locations.

In estimating the fair value of the investment properties, the highest and best use of the investment properties is their current use.

13. 投資物業*(續)*

就按公允價值計量之發展中投資物業而言，估值乃基於殘值法假設該等投資物業將根據發展規劃及已取得的相關規劃的批覆完工。估值的主要輸入數據包括已完成投資物業的市值，乃參考鄰近地域相似物業的銷售憑證估計，同時，根據估值師判斷的不同地段的差異以及各物業的其他不同特質進行調整。該估值也將開發成本納入考慮，包括建設成本、融資成本和專業費用及開發商的利潤率(於估值日反映物業開發的剩餘風險和開發商使物業達致完成狀況所需的回報)，發展成本乃根據估值師對近期土地交易和不同區域類似已完成物業市場價值的分析而釐定。

估計投資物業的公允價值時，投資物業之目前用途為最高及最佳用途。

13. INVESTMENT PROPERTIES *(Cont'd)*

The major inputs used in the fair value measurement of the Group's major investment properties as at 31 December 2018 and 2017 are set out below:

13. 投資物業*(續)*

於二零一八年及二零一七年十二月三十一日，本集團主要投資物業之公允價值計量所用之主要輸入數據載於下文：

Investment properties held by the Group in the consolidated statement of financial position 於綜合財務狀況表內由本集團持有的投資物業	Fair value hierarchy 公允價值等級	Valuation technique and key inputs 估值技術及主要輸入數據	Significant unobservable inputs 主要不可觀察輸入數據	Relationship of unobservable inputs to fair value 不可觀察輸入數據與公允價值之關係	Sensitivity 敏感度
Completed investment properties **已完成投資物業**					
Completed investment properties located in the PRC with an aggregate carrying amount of RMB12,580,001,000 (31.12.2017: RMB11,624,589,000)	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; and (2) Monthly market rent.	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, and prevailing market condition, of a range from 2.0% to 6.0% (31.12.2017: from 2.0% to 8.0%).	The higher the capitalisation rate, the lower the fair value.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
位於中國的已完成投資物業，賬面總值為人民幣12,580,001,000元(二零一七年十二月三十一日：人民幣11,624,589,000元)	第三級	收入資本計算法 主要輸入數據如下： (1) 資本化比率；及 (2) 市場月租。	經計及資本化租金收入潛力、物業性質及當前市況，資本化比率為介乎2.0%至6.0%(二零一七年十二月三十一日：2.0%至8.0%)。	資本化比率越高，公允價值越低。	所用資本化比率小幅提升將導致公允價值大幅降低，反之亦然。
			Monthly market rent, taking into account the completion time, location, and individual factors, such as frontage and size, between the comparables and the property, at an average of a range from RMB4 to RMB600 (31.12.2017: from RMB6 to RMB600) per square metre ("sqm") per day on gross floor area basis.	The higher the monthly market rent, the higher the fair value.	A significant increase in the monthly market rent used would result in a significant increase in fair value, and vice versa.
			市場月租經計及可資比較物業與物業間之竣工時間、位置及臨街地界和規模等各項因素，以建築面積為基準每日每平方米(「平方米」)平均介乎人民幣4元至人民幣600元(二零一七年十二月三十一日：人民幣6元至人民幣600元)。	市場月租越高，公允價值越高。	所用市場月租大幅增加將導致公允價值大幅增加，反之亦然。
Completed investment properties located in the PRC with an aggregate carrying amount of RMB133,914,000 (31.12.2017: nil)	Level 3	Direct Comparison Approach The key input is: Selling price per sqm	Selling prices per sqm based on market observable transactions of similar properties, of a range from RMB68,966 to RMB70,702 (31.12.2017: nil) per sqm on gross floor area basis.	The higher the selling prices per sqm, the higher the fair value.	A significant increase in the selling prices per sqm used would result in a significant increase in fair value, and vice versa.
位於中國的已完成投資物業，賬面總值為人民幣133,914,000 元(二零一七年十二月三十一日：無)	第三級	直接比較法 主要輸入數據如下： 每平方米銷售金額	根據相似物業的可觀察市場交易釐定的每平方米銷售價格，以建築面積為基準每平方米介乎人民幣68,966元至人民幣70,702元(二零一七年十二月三十一日：無)。	每平方米銷售價格越高，公允價值越高。	每平方米銷售價格大幅增加將導致公允價值大幅增加，反之亦然。

13. INVESTMENT PROPERTIES *(Cont'd)* 13. 投資物業*(續)*

Investment properties held by the Group in the consolidated statement of financial position 於綜合財務狀況表內由本集團持有的投資物業	Fair value hierarchy 公允價值等級	Valuation technique and key inputs 估值技術及主要輸入數據	Significant unobservable inputs 主要不可觀察輸入數據	Relationship of unobservable inputs to fair value 不可觀察輸入數據與公允價值之關係	Sensitivity 敏感度
Investment properties under development that are measured at fair value **按公允價值計值之發展中投資物業**					
Investment properties under development located in the PRC with an aggregate carrying amount of RMB145,011,000 (31.12.2017: RMB54,355,000)	Level 3	Cost Approach The key inputs are: (1) Costs of building; and (2) Developer's profit margin	Costs of building on completion basis, taking into account the construction costs incurred, accrued construction costs and relevant fees, and the value of land between the comparable and the property, of RMB126,277,000 (31.12.2017: RMB47,990,000).	The higher the costs of building, the higher the fair value.	A significant increase in costs of building would result in a significant increase in fair value, and vice versa.
位於中國的發展中投資物業，賬面總值為人民幣145,011,000 元(二零一七年十二月三十一日：人民幣54,355,000元)	第三級	成本法 主要輸入數據為： (1) 建築成本；及 (2) 開發商的利潤率	按落成基準計值之建築成本經計及已產生的建築成本、累計建築成本及相關費用以及可資比較物業與該物業之間的土地價值為人民幣126,277,000元(二零一七年十二月三十一日：人民幣47,990,000元)。	建築成本越高，公允價值越高。	建築成本大幅增加將導致公允價值大幅增加，反之亦然。
			Developer's profit margin, taking into account the comparable land transactions and progress of the property, of 20% (31.12.2017: 20%).	The higher the developer's profit margin, the higher the fair value.	A significant increase in developer's profit margin used would result in a significant increase in fair value, and vice versa.
			經計及可資比較土地交易及物業進度，開發商利潤率為20%(二零一七年十二月三十一日：20%)。	開發商利潤率越高，公允價值越高。	所用開發商利潤率大幅增加導致公允價值大幅增加，反之亦然。

13. INVESTMENT PROPERTIES *(Cont'd)* 13. 投資物業*(續)*

Investment properties held by the Group in the consolidated statement of financial position 於綜合財務狀況表內由本集團持有的投資物業	Fair value hierarchy 公允價值等級	Valuation technique and key inputs 估值技術及主要輸入數據	Significant unobservable inputs 主要不可觀察輸入數據	Relationship of unobservable inputs to fair value 不可觀察輸入數據與公允價值之關係	Sensitivity 敏感度
Investment properties under development located in the PRC with an aggregate carrying amount of nil (31.12.2017: RMB972,246,000)	Level 3	Residual Approach The key inputs are: (1) Gross development value; and (2) Developer's profit margin.	2017: Gross development value on completion basis, taking into account the completion time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB972,246,000.	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
位於中國的發展中投資物業，賬面總值為無(二零一七年十二月三十一日：人民幣972,246,000元)	第三級	殘值法 主要輸入數據如下： (1) 總開發價值；及 (2) 開發商利潤率。	二零一七年：按落成基準計值之總開發價值經計及可資比較物業與該物業間之預竣工時間、位置及臨街地界和規模等各項因素為人民幣972,246,000元。	總開發價值越高，公允價值越高。	所用總開發價值大幅增加將導致公允價值大幅增加，反之亦然。
			2017: Developer's profit margin, taking into account the comparable land transactions and progress of the property of 10%.	The higher the developer's profit margin, the lower the fair value.	A significant increase in developer's profit margin used would result in a significant decrease in fair value, and vice versa.
			二零一七年：經計及可資比較土地交易及物業進度，開發商利潤率為10%。	開發商利潤率越高，公允價值越低。	所用開發商利潤率大幅增加導致公允價值大幅減少，反之亦然。
Investment properties under development located in Hong Kong with an aggregate carrying amount of RMB8,455,330,000 (31.12.2017: RMB6,770,790,000)	Level 3	Residual Approach The key inputs are: (1) Gross development value; and (2) Developer's profit margin.	Gross development value on completion basis, taking into account the completion time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB9,638,200,000 (31.12.2017: RMB9,194,900,000).	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
位於香港的發展中投資物業，賬面總值為人民幣8,455,330,000元(二零一七年十二月三十一日：人民幣6,770,790,000元)	第三級	殘值法 主要輸入數據如下： (1) 總開發價值；及 (2) 開發商利潤率。	按落成基準計值之總開發價值經計及可資比較物業與該物業間之竣工時間、位置及臨街地界和規模等各項因素為人民幣9,638,200,000元(二零一七年十二月三十一日：人民幣9,194,900,000元)。	總開發價值越高，公允價值越高。	所用總開發價值大幅增加將導致公允價值大幅增加，反之亦然。
			Developer's profit margin, taking into account the comparable land transactions and progress of the property, of 10% (31.12.2017: 10%).	The higher the developer's profit margin, the lower the fair value.	A significant increase in developer's profit margin used would result in a significant decrease in fair value, and vice versa.
			經計及可資比較土地交易及物業進度，開發商利潤率為10%(二零一七年十二月三十一日：10%)。	開發商利潤率越高，公允價值越低。	所用開發商利潤率大幅增加導致公允價值大幅減少，反之亦然。

13. INVESTMENT PROPERTIES *(Cont'd)*

13. 投資物業*(續)*

Investment properties held by the Group in the consolidated statement of financial position 於綜合財務狀況表內由本集團持有的投資物業	Fair value hierarchy 公允價值等級	Valuation technique and key inputs 估值技術及主要輸入數據	Significant unobservable inputs 主要不可觀察輸入數據	Relationship of unobservable inputs to fair value 不可觀察輸入數據與公允價值之關係	Sensitivity 敏感度
Investment properties under development located in Cambodia with an aggregate carrying amount of RMB802,995,000 (31.12.2017: RMB228,697,000)	Level 3	Residual Approach The key inputs are: (1) Gross development value; and (2) Developer's profit margin.	Gross development value on completion basis, taking into account the completion time, location, and individual factors, such as frontage and size, between the comparable and the property, of RMB926,532,000 (31.12.2017: RMB457,394,000).	The higher the gross development value, the higher the fair value.	A significant increase in gross development value used would result in a significant increase in fair value, and vice versa.
位於柬埔寨的發展中投資物業，賬面總值為人民幣802,995,000元(二零一七年十二月三十一日：人民幣228,697,000元)	第三級	殘值法 主要輸入數據如下： (1) 總開發價值；及 (2) 開發商利潤率。	按落成基準計值之總開發價值經計及可資比較物業與該物業間之竣工時間、位置及臨街地界和規模等各項因素為人民幣926,532,000元(二零一七年十二月三十一日：人民幣457,394,000元)。	總開發價值越高，公允價值越高。	所用總開發價值大幅增加將導致公允價值大幅增加，反之亦然。
			Developer's profit margin, taking into account the comparable land transactions and progress of the property, of 5% (31.12.2017: 18%).	The higher the developer's profit margin, the lower the fair value.	A significant increase in developer's profit margin used would result in a significant decrease in fair value, and vice versa.
			經計及可資比較土地交易及物業進度，開發商利潤率為5%(二零一七年十二月三十一日：18%)。	開發商利潤率越高，公允價值越低。	所用開發商利潤率大幅增加導致公允價值大幅減少，反之亦然。

There were no transfers in or out of Level 3 during both years.

於兩個年度內，第三級並無轉入或轉出。

14. PROPERTY, PLANT AND EQUIPMENT

14. 物業、廠房及設備

		Freehold land in USA 美國永久業權土地 RMB'000 人民幣千元	Hotel property in USA 美國酒店物業 RMB'000 人民幣千元	Leasehold land and buildings in the PRC 中國租賃土地及樓宇 RMB'000 人民幣千元	Leasehold improvements 租賃物業裝修 RMB'000 人民幣千元	Motor vehicles 汽車 RMB'000 人民幣千元	Machinery and electronic equipment and others 機器及電子設備及其他 RMB'000 人民幣千元	Computer software, furniture and fixtures 計算機軟件、傢私及裝置 RMB'000 人民幣千元	Construction in progress 在建工程 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
COST	成本									
At 1 January 2017	於二零一七年一月一日	–	–	399,674	33,231	19,800	27,352	19,791	3,484	503,332
Exchange adjustment	匯兑調整	(998)	(8,208)	–	(46)	(25)	–	(132)	–	(9,409)
Additions	添置	16,819	138,386	2,369	1,767	894	773	3,274	186	164,468
Transfer upon completion	完成時轉讓	–	–	–	3,002	–	–	–	(3,002)	–
Disposals/written off	出售／撇銷	–	–	–	–	(250)	(216)	(114)	–	(580)
At 31 December 2017	於二零一七年十二月三十一日	15,821	130,178	402,043	37,954	20,419	27,909	22,819	668	657,811
Exchange adjustment	匯兑調整	795	6,590	–	66	21	–	135	–	7,607
Additions	添置	–	63,149	9,162	1,632	1,985	888	1,071	419	78,306
Disposals/written off	出售／撇銷	–	–	–	–	–	(750)	–	–	(750)
At 31 December 2018	於二零一八年十二月三十一日	16,616	199,917	411,205	39,652	22,425	28,047	24,025	1,087	742,974
DEPRECIATION	折舊									
At 1 January 2017	於二零一七年一月一日	–	–	142,701	21,241	9,690	21,947	13,565	–	209,144
Exchange adjustment	匯兑調整	–	(74)	–	–	(2)	–	(11)	–	(87)
Provided for the year	年度撥備	–	2,362	18,091	7,791	3,331	1,707	2,162	–	35,444
Eliminated on disposals/ written off	出售／撇銷之對銷	–	–	–	–	(238)	(210)	(113)	–	(561)
At 31 December 2017	於二零一七年十二月三十一日	–	2,288	160,792	29,032	12,781	23,444	15,603	–	243,940
Exchange adjustment	匯兑調整	–	533	–	3	7	–	59	–	602
Provided for the year	年度撥備	–	12,095	17,715	2,518	3,603	1,544	3,177	–	40,652
Eliminated on disposals/ written off	出售／撇銷之對銷	–	–	–	–	–	(613)	–	–	(613)
At 31 December 2018	於二零一八年十二月三十一日	–	14,916	178,507	31,553	16,391	24,375	18,839	–	284,581
CARRYING VALUES	賬面值									
At 31 December 2018	於二零一八年十二月三十一日	16,616	185,001	232,698	8,099	6,034	3,672	5,186	1,087	458,393
At 31 December 2017	於二零一七年十二月三十一日	15,821	127,890	241,251	8,922	7,638	4,465	7,216	668	413,871

14. PROPERTY, PLANT AND EQUIPMENT *(Cont'd)*

The carrying amounts of owner-occupied leasehold land and buildings, situated in the PRC, at the end of the reporting period included both the leasehold land and building elements in property, plant and equipment, as in the opinion of the directors of the Company, allocations of the carrying amounts between the leasehold land and buildings elements cannot be made reliably.

The above items of property, plant and equipment, except for freehold land in USA and construction in progress, are depreciated on a straight-line basis at the following rates per annum:

Hotel property in USA	5%
Leasehold land and buildings in the PRC	Over the shorter of the term of the lease, or 2% to 5%
Leasehold improvements	10% to 33$^1/_3$%
Motor vehicles	20% to 25%
Machinery and electronic equipment and others	10% to 33$^1/_3$%
Computer software, furniture and fixtures	20% to 33$^1/_3$%

14. 物業、廠房及設備*(續)*

由於本公司董事認為無法準確作出租賃土地與樓宇部分的分配，報告期末的業主位於中國之自用租賃土地及樓宇計入物業、廠房及設備內的租賃土地及樓宇中。

上文所述之物業、廠房及設備項目(位於美國之永久業權土地及在建工程除外)乃以直線法按以下年率折舊：

美國酒店物業	5%
位於中國之租賃土地及樓宇	租賃期或2%至5%（以較短者為準）
租賃物業裝修	10%至33$^1/_3$%
汽車	20%至25%
機器及電子設備及其他	10%至33$^1/_3$%
計算機軟件、傢私及裝置	20%至33$^1/_3$%

15. GOODWILL

15. 商譽

		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
At 31 December	於十二月三十一日	**231,602**	231,602

The amount represents goodwill arising from the Acquisition (defined in note 37 (ii)(a)), which has been allocated to the group of cash generating units ("CGU") in the real estate development and sales segment. The recoverable amount of the goodwill has been determined based on a value in use calculation. That calculation used cash flow projections based on financial budgets approved by the management covering five-year period, and the discount rate of 10% (2017: 10%). The cash flows beyond the five-year period are extrapolated using a zero growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on management's expectations for the market development. The management of the Group believes that any reasonably possible change in the key estimations of the value-in-use calculation would not cause the carrying amount to exceed its recoverable amount. The directors of the Company determined that the recoverable amount was higher than the carrying amount of the CGU and hence no impairment on goodwill is required.

款項指收購事項(定義見附註37(ii)(a))產生之商譽(已分配至房地產開發及銷售分類的現金產生單位組別(「現金產生單位」))。商譽之可收回金額乃根據使用價值進行計算而釐定。基於管理層所批准涵蓋5年期間之財政預算，使用10%(二零一七年：10%)之貼現率以現金流預測法進行計算。超過5年的現金流則使用零增長率推算。使用價值計算之其他主要假設與包括預算銷售額及毛利率的現金流入／流出之估計有關，有關估計乃根據管理層對市場發展之預測作出。本集團管理層相信，使用價值計算之主要估計的任何合理可能變動將不會導致賬面值超出其可回收金額。本公司董事釐定可回收金額高於現金產生單位之賬面值，故無須商譽減值。

16. INTERESTS IN JOINT VENTURES

16. 於合營公司的權益

		Notes 附註	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
Cost of investment in joint ventures	於合營公司之投資成本	(a)	**9,520**	9,520
Share of post-acquisition profits and other comprehensive income, net of dividends received	應佔收購後利潤及其他全面收益，扣除收取之股息	(a)	**(3,460)**	(3,452)
			6,060	6,068
Amount due from a joint venture	應收一間合營公司款項	(b)	**522,318**	522,323

Notes:

(a) Particulars of joint ventures as at 31 December 2018 and 2017 are as follows:

Company name 公司名稱	Form of business nature 業務性質	Place of establishment and operation 成立及營運地點	Paid-up capital 繳足股本 RMB'000 人民幣千元	Proportion of voting right and percentage of interest held 投票權及所持權益百分比之比例	Principal activity 主要業務
Shenzhen Anyuan Industrial Development Co., Ltd. ("Anyuan") 深圳市安元實業發展有限公司（「安元」）	Incorporated 註冊成立	The PRC 中國	23,800	40% (2017: 40%) （二零一七年：40%）	Property development 物業發展
Yiyang Zhonghe Property Management Co., Ltd. 益陽中核物業有限公司	Incorporated 註冊成立	The PRC 中國	500	N/A* 不適用* (2017: 40%) （二零一七年：40%）	Property development 物業發展

* It becomes a wholly-owned subsidiary of the Company during the year ended 31 December 2018.

(b) Amount due from a joint venture represents advances to a joint venture which is unsecured, interest-free and has no fixed repayment terms. In an opinion of the directors of the Company, the settlement of the advances is neither planned nor likely to occur in the foreseeable future.

附註：

(a) 於二零一八年及二零一七年十二月三十一日合營公司的詳情如下：

* 該公司於截至二零一八年十二月三十一日止年度成為本公司的全資附屬公司。

(b) 應收一間合營公司款項為支付予合營公司的預付款，該款項無抵押、免息，且無固定償還期限。本公司董事認為，該預付款結算並非按計劃進行，且於可見將來不大可能會發生。

16. INTERESTS IN JOINT VENTURES *(Cont'd)*

Notes: (Cont'd)

(c) Yiyang Zhonghe Property Management Co., Ltd. is not considered material as compared to the Group's operating results during the year ended 31 December 2017.

Summarised financial information of Anyuan after adjusting for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

16. 於合營公司的權益*(續)*

附註：(續)

(c) 益陽中核物業有限公司被認為相對本集團於截至二零一七年十二月三十一日止年度的營運業績並不重大。

下文披露安元已就會計政策的任何差異而調整的財務資料概要，以及與綜合財務報表賬面值所對銷：

		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
Non-current assets	非流動資產	**29**	29
Current assets	流動資產	**549,819**	549,836
Current liabilities	流動負債	**(534,699)**	(534,694)
Included in the above amounts are:	計入上述款項：		
Properties under development for sale	發展中待售物業	**439,702**	439,647
Cash and cash equivalents	現金及現金等價物	**90,006**	90,077
Amount due to a shareholder	應付一名股東款項	**522,318**	522,323
Loss and total comprehensive expense for the year	年度虧損及其他全面開支	**22**	233

Reconciliation of the above summarised financial information to the carrying amount of the interest in the joint venture recognised in the consolidated financial statements:

以上財務資料概要與已於綜合財務報表確認之合營公司權益賬面值之對賬：

		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
Net assets of Anyuan	安元資產淨值	**15,149**	15,171
Proportion of the Group's ownership interest in Anyuan	本集團於安元擁有之權益比例	**40%**	40%
Carrying amount of the Group's interest in Anyuan	本集團於安元之權益賬面值	**6,060**	6,068

17. AVAILABLE-FOR-SALE INVESTMENTS

Amount represented 0.4% equity interests in a public listed equity securities in the PRC which was stated at fair value of RMB444,259,000 as at 31 December 2017.

17. 可供出售投資

於二零一七年十二月三十一日，該金額為中國一項公眾上市股權證券之0.4%股權，並按公允價值人民幣444,259,000元列賬。

18. DEBT INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

18. 按公允價值計入其他全面收益之債務工具

		2018 二零一八年 RMB'000 人民幣千元
Government bond, with fixed interest of 3.76% per annum and maturity date on 14 August 2023 *(Note)*	政府債券，固定年利率為3.76%及到期日為二零二三年八月十四日*(附註)*	**20,000**

Note: The government bond is subsequently sold at a consideration of RMB20,073,000 on 9 January 2019.

附註： 政府債券其後以代價人民幣20,073,000元於二零一九年一月九日出售。

Details of impairment assessment are set out in note 42.

減值評估之詳情載於附註42。

19. EQUITY INSTRUMENT AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

19. 按公允價值計入其他全面收益之股本工具

		2018 二零一八年 RMB'000 人民幣千元
Listed investments: – Equity securities listed in the PRC *(Note)*	上市投資： －於中國上市之股權證券*(附註)*	**490,816**

Note:

The above listed equity investment represents 0.4% equity interests in an entity listed in the PRC. This investment is not held for trading, instead, it is held for long-term strategic purposes. The directors of the Company have elected to designate this investment in equity instrument as FVTOCI as they believe that recognising short-term fluctuations in this investment's fair value in profit or loss would not be consistent with the Group's strategy of holding the investment for long-term purposes and realising its performance potential in the long run.

附註：

上述上市股權投資指於一間中國上市公司之0.4%股權。該項投資並非持作買賣，而是就長期策略用途持有。由於本公司董事認為於損益確認該投資之公允價值短期波動並不符合本集團長期持有該投資及長遠變現其表現潛力之策略，故彼等已選擇指定於該股本工具之投資為按公允價值計入其他全面收益。

20. DEFERRED TAX

20. 遞延稅項

The movements in deferred tax assets (liabilities) arising from temporary differences are as follows:

暫時差額產生的遞延稅項資產(負債)的變動如下：

		Tax losses 稅項虧損 RMB'000 人民幣千元	Withholding tax for undistributed profits 未分配利潤的預扣稅 RMB'000 人民幣千元	Valuation on investment properties 投資物業估值 RMB'000 人民幣千元	Accelerated tax depreciation 加速稅項折舊 RMB'000 人民幣千元	Fair value adjustments 公允價值調整 RMB'000 人民幣千元	Accrual for LAT 應計土地增值稅 RMB'000 人民幣千元	Pre-sale deposits 預售按金 RMB'000 人民幣千元	Others 其他 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Balance as at 1 January 2017	於二零一七年一月一日之結餘	23,165	(10,050)	(2,191,633)	(119,328)	(54,445)	149,188	16,890	(17,419)	(2,203,632)
Credit (charge) to the profit or loss *(note 9)*	於損益計入(扣除)*(附註9)*	5,185	(12,000)	(75,282)	(31,930)	–	44,002	(7,248)	226	(77,047)
Underprovision in prior year *(note 9)*	過往年度撥備不足*(附註9)*	–	–	–	–	–	(55,981)	–	–	(55,981)
Credit to other comprehensive income	於其他全面收益計入	–	–	–	–	29,197	–	–	–	29,197
Balance as at 31 December 2017	於二零一七年十二月三十一日之結餘	28,350	(22,050)	(2,266,915)	(151,258)	(25,248)	137,209	9,642	(17,193)	(2,307,463)
(Charge) credit to the profit or loss *(note 9)*	於損益(扣除)計入*(附註9)*	(28,350)	(11,000)	(47,183)	(32,765)	–	118,900	119,724	–	119,326
Underprovision in prior year *(note 9)*	過往年度撥備不足*(附註9)*	–	–	–	–	–	(40,445)	–	–	(40,445)
Charge to other comprehensive income	於其他全面收益扣除	–	–	–	–	(11,639)	–	–	–	(11,639)
Balance as at 31 December 2018	於二零一八年十二月三十一日之結餘	–	(33,050)	(2,314,098)	(184,023)	(36,887)	215,664	129,366	(17,193)	(2,240,221)

The following is the analysis of the deferred taxation balances for financial reporting purposes:

就財務報告目的而言，遞延稅項結餘分析如下：

		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
Deferred tax assets	遞延稅項資產	**345,030**	175,201
Deferred tax liabilities	遞延稅項負債	**(2,585,251)**	(2,482,664)
		(2,240,221)	(2,307,463)

20. DEFERRED TAX *(Cont'd)*

The EIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by the PRC-resident enterprises to their non-PRC-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC enterprise directly. Since the Group controls the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

At 31 December 2018, temporary differences relating to the accumulated undistributed profits of the Group's PRC subsidiaries amounted to RMB3,156,160,000 (2017: RMB2,089,290,000). Except for the accumulated undistributed profit of the Group's PRC subsidiaries amounted to RMB661,000,000 (2017: RMB441,000,000), no deferred tax liability was recognised in respect of the taxable temporary differences of RMB2,495,160,000 (2017: RMB1,648,290,000) as of 31 December 2018 as the Group controlled the dividend policy of these subsidiaries.

At 31 December 2018, the Group has unused deductible temporary difference amounted to RMB25,731,000 (2017: RMB14,509,000). No deferred tax asset has been recognised in respect of such temporary difference due to the unpredictability of future profit streams.

At the end of the reporting period, the Group has unused tax losses of RMB23,066,000 (2017: RMB312,210,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of RMB23,066,000 for the year ended 31 December 2018 due to the unpredictability of future profit streams. For the year ended 31 December 2017, a deferred tax asset had been recognised in respect of such tax losses amounting to RMB113,400,000 and no deferred tax asset had been recognised in respect of the remaining tax losses of RMB198,810,000 due to the unpredictability of future profit streams. The unrecognised tax losses will expire in the following years ending 31 December:

20. 遞延税項*(續)*

企業所得税法及其實施規則規定，自二零零八年一月一日起，中國居民企業就所賺取盈利向非中國居民企業投資者分派的股息須按10%繳納預扣税(除非根據税項條約或安排獲減免)。根據內地與香港避免雙重徵税安排，作為「實益擁有人」並直接持有中國企業25%或以上股權的合資格香港税務居民有權按減免預扣税税率5%繳税。由於本集團可控制分派本集團於中國的附屬公司的盈利的數量及時間，遞延税項負債僅以預期可於可見將來分派的有關盈利為限計提撥備。

於二零一八年十二月三十一日，有關本集團中國附屬公司之累計未分配利潤暫時差額達人民幣3,156,160,000元(二零一七年：人民幣2,089,290,000元)。除本集團中國附屬公司之累計未分配利潤達人民幣661,000,000元(二零一七年：人民幣441,000,000元)外，因本集團控制該等附屬公司的股息政策，故並未就截至二零一八年十二月三十一日的人民幣2,495,160,000元(二零一七年：人民幣1,648,290,000元)應課税暫時差額確認遞延税項負債。

於二零一八年十二月三十一日，本集團有未動用可扣税暫時差額人民幣25,731,000元(二零一七年：人民幣14,509,000元)。由於未來盈利來源的不可預測性，因此概無就該等暫時差額確認遞延税項資產。

於報告期末，本集團可供抵銷未來盈利之未動用税項虧損為人民幣23,066,000元(二零一七年：人民幣312,210,000元)。由於未來盈利來源不可預測，故截至二零一八年十二月三十一日止年度並無就税項虧損人民幣23,066,000元確認遞延税項資產。截至二零一七年十二月三十一日止年度，就該等税項虧損人民幣113,400,000元確認遞延税項資產及由於未來盈利來源不可預測，故並無就其餘税項虧損人民幣198,810,000元確認遞延税項資產。未確認之税項虧損將於以下年度截至十二月三十一日止屆滿：

		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
2018	二零一八年	**–**	20,189
2019	二零一九年	**–**	67,383
2020	二零二零年	**–**	1,366
2021	二零二一年	**14,448**	58,148
2022	二零二二年	**7,322**	51,724
2023	二零二三年	**1,296**	–
		23,066	198,810

21. DEPOSITS PAID

21. 已付按金

	Notes 附註	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
Deposit for an urban redevelopment project 一項城市更新項目之按金	(a)	–	1,000,000
Deposit for acquisition of land use right 收購土地使用權之按金	(b)	–	210,000
		–	1,210,000

(a) The balance represented a deposit paid for an urban redevelopment project located in Zhuhai city in the PRC.

(b) On 11 November 2016, Zone Asia Investments (HK) Limited ("Purchaser"), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with an independent third party ("Vendor"), and pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase 100% equity interests in a company holding 100% interest in Zhuhai Kaiwei Property Co., Ltd ("珠海凱威置業有限公司") which is engaged in property development in the PRC at a consideration of RMB2,100 million, subject to adjustment.

As of 31 December 2017, the Group has paid 10% of the total consideration amounting to RMB210 million in exchange for 10% equity interests, which in substance is a deposit paid for acquisition of land use right. After the Vendor obtains local government approval for the property development project, the Purchaser is obliged to pay the remaining 90% outstanding amount. The remaining consideration of RMB1,590,000,000 has been paid by the Group in 2018 (also see note 44(a)).

All the deposits amounting to RMB1,210,000,000, which related to projects the use of which, was not yet determined as at 31 December 2017 had been transferred to properties under development for sale during the year ended 31 December 2018.

(a) 該結餘指就一項位於中國珠海市之城市更新項目的已付按金。

(b) 於二零一六年十一月十一日，崇亞投資(香港)有限公司(「收購方」，為本公司之間接全資附屬公司)與獨立第三方(「賣方」)訂立買賣協議，據此，賣方已同意出售而收購方已同意以代價人民幣21億元(可調整)購買一間持有珠海凱威置業有限公司100%權益的公司的100%股權，而珠海凱威置業有限公司於中國從事物業開發。

截至二零一七年十二月三十一日，本集團已支付總代價之10%，為數人民幣210百萬元，以換取10%的股權，該金額實質上為收購土地使用權之已付按金。於賣方取得地方政府之物業開發項目批覆後，收購方須支付尚未償還金額的其餘90%。本集團已於二零一八年支付餘下代價人民幣1,590,000,000元(請同時參閱附註44(a))。

於二零一七年十二月三十一日，與尚未釐定用途之項目有關之按金總額為人民幣1,210,000,000元，其已於截至二零一八年十二月三十一日止年度轉撥至發展中待售物業。

22. PROPERTIES UNDER DEVELOPMENT FOR SALE

Included in the properties under development for sale as at 31 December 2018 is carrying value of RMB5,700,430,000 (2017: RMB2,314,822,000) which represents the carrying value of the properties expected to be realised after twelve months from the end of the reporting period. The Group's properties under development for sale are mainly situated in the PRC and Hong Kong.

22. 發展中待售物業

於二零一八年十二月三十一日，列為發展中待售物業之賬面值為人民幣5,700,430,000元(二零一七年：人民幣2,314,822,000元)，乃預期於報告期末起計十二個月後方變現之物業賬面值。本集團之發展中待售物業主要位於中國及香港。

23. PROPERTIES HELD FOR SALE

The Group's properties held for sale are situated in the PRC.

23. 待售物業

本集團待售物業位於中國。

24. OTHER INVENTORIES

Other inventories represent low value consumables carried at cost.

24. 其他存貨

其他存貨指按成本值入賬的低值易耗品。

25. ACCOUNTS RECEIVABLE

25. 應收賬款

		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
Accounts receivable	應收賬款	**12,248**	378,003
Less: Allowance for credit losses	減：信貸虧損撥備	**(672)**	(711)
		11,576	377,292

Accounts receivable represent receivables arising from sales of properties, rental income from leasing properties and comprehensive services (including hotel operation and property management). For the receivables arising from sales of properties, they are due for settlement in accordance with the terms of the relevant sales and purchase agreements. For the receivables arising from rental income from leasing properties, monthly rents are normally received in advance and sufficient rental deposits are held to minimise credit risk. For accounts receivable generated from hotel operation, the credit term is payable on demand. For accounts receivable generated from property management, receivable generally have credit terms of 30 to 60 days (2017: 30 to 60 days). All accounts receivable are denominated in RMB. The ageing analysis of the Group's accounts receivable, based on invoice dates for rental income from leasing properties and comprehensive services and the terms of relevant sales and purchases agreements for sales of properties, is as follows:

應收賬款指銷售物業、租賃物業的租金收入及綜合服務(包括酒店營運及物業管理)的應收款項。就銷售物業產生的應收款項而言，該等款項乃根據相關買賣協議條款到期應付。就租賃物業的租金收入產生的應收款項而言，每月租金通常預先收取，並持有充足的租金按金以減低信貸風險。就酒店營運產生的應收賬款而言，信貸期乃須按要求償還。物業管理所得的應收賬款的信貸期一般為30至60天(二零一七年：30至60天)。所有應收賬款以人民幣計值。本集團應收賬款的賬齡按有關租賃物業的租金收入及綜合服務發票日期以及相關物業銷售買賣協議條款分析如下：

		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
Within 1 month	1個月內	**6,853**	368,530
1 to 12 months	1至12個月	**2,079**	5,018
13 to 24 months	13至24個月	**1,881**	3,058
Over 24 months	超過24個月	**763**	686
		11,576	377,292

As at 31 December 2018, included in the Group's accounts receivable balance are debtors with aggregate carrying amount of RMB4,723,000 which are past due as at the reporting date. For balance has been past due 90 days or more, it is not considered as in default due to the long-term/on-going relationship and good repayment record of the counterparties. The Group does not hold any collateral over these balances.

於二零一八年十二月三十一日，計入本集團應收賬款結餘之款項為賬面總值為人民幣4,723,000元之應收款項，於報告日已逾期。由於與交易方維持長期／持續關係及彼等還款記錄良好，故此逾期已超過90日或以上之結餘並未被視為違約。本集團並無就該等結餘持有任何抵押品。

As at 31 December 2017, included in the Group's accounts receivable balances are debtors with aggregate carrying amount of RMB8,762,000 which are past due at the end of the reporting period for which the Group has not provided for impairment loss, of which 57% are past due within twelve months, and 43% are past due over twelve months, based on the repayment terms set out in the sales and purchase agreements. No provision for impairment is considered necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

於二零一七年十二月三十一日，計入本集團應收賬款結餘之款項為賬面總值為人民幣8,762,000元之應收款項，已於報告期末逾期，而本集團並無就此作出減值虧損撥備，根據買賣協議載列之還款期限，其中57%於十二個月內逾期，43%於十二個月後逾期。由於有關信貸質素並無重大變動且有關結餘被認為仍可悉數收回，故被認為並無必要就該等結餘作出減值撥備。本集團並無就該等結餘持有任何抵押品。

As at 31 December 2017, all remaining accounts receivable were neither past due nor impaired. These related to a number of customers for whom there was no recent history of default.

於二零一七年十二月三十一日，全部餘下應收賬款並未逾期及減值。款項乃與近期並無違約記錄的多名客戶有關。

25. ACCOUNTS RECEIVABLE *(Cont'd)*

The movement in the allowance for credit losses is as follows:

25. 應收賬款*(續)*

信貸虧損撥備變動如下：

		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
A 1 January	於一月一日	**711**	793
Reversal on impairment loss recognised	已確認減值虧損之撥回	**(39)**	(82)
At 31 December	於十二月三十一日	**672**	711

For the year ended 31 December 2018, the Group applies the HKFRS 9 simplified approach to measure ECL for accounts receivable based on lifetime ECL. Accounts receivable have been grouped based on shared credit risk characteristics and the historical observed default rates have been adjusted by forward looking estimates. As at 31 December 2018, the directors of the Company considered that the default risk for the accounts receivable is very low and the lifetime ECL allowance is insignificant. None of the debtors is considered credit impaired.

截至二零一八年十二月三十一日止年度，本集團應用香港財務報告準則第9號的簡化方法根據存續期預期信貸虧損計量應收賬款的預期信貸虧損。應收賬款已根據共同信貸風險特徵及歷史觀察違約率分組，並經前瞻性估計調整。於二零一八年十二月三十一日，本公司董事認為應收賬款的違約風險極低，且存續期預期信貸虧損撥備不大。概無債務人被視為出現信貸減值。

26. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

26. 已付按金、預付款項及其他應收款項

		Notes *附註*	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
Deposits paid and prepayments	已付按金及預付款項	(a)	**434,245**	616,341
Other receivables	其他應收款項		**393,365**	306,039
Amounts due from related parties	應收關聯人士款項	(b)	**47,302**	168,078
Amounts due from non-controlling interests	應收非控股權益款項	(c)	**15,382**	47,805
Total	總計		**890,294**	1,138,263

Notes:

(a) The balance mainly represents prepaid construction costs of RMB356,466,000 (2017: RMB572,390,000) to the contractors for the Group's property development projects.

(b) Amounts due from related parties, in which the ultimate controlling party has beneficial interests, are unsecured, interest-free and repayable on demand.

(c) As at 31 December 2018, amount due from non-controlling interests amounting to RMB12,507,000 is secured by equity interests held by the non-controlling party, interest bearing at 6.37% per annum and repayable on demand. Remaining balance of amount due from non-controlling interests is unsecured, interest-free and repayable on demand.

As at 31 December 2017, amounts due from non-controlling interests were unsecured, interest-free and repayable on demand.

附註：

(a) 該結餘主要為就本集團物業開發項目而向承包商作出之預付建設成本人民幣356,466,000元(二零一七年：人民幣572,390,000元)。

(b) 應收關聯方款項(最終控股方於其中擁有實益權益)為無抵押、免息及須按要求償還。

(c) 於二零一八年十二月三十一日，應收非控股權益款項為人民幣12,507,000元，該款項由非控股方持有之股權作抵押、按年利率6.37%計息及須按要求償還。應收非控股權益款項之餘下結餘為無抵押、免息及須按要求償還。

於二零一七年十二月三十一日，應收非控股權益款項為無抵押、免息及須按要求償還。

27. OTHER FINANCIAL ASSETS

Amount represented investments in money market funds investment issued by a reputable bank in the PRC with maturity date within a month after the end of the reporting period. The return and principal of the investments were not guaranteed by the bank. The value of the market funds investment varies by reference to the performance of the underlying investments mainly comprising debt investments in the PRC including government debentures, treasury notes, corporate bonds and short term fixed deposits. In the opinion of the directors of the Company, the carrying amount approximated to its fair value as of 31 December 2017. The investment was redeemed in January 2018.

27. 其他金融資產

該筆款項指投資於一間聲譽良好的中國銀行發行的貨幣市場基金，其於報告期末後一個月內到期。該銀行概不保證投資的回報及本金額。市場基金投資的價值根據相關投資的表現變動，主要包括政府債權證、國債、公司債券及短期定期存款等中國債務投資。本公司董事認為，截至二零一七年十二月三十一日，該款項的賬面值與其公允價值相若。該投資於二零一八年一月贖回。

28. RESTRICTED BANK DEPOSITS

28. 受限制銀行存款

		Notes 附註	**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
Pledged certificate of deposits for bank loans	就銀行貸款抵押的存款證		**1,938,317**	1,378,210
Funds under regulation by banks for specific purposes	受銀行監管作特定用途的資金		**1,011,723**	554,529
Performance deposits required by government	政府規定的履約按金	(a)	**553,260**	–
Pledged bank deposits for bank loans	就銀行貸款抵押的銀行存款		**264,469**	110,221
Pledged bank deposits for mortgage	就按揭抵押的銀行存款	(b)	**144,520**	47,027
Performance deposits for construction contracts	建築合約的履約按金		**3,244**	25,051
Others	其他		**293**	2,483
Total	總計		**3,915,826**	2,117,521

The effective interest rates of restricted bank deposits are in the range of 0.01% to 3.03% (2017: 0.01% to 4.75%) per annum.

受限制銀行存款實際年利率介乎0.01%至3.03%（二零一七年：0.01%至4.75%）。

Notes:

(a) The balance represents performance deposits required by the government for the Group's urban renewal development project.

(b) The balance represents bank deposits pledged to secure the mortgage granted to buyers of properties.

附註：

(a) 該結餘指政府規定本集團須就其城市更新發展項目履約按金。

(b) 該結餘指為取得向物業買家授出的按揭而作出的抵押銀行存款。

29. BANK BALANCES AND CASH

As at 31 December 2018, included in bank balances and cash was a fixed deposit of RMB442,133,000 (2017: RMB624,929,000) with original maturity period of more than three months but within one year.

The effective interest rates of cash at banks are in the range of 0.01% to 1.95% (2017: 0.01% to 1.35%) per annum.

29. 銀行結餘及現金

於二零一八年十二月三十一日，銀行結餘及現金包括原到期日為多於三個月但少於一年之定期存款人民幣442,133,000元（二零一七年：人民幣624,929,000元）。

銀行現金的實際年利率介乎0.01%至1.95%（二零一七年：0.01%至1.35%）。

30. ACCOUNTS PAYABLE

Accounts payable mainly represent amounts due to contractors. Payment to contractors is made by reference of progress of the respective construction work and agreed milestones.

The following is an aged analysis of accounts payable presented based on the invoice date:

30. 應付賬款

應付賬款主要指應付承包商款項。應付承包商款項參考有關建設工程進度及協定進度作出。

應付賬款的賬齡按發票日期分析如下：

		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
Within 1 month	1個月內	**1,220,394**	479,144
1 to 12 months	1至12個月	**109,626**	75,937
13 to 24 months	13至24個月	**11,029**	12,742
Over 24 months	24個月以上	**42,465**	32,214
		1,383,514	600,037

The average credit period for purchase of construction materials ranged from six months to one year.

購買建築材料的平均信貸期為6個月至1年不等。

31. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

31. 應計費用、已收按金及其他應付款項

		Notes 附註	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
Rental deposits received	已收租金按金		**119,202**	105,812
Receipts in advance	預收款項	(a)	**1,551**	922,148
Other payables and accruals	其他應付款項及應計費用	(b)	**426,142**	2,692,890
Amounts due to related parties	應付關聯方款項	(c)	**191,195**	–
Amounts due to non-controlling interests	應付非控股權益款項	(d)	**6,724**	4,522
			744,814	3,725,372

Notes:

(a) As at 31 December 2018, receipts in advance consist of rental considerations received in advance from customers.

As at 31 December 2017, receipts in advance primarily consist of pre-sale deposits received from customers for sales of properties.

(b) As at 31 December 2017, included in other payables and accruals mainly represented consideration payable for the acquisition of New Grade Investments Limited as disclosed in note 38(a) amounting to HK$2,475,000,000 (equivalent to RMB2,068,852,000) and was fully settled by the Group during the year ended 31 December 2018.

(c) Amounts due to related parties, in which the ultimate controlling party has beneficial interests, are unsecured, interest-free and repayable on demand.

(d) Amounts due to non-controlling interests are unsecured, interest-free and repayable on demand.

附註：

(a) 於二零一八年十二月三十一日，預收款項包括預先向客戶收取之租金代價。

於二零一七年十二月三十一日，預收款項主要包括就物業銷售向客戶收取之預售按金。

(b) 於二零一七年十二月三十一日，其他應付款項及應計費用主要包括就收購New Grade Investments Limited（於附註38(a)中披露）應付的代價2,475,000,000港元（相當於人民幣2,068,852,000元），而本集團於截至二零一八年十二月三十一日止年度悉數償還該等款項。

(c) 應付關聯方款項(最終控股方於其中擁有實益權益）為無抵押、免息及須按要求償還。

(d) 應付非控股權益款項為無抵押、免息及須按要求償還。

32. CONTRACT LIABILITIES

32. 合同負債

		31/12/2018 二零一八年 十二月三十一日 RMB'000 人民幣千元	1/1/2018* 二零一八年 一月一日* RMB'000 人民幣千元
Sales of properties *(Note)*	物業銷售*(附註)*	**2,265,113**	921,950
Hotel operation and property management service	酒店營運及物業管理服務	**3,175**	198
		2,268,288	922,148

* The amounts as at 1 January 2018 are after adjustments from the application of HKFRS 15.

* 於二零一八年一月一日之該等金額計及應用香港財務報告準則第15號之調整。

Note: The balance represents sales deposits and advance payments received from sales of properties.

附註： 該結餘指銷售按金及物業銷售之預先收取款項。

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities:

下表列示於本年度確認與結轉合同負債相關之收益金額：

		2018 二零一八年 RMB'000 人民幣千元
Sales of properties	物業銷售	**881,054**
Hotel operation and property management services	酒店營運及物業管理服務	**198**

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

對已確認合同負債金額造成影響之一般付款條款如下：

Sales of properties

物業銷售

The Group receives an upfront payment, ranging from RMB20,000 to RMB2,000,000 for different properties from customers for the subscription of properties and such amount will be treated as the deposits from customers after signing the sale and purchase agreement. However, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration earlier. Such advance payment schemes result in contract liabilities being recognised throughout the property construction period for the full amount of the contract price.

本集團就不同物業向客戶收取介乎人民幣20,000元至人民幣2,000,000元的物業認購預付款，有關款項將於簽訂買賣協議後作為客戶按金入賬。但是，取決於市場狀況，本集團可能向客戶提供較所列銷售價格有所折讓之價格，惟客戶須同意提早支付代價結餘。該等預先付款計劃導致本集團須就全數合同金額於物業施工期間確認為合同負債。

33. BORROWINGS 33. 借貸

		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
Borrowings comprise:	借貸包括：		
– Variable rate bank loans	－浮息銀行貸款	**14,283,068**	10,734,754
– Fixed rate bank loans	－固定利率銀行貸款	**1,916,300**	1,260,200
– Variable rate other borrowings	－浮息其他借貸	**–**	240,000
– Fixed rate other borrowings	－固定利率其他借貸	**–**	400,000
– Private senior notes	－私募優先票據	**342,428**	323,323
		16,541,796	12,958,277
Analysed as:	分析：		
– Secured	－有抵押	**16,085,461**	12,323,718
– Unsecured	－無抵押	**456,335**	634,559
		16,541,796	12,958,277
Borrowings repayable within a period of:	借貸須於以下期間內償還：		
– Within 1 year	－一年內	**2,557,174**	3,483,806
– More than 1 year, but not exceeding 2 years	－超過一年但少於兩年	**2,056,850**	2,025,834
– More than 2 years, but not exceeding 5 years	－超過兩年但少於五年	**8,906,056**	4,659,942
– More than 5 years	－五年以後	**2,346,442**	2,657,459
		15,866,522	12,827,041
Borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:	包含按要求償還條款之借貸（列入流動負債），惟須於下列期間內償還：		
– Within 1 year	－一年內	**675,274**	131,236
Total borrowings	總借貸	**16,541,796**	12,958,277
Less: Amount due within one year shown under current liabilities	減：流動負債項下於一年內到期之款項	**(3,232,448)**	(3,615,042)
Amount due after one year	於一年後到期之款項	**13,309,348**	9,343,235

All the Group's borrowings are denominated in the functional currencies of the relevant group companies (i.e. RMB, United States Dollar ("US$") and HK$) except certain bank and other borrowings amounting to RMB1,685,510,000 (2017: RMB820,352,000), which are denominated in HK$.

所有本集團借貸採用相關集團公司的功能貨幣(即人民幣、美元(「美元」)與港元)計值，若干銀行及其他借貸人民幣1,685,510,000元(二零一七年：人民幣820,352,000元)以港元計值除外。

For bank loans denominated in HK$, the effective interest rates are ranging from 1.91% to 5.39% (2017: 1.62% to 4.20%) per annum. For bank and other loans denominated in RMB, the effective interest rates are ranging from 4.35% to 9.00% (2017: 4.35% to 8.50%) per annum.

就以港元計值的銀行貸款而言，實際年利率介乎1.91%至5.39%(二零一七年：1.62%至4.20%)。就以人民幣計值的銀行及其他貸款而言，實際年利率介乎4.35%至9.00%(二零一七年：4.35%至8.50%)。

As at 31 December 2018, a secured bank loan with aggregate amount of RMB1,785,690,000 is secured by the equity interests of a subsidiary of the Group (also see note 45).

於二零一八年十二月三十一日，有抵押銀行貸款總金額人民幣1,785,690,000元由本集團一間附屬公司之股權作抵押(並請參閱附註45)。

33. BORROWINGS *(Cont'd)*

Issue of US$ denominated private senior notes due in 2019

On 13 December 2017, Gemstones International Limited ("Gemstones"), a direct wholly-owned subsidiary of the Company (the "Issuer"), entered into a subscription agreement with Harbor Sure (HK) Investments Limited (the "Purchaser"), an independent third party to the Group, pursuant to which the Purchaser agreed to purchase the private senior notes with an aggregate principal amount of US$50,000,000 (the "Private Notes"). The issue price was at 100.0% of the principal amount of the Private Notes. The Private Notes are:

(a) carried interest at rate of 8.5% per annum and interest is payable semi-annually on 18 June and 18 December of each year, commencing from 19 December 2017 and maturing on 19 December 2019;

(b) senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Private Notes;

(c) ranked and will rank 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); and

(d) guaranteed by the Company and certain subsidiaries of the Company on a senior basis, subject to certain limitations.

The interest charged is calculated by applying an effective interest rate of approximately 8.86% per annum since the Private Notes were issued.

33. 借貸*(續)*

發行將於二零一九年到期以美元計值之私募優先票據

於二零一七年十二月十三日，本公司的直接全資附屬公司碧玺国际有限公司(「碧玺」)(「發行人」)與本集團獨立第三方Harbor Sure (HK) Investments Limited(「買方」)訂立一份認購協議，據此，買方同意購買本金總額為50,000,000美元的私募優先票據(「私募票據」)。發行價為私募票據本金額的100.0%。私募票據：

(a) 按年利率8.5%計息，利息須自二零一七年十二月十九日起至二零一九年十二月十九日止，於每年的六月十八日及十二月十八日每半年支付；

(b) 較列明其收款權利從屬於私募票據的發行人任何現有及日後責任享有優先收款權利；

(c) 至少與及將與發行人所有其他無抵押、非後償債務具有同等付款權利(須根據適用法律受該等無抵押非後償債務的任何優先權所規限)；及

(d) 由本公司及本公司若干附屬公司按優先基準擔保(須受若干限制)。

已計利息按自私募票據發行起應用實際年利率約8.86%計算。

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS

34. 可換股債券及可換股債券衍生工具部分

(a) Debt component of convertible bonds

(a) 可換股債券債務部分

		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
Net carrying amount as at 1 January	於一月一日的賬面淨值	**589,650**	559,186
Issue of convertible bonds	發行可換股債券	**704,661**	–
Interest expense	利息開支	**131,969**	107,299
Interest paid	已付利息	**(45,946)**	(37,247)
Conversion of CB 2018 (as defined below)	兑換二零一八年可換股債券（定義見下文）	**(59,278)**	–
Exchange difference	匯兑差額	**60,589**	(39,588)
Net carrying amount as at 31 December	於十二月三十一日的賬面淨值	**1,381,645**	589,650
Less: Amount due within one year shown under current liabilities	減：流動負債項下於一年內到期之款項	**–**	(589,650)
Amount due after one year	於一年後到期之款項	**1,381,645**	–

(1) On 6 November 2016, the Company entered into a Convertible Bonds Subscription Agreement (the "Agreement") with an independent third party, Chance Talent Management Limited (the "Subscriber"). Pursuant to the Agreement, the Subscriber agreed to acquire the Convertible Bond (the "CB 2018") with aggregate principal amount of US$100 million (equivalent to RMB686 million) at interest rate of 5.5% per annum, payable by the Company semi-annually in arrears from the issue date, with initial conversion price of HK$2.76. The maturity date is on the second anniversary of the issue date. The CB 2018 were issued to the Subscriber on 18 November 2016.

The bondholder has the right to convert the CB 2018 in whole or in part into shares at any time on or after the issue date of the CB 2018 up to the maturity date. 264,946,889 (2017: 287,940,630) new shares will be issued upon full conversion of the CB 2018. An adjustment had been made to the conversion price from HK$2.76 to HK$2.695 on 21 July 2017 as a result of the dividends paid since the convertible bonds were issued.

On 17 January 2018, the Company received a notice from the Subscriber, requesting for the conversion of the CB 2018 in the principal amount of US$10,000,000. Accordingly, the Company has allotted and issued 28,794,063 conversion shares to the Subscriber at the conversion price of HK$2.695 per conversion share. Adjustments had been made to the conversion price from HK$2.695 to HK$2.636 as a result of allotment of ordinary shares, allotment of convertible preference shares and the dividends paid during the year.

On 3 October 2018, the Subscriber, the Company and Mr. Wong entered into the Deed of Extension to extend the maturity date of the CB 2018 to 18 November 2020.

(1) 於二零一六年十一月六日，本公司與一名獨立第三方Chance Talent Management Limited（「認購人」）訂立一份可換股債券認購協議（「該協議」）。根據該協議，認購人同意收購本金總額為1億美元（相當於人民幣6.86億元）、按年利率5.5%計息的可換股債券（「二零一八年可換股債券」）（初步兑換價為2.76港元），利息自發行日期起於每半年末由本公司支付。到期日為發行日期起計滿兩週年。二零一八年可換股債券於二零一六年十一月十八日發行予認購人。

債券持有人有權於二零一八年可換股債券發行日期當日或之後至到期日止隨時將全部或部份二零一八年可換股債券轉換為股份。264,946,889股（二零一七年：287,940,630股）新股份將於二零一八年可換股債券獲悉數轉換後發行。因可換股債券發行而支付的股息導致於二零一七年七月二十一日兑換價由2.76港元調整至2.695港元。

於二零一八年一月十七日，本公司接獲認購人之通知，要求就本金額10,000,000美元之二零一八年可換股債券進行兑換。因此，本公司已向認購人按每股兑換股份兑換價2.695港元配發及發行28,794,063股兑換股份。由於本年度內配發普通股、配發可換股優先股及支付股息，轉換價已由2.695港元調整為2.636港元。

於二零一八年十月三日，認購人、本公司與黃先生訂立延長契據，以將二零一八年可換股債券之到期日延長至二零二零年十一月十八日。

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

(a) Debt component of convertible bonds *(Cont'd)*

(1) *(Cont'd)*

Principal amendments to the Agreement are as follow:

(a) the maturity date of the CB 2018 will be changed from the date falling on the second anniversary of the issue date to the date falling on the fourth anniversary of the issue date;

(b) the CB 2018 shall bear an administrative fee (the "Administrative Fee") at 1.5% per annum on the principal amount outstanding from time to time, accruing on a daily basis and calculated for actual number of days elapsed on a 365-day year. The Administrative Fee shall be payable annually in arrears from the second anniversary of the issue date. Administrative Fee on any CB 2018 not held for the whole of the relevant period shall be calculated on a pro rata basis; and

(c) the undertakings given by the Company to the Subscriber and the holders of the CB 2018 (the "Bondholders") that the shareholders' equity of the Company should not be less than RMB8,200,000,000 (or its equivalent in any other currency) will be changed to an undertaking given by the Company to the Subscriber and the Bondholders that the shareholders' equity of the Company should not be less than RMB10,000,000,000 (or its equivalent in any other currency).

The CB 2018 will be redeemed on maturity at a value equal to the amount equal to the aggregate of (a) the aggregate principal amount of such outstanding CB 2018; (b) any accrued but unpaid interest on such outstanding CB 2018 on the redemption date (other than default interest); and (c) (if the sum of the amounts referred to above (a) and (b) fall short of making up an internal rate of return of 8% on the aggregate principal amount of CB 2018) such additional amount which would make up an internal rate of 8% on the aggregate principal amount of CB 2018.

Further details of the terms and conditions of the CB 2018 were disclosed in the announcements of the Company dated 6 November 2016, 8 November 2016, 18 November 2016 and 3 October 2018 respectively.

34. 可換股債券及可換股債券衍生工具部分*(續)*

(a) 可換股債券債務部分*(續)*

(1) *(續)*

該協議之主要修訂如下：

(a) 二零一八年可換股債券之到期日將由發行日期起計滿兩週年當日更改為發行日期起計滿四週年當日；

(b) 二零一八年可換股債券須收取行政費(「行政費」)，該費用乃根據不時之未贖回本金額按年利率1.5%按日累計，並按一年365日之實際過去日數計算。行政費須由發行日期計滿兩週年起每年於年底支付。有關任何並非於整段相關期間持有之二零一八年可換股債券之行政費將按比例計算；及

(c) 本公司向認購人及二零一八年可換股債券持有人(「債券持有人」)承諾本公司股東權益不低於人民幣8,200,000,000元(或任何其他貨幣之等值金額)將更改為本公司向認購人及債券持有人承諾本公司股東權益不低於人民幣10,000,000,000元(或任何其他貨幣之等值金額)。

二零一八年可換股債券將於到期日贖回，價值等同相等於下列總和之金額(a)有關未轉換二零一八年可換股債券之本金總額；(b)任何有關未轉換二零一八年可換股債券於贖回日期之應計但未付利息(違約利息除外)；及(c)(倘上文(a)及(b)項所述款項之總和不足以令內部回報率達二零一八年可換股債券本金總額之8%)將令內部回報率達二零一八年可換股債券本金總額8%之有關額外金額。

二零一八年可換股債券的條款及條件的進一步詳情於本公司日期分別為二零一六年十一月六日、二零一六年十一月八日、二零一六年十一月十八日及二零一八年十月三日的公告內披露。

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

(a) Debt component of convertible bonds *(Cont'd)*

(1) *(Cont'd)*

The CB 2018 contains two components, debt component and derivative component. The effective interest rate of the debt component is 14.23% (2017: 19.98%) per annum. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The fair value of conversion option is US$4,494,000 (equivalent to RMB30,843,000) (2017: US$16,999,000 (equivalent to RMB111,078,000)) as at 31 December 2018.

(2) On 10 May 2018, a wholly-owned subsidiary of the Company, Gemstones entered into a Convertible Bonds Subscription Agreement (the "2018 Agreement") with an independent third party, Global Affluence Holding V Limited (the "2018 Subscriber"). Pursuant to the 2018 Agreement, the 2018 Subscriber agreed to acquire the convertible bonds (the "CB 2023") with aggregate principal amount of US$100 million (equivalent to RMB675 million) at interest rate of 4.0% per annum, payable by the Company semi-annually in arrears. The maturity date is on the fifth anniversary of the issue date. The CB 2023 were issued to the 2018 Subscriber on 17 May 2018.

The bondholder has the right to convert the CB 2023 in whole or in part into shares at any time on or after the issue date of the CB 2023 up to the date falling seven days prior to the maturity date. 208,776,595 new shares will be issued upon full conversion of the CB 2023 based on the initial conversion price of HK$3.76. Adjustments had been made to the conversion price from HK$3.76 to HK$3.68 as a result of the extension of CB 2018 and issue of Second CB 2023 during the year.

The CB 2023 will be redeemed on maturity at a value equal to 124.012214% of the outstanding principal amount of the CB 2023, together with any accrued and unpaid interest.

The bondholder has the right by written notice at any time on or after 17 May 2020, the second anniversary of the issue date of the CB 2023 and before maturity, require the Gemstones to redeem all or some only of such bondholder's CB 2023 at a gross yield of 8.00% per annum.

34. 可換股債券及可換股債券衍生工具部分*(續)*

(a) 可換股債券債務部分*(續)*

(1) *(續)*

二零一八年可換股債券包括兩個部分(債務部分及衍生工具部分)。債務部分的實際利率為每年14.23%(二零一七年:19.98%)。衍生工具部分按公允價值及於損益中確認的公允價值變動計量。

於二零一八年十二月三十一日,轉換期權的公允價值為4,494,000美元(相當於人民幣30,843,000元)(二零一七年:16,999,000美元(相當於人民幣111,078,000元))。

(2) 於二零一八年五月十日,本公司一間全資附屬公司碧玺與一名獨立第三方Global Affluence Holding V Limited(「二零一八年認購人」)訂立一份可換股債券認購協議(「二零一八年協議」)。根據二零一八年協議,二零一八年認購人同意收購本金總額為1億美元(相等於人民幣6.75億元)、按年利率4.0%計息的可換股債券(「二零二三年可換股債券」),利息於每半年末由本公司支付。到期日為發行日期起計滿五週年。二零二三年可換股債券於二零一八年五月十七日發行予二零一八年認購人。

債券持有人有權於二零二三年可換股債券發行日期當日或之後至到期日前七日止隨時將全部或部分二零二三年可換股債券兑換為股份。208,776,595股新股份將於二零二三年可換股債券獲悉數兑換後按初步兑換價3.76港元發行。由於本年度內延長二零一八年可換股債券及發行第二批二零二三年可換股債券,轉換價已由3.76港元調整為3.68港元。

二零二三年可換股債券將於到期日贖回,價值等同於二零二三年可換股債券未清償本金額的124.012214%連同任何應計及未付利息。

債券持有人有權於二零二零年五月十七日(即二零二三年可換股債券發行日期起計滿兩週年及到期日前)當日或之後,隨時透過書面通知要求碧玺按每年8.00%的毛收益率贖回該債券持有人持有的全部或部分二零二三年可換股債券。

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

(a) Debt component of convertible bonds *(Cont'd)*

(2) *(Cont'd)*

The fair value of conversion option is US$23,463,000 (equivalent to RMB149,409,000) and US$5,877,000 (equivalent to RMB40,338,000) as at initial recognition and 31 December 2018, respectively. The fair value of early redemption option is US$10,146,000 (equivalent to RMB64,609,000) and US$13,404,000 (equivalent to RMB91,994,000) as at initial recognition and 31 December 2018, respectively.

Further details of the terms and conditions of the CB 2023 were disclosed in the announcements of the Company dated 11 May 2018.

The CB 2023 contains two components, debt component and derivative component (including the conversion option and the early redemption option that is not closely to the host). The effective interest rates of the debt component is 13.48% per annum. The derivative component is measured at fair value with changes in fair value recognised in profit and loss.

(3) On 16 September 2018, Gemstones entered into a Convertible Bonds Subscription Agreement (the "2018 Second Agreement") with an independent third party, Pioneer Festive Limited (the "2018 Second Subscriber"). Pursuant to the 2018 Second Agreement, the 2018 Second Subscriber agreed to acquire the convertible bonds (the "Second CB 2023") with aggregate principal amount of US$50 million (equivalent to RMB341.8 million) at interest rate of 5.0% per annum, payable by the Company semi-annually in arrears. The maturity date is on the fifth anniversary of the issue date. The Second CB 2023 were issued to the 2018 Second Subscriber on 28 September 2018.

The bondholder has the right to convert the Second CB 2023 in whole or in part into shares at any time on or after the issue date of the Second CB 2023 up to the date falling seven days prior to the maturity date. 127,022,653 new shares will be issued upon full conversion of the Second CB 2023 based on the initial conversion price of HK$3.09.

The Second CB 2023 will be redeemed on maturity at a value equal to 136.1% of the outstanding principal amount of the Second CB 2023, together with any accrued and unpaid interest.

34. 可換股債券及可換股債券衍生工具部分*(續)*

(a) 可換股債券債務部分*(續)*

(2) *(續)*

於初始確認日及二零一八年十二月三十一日轉換期權的公允價值分別為23,463,000美元(相當於人民幣149,409,000元)及5,877,000美元(相當於人民幣40,338,000元)。於初始確認日及二零一八年十二月三十一日提前贖回權的公允價值分別為10,146,000美元(相當於人民幣64,609,000元)及13,404,000美元(相當於人民幣91,994,000元)。

有關二零二三年可換股債券的條款及條件的進一步詳情已在本公司日期為二零一八年五月十一日的公告內披露。

二零二三年可換股債券包括兩個部分(債務部分及衍生工具部分)(包括與主部分並無緊密關聯之轉換期權及提前贖回權)。債務部分的實際利率為每年13.48%。衍生工具部分按公允價值及於損益中確認的公允價值變動計量。

(3) 於二零一八年九月十六日，碧玺與一名獨立第三方Pioneer Festive Limited(「二零一八年第二認購人」)訂立一份可換股債券認購協議(「二零一八年第二份協議」)。根據二零一八年第二份協議，二零一八年第二認購人同意收購本金總額為5,000萬美元(相等於人民幣3.418億元)、按年利率5.0%計息的可換股債券(「二零二三年第二批可換股債券」)，利息於每半年末由本公司支付。到期日為發行日期起計滿五週年。二零二三年第二批可換股債券於二零一八年九月二十八日發行予二零一八年第二認購人。

債券持有人有權於二零二三年第二批可換股債券發行日期當日或之後至到期日前七日止隨時將全部或部分二零二三年第二批可換股債券兑換為股份。127,022,653股新股份將於二零二三年第二批可換股債券獲悉數兑換後按初步兑換價3.09港元發行。

二零二三年第二批可換股債券將於到期日贖回，價值等同於二零二三年第二批可換股債券未清償本金額的136.1%連同任何應計及未付利息。

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

(a) Debt component of convertible bonds *(Cont'd)*

(3) *(Cont'd)*

The bondholder has the right by written notice at any time on or after 28 September 2020, the second anniversary of the issue date of the Second CB 2023 and before maturity, require the Gemstones to redeem all or some only of such bondholder's Second CB 2023 at a yield of internal rate of return of 10.00% per annum.

If a bondholder has exercised the conversion rights attached to any CB 2023 and disposed of any conversion shares issued as a result thereof, Gemstones will be entitled to share 30% of the consideration (net of taxes and brokerage fees) payable to the relevant bondholder in excess of the agreed preferred return in accordance with the terms of the Second CB 2023.

The fair value of conversion option (after profit-sharing) is US$5,495,000 (equivalent to RMB37,800,000) and US$3,419,000 (equivalent to RMB23,468,000) as at initial recognition and 31 December 2018, respectively. The fair value of early redemption option is US$1,298,000 (equivalent to RMB8,926,000) and US$1,670,000 (equivalent to RMB11,462,000) as at initial recognition and 31 December 2018, respectively.

Further details of the terms and conditions of the Second CB 2023 were disclosed in the announcements of the Company dated 17 September 2018.

The Second CB 2023 contains two components, debt component and the derivative component (including the conversion option after profit-sharing and the early redemption option that is not closely related to the host). The effective interest rate of the debt component is 8.73% per annum. The derivative component is measured at fair value with changes in fair value recognised in profit and loss.

34. 可換股債券及可換股債券衍生工具部分*(續)*

(a) 可換股債券債務部分*(續)*

(3) *(續)*

債券持有人有權於二零二零年九月二十八日(即二零二三年第二批可換股債券發行日期起計滿兩週年及到期日前)當日或之後，隨時透過書面通知要求碧玺按每年10.00%的內部回報收益率贖回該債券持有人持有的全部或部分二零二三年第二批可換股債券。

倘債券持有人已行使任何二零二三年可換股債券所附的換股權，並出售因此而發行的任何兑換股份，碧玺將有權分佔應付相關債券持有人的代價(扣除税項及經紀費用後)超過根據二零二三年第二批可換股債券條款協定的優先回報的金額的30%。

於初始確認日及二零一八年十二月三十一日轉換期權(溢利分成後)的公允價值分別為5,495,000美元(相當於人民幣37,800,000元)及3,419,000美元(相當於人民幣23,468,000元)。於初始確認日及二零一八年十二月三十一日提前贖回權的公允價值分別為1,298,000美元(相當於人民幣8,926,000元)及1,670,000美元(相當於人民幣11,462,000元)。

有關二零二三年第二批可換股債券的條款及條件的進一步詳情已在本公司日期為二零一八年九月十七日的公告內披露。

二零二三年第二批可換股債券包括兩個部分(債務部分及衍生工具部分)(包括與主部分並無緊密關聯之溢利分成後轉換期權及提前贖回權)。債務部分的實際利率為每年8.73%。衍生工具部分按公允價值及於損益中確認的公允價值變動計量。

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

34. 可換股債券及可換股債券衍生工具部分*(續)*

(b) Derivative component of convertible bonds

(b) 可換股債券衍生工具部分

		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
Net carrying amount as at 1 January	於一月一日的賬面淨值	**111,078**	120,496
Embedded derivatives at the date of issue of convertible bonds	於可換股債券發行日期的嵌入式衍生工具	**255,307**	–
Conversion of CB 2018	兑換二零一八年可換股債券	**(11,107)**	–
Gain arising on changes in fair value	公允價值變動產生的收益	**(172,192)**	(2,373)
Exchange difference	匯兑差額	**15,019**	(7,045)
Net carrying amount as at 31 December	於十二月三十一日的賬面淨值	**198,105**	111,078
Less: Amount due within one year shown under current liabilities	減：流動負債項下於一年內到期之款項	**–**	(111,078)
Amount due after one year	於一年後到期之款項	**198,105**	–

(1) The methods and assumptions applied for the valuation of the CB 2018 at initial recognition, at 31 December 2017 and at 31 December 2018 were as follows:

The fair value of the derivative component of convertible bonds at initial recognition, as at 31 December 2017 and as at 31 December 2018 derived by using the Binomial Option Pricing Model were approximately RMB135,518,000, RMB111,078,000 and RMB30,842,000, respectively, which were determined by the directors of the Company with reference to the valuation performed by Asset Appraisal Limited, a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative instruments with reference to market values. During the year ended 31 December 2018, the Group recognised the fair value gain of RMB71,432,000 (2017: RMB2,373,000) in the consolidated statement of profit or loss.

(1) 於初步確認、於二零一七年十二月三十一日及於二零一八年十二月三十一日對二零一八年可換股債券進行估值時所應用的方法及假設如下：

可換股債券衍生工具部分於初始確認日、於二零一七年十二月三十一日及於二零一八年十二月三十一日採用二項式期權定價模型衍生之公允價值分別約為人民幣135,518,000元、人民幣111,078,000元及人民幣30,842,000元，有關金額乃本公司董事參考中誠達資產評值顧問有限公司進行的估值而釐定，該公司乃擁有適當資格的獨立專業估值師，且在參考市值評估同類衍生工具方面擁有近期經驗。截至二零一八年十二月三十一日止年度，本集團於綜合損益表中確認公允價值收益人民幣71,432,000元(二零一七年：人民幣2,373,000元)。

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

(b) Derivative component of convertible bonds *(Cont'd)*

(1) *(Cont'd)*

The inputs used in the Binomial Option Pricing Model adopted by the independent professional valuer in determining the fair values of derivative component of the CB 2018 at the respective dates were as follows:

	At date of issue	At 31.12.2017	**At 31.12.2018**
Share price	HK$2.49	HK$2.98	**HK$2.23**
Exercise price	HK$2.76	HK$2.695	**HK$2.636**
Expected dividend yield	0.40%	1.68%	**2.24%**
Volatility	52.35%	32.66%	**33.31%**
Risk free interest rate	0.783%	1.040%	**2.540%**

(2) The methods and assumptions applied for the valuation of the CB 2023 at initial recognition and 31 December 2018 were as follows:

The fair value of the derivative component of convertible bonds at initial recognition and as at 31 December 2018 derived by using the Binomial Option Pricing Model were approximately RMB209,632,000 and RMB132,332,000, respectively, which were determined by the directors of the Company with reference to the valuation performed by Asset Appraisal Limited, a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative component of convertible bonds with reference to market values. During the year ended 31 December 2018, the Group recognised the fair value gain of RMB90,477,000 in the consolidated statement of profit or loss.

34. 可換股債券及可換股債券衍生工具部分*(續)*

(b) 可換股債券衍生工具部分*(續)*

(1) *(續)*

獨立專業估值師於各日期釐定二零一八年可換股債券衍生工具部分公允價值時所採納的二項式期權定價模型中所用的輸入數據如下：

	於發行日期	於二零一七年十二月三十一日	**於二零一八年十二月三十一日**
股價	2.49港元	2.98港元	**2.23港元**
行使價	2.76港元	2.695港元	**2.636港元**
預期股息率	0.40%	1.68%	**2.24%**
波幅	52.35%	32.66%	**33.31%**
無風險利率	0.783%	1.040%	**2.540%**

(2) 於初步確認及於二零一八年十二月三十一日對二零二三年可換股債券進行估值時所應用的方法及假設如下：

可換股債券衍生工具部分於初步確認及於二零一八年十二月三十一日採用二項式期權定價模型衍生之公允價值分別約為人民幣209,632,000元及人民幣132,332,000元，有關金額乃本公司董事參考中誠達資產評值顧問有限公司進行的估值而釐定，該公司乃擁有適當資格的獨立專業估值師，且在參考市值評估同類可換股債券衍生工具部分方面擁有近期經驗。截至二零一八年十二月三十一日止年度，本集團於綜合損益表中確認公允價值收益人民幣90,477,000元。

34. CONVERTIBLE BONDS AND DERIVATIVE COMPONENT OF CONVERTIBLE BONDS *(Cont'd)*

(b) Derivative component of convertible bonds *(Cont'd)*

(2) *(Cont'd)*

The inputs used in the Binomial Option Pricing Model adopted by the independent professional valuer in determining the fair values the derivative component of the CB 2023 at the respective dates were as follows:

	At date of issue	**At 31.12.2018**
Share price	HK$3.05	**HK$2.23**
Exercise price	HK$3.76	**HK$3.68**
Expected dividend yield	1.64%	**2.24%**
Volatility	57.44%	**50.73%**
Discount rate	18.331%	**17.581%**
Risk free interest rate	3.003%	**2.529%**

(3) The methods and assumptions applied for the valuation of the Second CB 2023 at initial recognition and 31 December 2018 were as follows:

The fair value of the derivative component of convertible bonds at initial recognition and as at 31 December 2018 derived by using the Binomial Option Pricing Model were approximately RMB46,726,000 and RMB34,931,000, respectively, which were determined by the directors of the Company with reference to the valuation performed by Asset Appraisal Limited, a firm of independent professional valuers with appropriate qualifications and recent experiences in the valuation of similar derivative component of convertible bonds with reference to market values. During the year ended 31 December 2018, the Group recognised the fair value gain of RMB10,283,000 in the consolidated statement of profit or loss.

The inputs used in the Binomial Option Pricing Model adopted by the independent professional valuer in determining the fair values the derivative component of the Second CB 2023 at the respective dates were as follows:

	At date of issue	**At 31.12.2018**
Share price	HK$2.44	**HK$2.23**
Exercise price	HK$3.09	**HK$3.09**
Expected dividend yield	2.05%	**2.24%**
Volatility	53.268%	**49.536%**
Discount rate	14.580%	**14.403%**
Risk free interest rate	2.987%	**2.541%**

34. 可換股債券及可換股債券衍生工具部分*(續)*

(b) 可換股債券衍生工具部分*(續)*

(2) *(續)*

獨立專業估值師於各日期釐定二零二三年可換股債券衍生工具部分公允價值時所採納的二項式期權定價模型中所用的輸入數據如下：

	於發行日期	**於二零一八年十二月三十一日**
股價	3.05港元	**2.23港元**
行使價	3.76港元	**3.68港元**
預期股息率	1.64%	**2.24%**
波幅	57.44%	**50.73%**
貼現率	18.331%	**17.581%**
無風險利率	3.003%	**2.529%**

(3) 於初步確認及於二零一八年十二月三十一日對二零二三年第二批可換股債券進行估值時所應用的方法及假設如下

可換股債券衍生工具部分於初步確認及於二零一八年十二月三十一日採用二項式期權定價模型衍生之公允價值分別約為人民幣46,726,000元及人民幣34,931,000元，有關金額乃本公司董事參考中誠達資產評值顧問有限公司進行的估值而釐定，該公司乃擁有適當資格的獨立專業估值師，且在參考市值評估同類可換股債券衍生工具部分方面擁有近期經驗。截至二零一八年十二月三十一日止年度，本集團於綜合損益表中確認公允價值收益人民幣10,283,000元。

獨立專業估值師於各日期釐定二零二三年第二批可換股債券衍生工具部分公允價值時所採納的二項式期權定價模型中所用的輸入數據如下：

	於發行日期	**於二零一八年十二月三十一日**
股價	2.44港元	**2.23港元**
行使價	3.09港元	**3.09港元**
預期股息率	2.05%	**2.24%**
波幅	53.268%	**49.536%**
貼現率	14.580%	**14.403%**
無風險利率	2.987%	**2.541%**

35. SENIOR NOTES AND BOND

35. 優先票據及債券

		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
Senior notes and bond comprise:	優先票據及債券包括：		
– Public senior notes	－公開優先票據	**2,809,060**	2,661,756
– Domestic corporate bond	－境內公司債券	**2,591,909**	2,589,098
		5,400,969	5,250,854

		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
Net carry amount as at 1 January	於一月一日的賬面淨值	**5,250,854**	2,586,467
Issue of new senior notes and bond	發行新優先票據及債券	**–**	2,687,226
Less: Transaction costs directly attributable to the issuance of senior notes and bond	減：與發行優先票據及債券直接相關之交易成本	**–**	(47,352)
Add: Interest charged during the year	加：年內已扣除利息	**410,200**	242,685
Less: Interest paid	減：已付利息	**(394,549)**	(169,000)
Exchange differences	匯兑差額	**134,464**	(49,172)
Net carrying amount as at 31 December	於十二月三十一日的賬面淨值	**5,400,969**	5,250,854
Less: Amount due within one year shown under current liabilities	減：流動負債項下於一年內到期之款項	**(2,591,909)**	–
Amount due after one year	於一年後到期之款項	**2,809,060**	5,250,854

Issue of US$ denominated public senior notes due in 2020

On 15 August 2017 and 25 October 2017, the Issuer issued senior notes with the aggregate principal amounts of US$225,000,000 and US$175,000,000 respectively (collectively known as, the "Senior Notes"). The issue price was at 100.0% and 100.6% of the principal amount of the Senior Notes, respectively.

Senior Notes are listed on the Singapore Exchange Securities Trading Limited ("SGX"). Senior Notes are:

(a) carried interest at rate of 8.5% per annum and interest is payable semi-annually on 15 February and 15 August of each year, commencing from 15 February 2018 and will mature on 15 August 2020, unless redeemed earlier;

(b) senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Senior Notes;

(c) ranked and will rank 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);

發行將於二零二零年到期以美元計值之公開優先票據

於二零一七年八月十五日及二零一七年十月二十五日，發行人分別發行本金總額為225,000,000美元及175,000,000美元的優先票據(統稱「優先票據」)。發行價分別為優先票據本金額的100.0%及100.6%。

優先票據於新加坡證券交易所(「新交所」)上市。優先票據：

(a) 按年利率8.5%計息，利息須自二零一八年二月十五日起，於每年二月十五日及八月十五日每半年支付(除非獲提早贖回)；

(b) 較列明其付款權利從屬於優先票據的發行人任何現有及日後責任享有優先付款權利；

(c) 至少與及將與發行人所有其他無抵押、非後償債務具有同等付款權利(須根據適用法律受該等無抵押非後償債務的任何優先權所規限)；

35. SENIOR NOTES AND BOND *(Cont'd)*

Issue of US$ denominated public senior notes due in 2020 *(Cont'd)*

(d) guaranteed by the Company and certain subsidiaries of the Company (collectively the "Guarantors") on a senior basis, subject to certain limitations;

(e) 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

(f) effectively subordinated to all existing and future obligations of the subsidiaries of the Company other than the Guarantors.

At any time prior to 15 August 2020, the Issuer may at its option redeem the Senior Notes, in whole but not in part, at a redemption price equal to 100.0% of the principal amount of the Senior Notes plus the applicable premium as defined in the offering memorandum of the Company dated 17 October 2017 ("Applicable Premium") as of, and accrued and unpaid interest (if any) to (but not including), the redemption date.

"Applicable Premium" means with respect to any Senior Notes at any redemption date, the greater of (i) 1.00% of the principal amount of such Senior Notes and (ii) the excess of the present value at such redemption date of the principal amount of such Senior Notes on 15 August 2020, plus all required remaining scheduled interest payments due on such Senior Notes through 15 August 2020 (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 the principal amount of such Senior Notes on such redemption date.

At any time and from time to time prior to 15 August 2020, the Issuer may redeem up to 35% of the aggregate principal amount of the Senior 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 108.5% of the principal amount of the Senior Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Senior 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.

Early redemption option is regarded as embedded derivative not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant at initial recognition date, 31 December 2017 and 2018.

The interest charged for the year is calculated by applying an effective interest rate of approximately 8.90% per annum since the Senior Notes were issued.

The fair value of the Senior Notes at 31 December 2018 amounted to RMB2,552,122,000 (2017: RMB2,625,060,000) The fair value is calculated by using the quoted price based on SGX at the end of the reporting period (or the nearest day of trading).

35. 優先票據及債券*(續)*

發行將於二零二零年到期以美元計值之公開優先票據*(續)*

(d) 由本公司及本公司若干附屬公司(統稱「擔保人」)按優先基準擔保(須受若干限制);

(e) 實際上次於發行人及擔保人的有抵押責任(如有),惟須以就此作為抵押品的資產價值為限;及

(f) 實際上次於非擔保人的本公司附屬公司的所有現有及未來責任。

於二零二零年八月十五前的任何時間,發行人可選擇按相等於優先票據本金額100.0%的贖回價,另加截至贖回日期(但不包括該日)的適用溢價(「適用溢價」,定義見本公司日期為二零一七年十月十七日的發售備忘錄)以及應計及未付利息(如有),贖回全部(但非部分)優先票據。

「適用溢價」指就於任何贖回日期的任何優先票據而言,下列各項的較高者:(i)該優先票據本金額的1.00%;及(ii)超出於該優先票據在二零二零年八月十五日之本金額加至二零二零年八月十五日為止該優先票據一切規定的既定利息支付餘額(但不包括至贖回日期的應計及未付利息)於有關贖回日期的現值(按相等於經調整公債利率加100個基點之貼現率計算)超出於贖回日期該優先票據本金額的差價。

於二零二零年八月十五日前任何時間,發行人可不時按優先票據本金額108.5%的贖回價,另加截至贖回日期(但不包括該日)的應計及未付利息(如有),以股本發售中一宗或以上的本公司普通股銷售的所得現金款項淨額,贖回優先票據本金總額的最多35%;惟在每次贖回後須至少有於原發行日期原先發行的優先票據本金總額的65%仍未贖回,以及任何贖回須於相關股本發售截止後60日內發生。

提早贖回權視為並非與主合約有密切關係的嵌入衍生工具。董事認為上述提早贖回權於初始確認日、二零一七年及二零一八年十二月三十一日的公允價值不重大。

年內已計利息按自優先票據發行日期起應用實際年利率約8.90%計算。

優先票據於二零一八年十二月三十一日的公允價值為人民幣2,552,122,000元(二零一七年:人民幣2,625,060,000元)。該公允價值乃按於報告期末(或最近交易日)新交所的報價計算。

35. SENIOR NOTES AND BOND *(Cont'd)*

Issue of RMB denominated domestic corporate bond due in 2021

On 26 August 2016, a subsidiary of the Company, Zhengxinglong Real Estate (Shenzhen) Co., Ltd. ("Zhengxinglong") issued a domestic corporate bond (the "Bond") with a principal amount of RMB2,600,000,000 and will be repayable in full by 26 August 2021. Zhengxinglong shall has an option to increase the coupon rate from 6.5% up to 7.5% per annum after the end of the third year ("coupon rate adjustment"). Zhengxinglong will make an announcement of the determination on the coupon rate adjustment and irrespective of whether adjustment will be made or not, the investor can exercise retractable option within three working days from the third anniversary of the issue date.

The Bond is listed in Shenzhen Stock Exchange ("SZX"). In the opinion of the directors, the fair values of the entitlement of coupon rate adjustment and investor's entitlement of selling back the Bond are insignificant at initial recognition and at the end of each reporting period.

The interest charged for the year is calculated by applying an effective interest rate of approximately 6.63% per annum since the Bond were issued.

The fair value of the Bond as at 31 December 2018 is RMB2,579,720,000 (2017: RMB2,589,098,000) with reference to the quoted market price of the Bond on SZX at the end of the reporting period (the last trading day prior to 31 December 2018).

35. 優先票據及債券*(續)*

發行將於二零二一年到期以人民幣計值之境內公司債券

於二零一六年八月二十六日，本公司之附屬公司正興隆房地產(深圳)有限公司(「正興隆」)發行境內公司債券(「該債券」)，本金額為人民幣2,600,000,000元，而有關金額將於二零二一年八月二十六日全數償還。正興隆將可選擇於第三年結束後將年票息率自6.5%上調至最多7.5%(「票息率調整」)。正興隆將就票息率調整的決定作出公告(不論是否將會作出調整)，而投資者可自發行日期第三週年當日起的三個工作天內行使回售選擇權。

該債券於深圳證券交易所(「深交所」)上市。董事認為，票息率調整權利及投資者回售該債券之權利之公允價值於初始確認及於各報告期末時並不重大。

年內已計利息按自該債券發行日期起應用實際年利率約6.63%計算。

經參考該債券於報告期末(於二零一八年十二月三十一日前之最後交易日)之市場報價後，該債券於深交所二零一八年十二月三十一日之公允價值為人民幣2,579,720,000元(二零一七年：人民幣2,589,098,000元)。

36. SHARE CAPITAL

36. 股本

		2018 二零一八年			2017 二零一七年		
		Number of shares 股份數目	HK$'000 千港元	RMB'000 人民幣千元	Number of shares 股份數目	HK$'000 千港元	RMB'000 人民幣千元
Authorised share capital of the Company:	本公司法定股本：						
Ordinary shares of HK$0.01 each	每股面值0.01港元的普通股	**30,000,000,000**	**300,000**	**240,000**	30,000,000,000	300,000	240,000
Issued and fully paid share capital of the Company:	本公司已發行及繳足股本：						
Ordinary shares of HK$0.01 each	每股面值0.01港元的普通股						
At 1 January	於一月一日	**4,694,182,792**	**46,941**	**39,121**	4,693,582,792	46,935	39,115
Exercise of share options *(Note 39)*	行使購股權*(附註39)*	**6,700,000**	**67**	**58**	600,000	6	6
Conversion of CB 2018 *(Note 34 (a)(1))*	兑換二零一八年可換股債券 *(附註34(a)(1))*	**28,794,063**	**288**	**240**	–	–	–
Issue of ordinary shares *(Note)*	發行普通股*(附註)*	**212,564,669**	**2,126**	**1,722**	–	–	–
At 31 December	於十二月三十一日	**4,942,241,524**	**49,422**	**41,141**	4,694,182,792	46,941	39,121

Note:

On 7 February 2018, the Company entered into a share subscription agreement with Leadon International Investments Real Estate Limited, an independent third party to the Group and as the share subscriber, and pursuant to which the share subscriber agreed to subscribe for 132,564,669 new ordinary shares at the subscription price of HK$2.938 per share totalling approximately HK$389.47 million (equivalent to RMB325.56 million). The allotment and issue of subscription shares were completed on 26 February 2018. The details of the issue of new ordinary shares are set out in the announcement of the Company dated 7 February 2018.

On 8 February 2018, China LVGEM Property Holdings Limited ("China LVGEM") as the vendor, entered into the placing and subscription agreement with the placing agents pursuant to which the placing agents have agreed to place the 80,000,000 existing shares ("Placing Shares") at a price of HK$2.938 per share (the "Placing Price") on behalf of China LVGEM totalling approximately HK$235.04 million (equivalent to RMB196.47 million). The Placing Shares will be placed by the placing agents to Essence Securities Co., Ltd. – QDII and Guosen Securities Co., Ltd. – QDII, who are independent third parties. Pursuant to the placing and subscription agreement, China LVGEM has conditionally agreed to further subscribe at the Placing Price for 80,000,000 new ordinary shares of the Company. The placement of the Placing Shares and issue of subscription shares were completed on 14 February 2018. The details of the placing and subscription are set out in the announcement of the Company dated 8 February 2018.

附註：

於二零一八年二月七日，本公司與Leadon International Investments Real Estate Limited（為本集團之獨立第三方及作為股份認購人）訂立股份認購協議，據此，股份認購人同意按認購價每股2.938港元認購132,564,669股新普通股，總額約389.47百萬港元（相當於人民幣325.56百萬元）。認購股份之配發及發行已於二零一八年二月二十六日完成。發行新普通股的詳情載於本公司日期為二零一八年二月七日之公告。

於二零一八年二月八日，中國綠景地產控股有限公司（「中國綠景」）作為賣方，與配售代理訂立配售及認購協議，據此，配售代理已同意代表中國綠景以每股2.938港元之價格（「配售價」）配售80,000,000股現有股份（「配售股份」），總額約235.04百萬港元（相當於人民幣196.47百萬元）。配售股份將由配售代理配售予獨立第三方安信證券股份有限公司－QDII及國信證券股份有限公司–QDII。根據配售及認購協議，中國綠景已有條件同意以配售價進一步認購80,000,000股本公司新普通股，配售股份之配售及認購股份之發行已於二零一八年二月十四日完成。配售及認購的詳情載於本公司日期為二零一八年二月八日之公告。

37. RESERVES

37. 儲備

		Notes 附註	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
Share premium	股份溢價		**6,882,609**	6,300,567
Convertible preference shares	可換股優先股	(i)	**6,246,161**	5,959,114
Other reserve	其他儲備	(ii)	**(11,637,887)**	(11,235,356)
Exchange reserve	匯兑儲備		**59,400**	119,608
Investment revaluation reserve	投資重估儲備		**110,661**	75,744
Share option reserve *(note 39)*	購股權儲備*(附註39)*		**222,970**	208,337
Statutory reserve	法定儲備	(iii)	**221,376**	149,812
Retained profits	保留盈利		**9,185,017**	8,219,115
			11,290,307	9,796,941

Notes:

The movements of the Group's reserves for the year are presented in the consolidated statement of changes in equity of the consolidated financial statements. The nature and purpose of the reserves are as follows:

(i) On 30 November 2015, the Company issued convertible preference shares (the "2015 CPS") at issue price of HK$2.06 per share, of which 3,413,473,023 CPS were issued to Mr. Wong for aggregate consideration of HK$7,031,754,000 (equivalent to approximately RMB5,959,114,000) as consideration for the Transaction as defined in note 37 (ii)(b).

Key terms of the 2015 CPS

- Holders of the 2015 CPS will be entitled to receive notices of and to attend the general meetings of the Company but are not permitted to vote unless a resolution is proposed to vary the rights of holders of the 2015 CPS or a resolution is proposed for the winding up of the Company;
- Holders of the 2015 CPS have the right to convert each 2015 CPS at any time into one ordinary share of the Company without the payment of any additional consideration. The holders may not exercise the conversion right if upon the conversion, the percentage of ordinary shares held by the public will fall below the minimum public float requirement under Rule 8.08 of the Listing Rules. The shares that are issued upon the exercise of the conversion right of the 2015 CPS are not subject to any restriction;
- The 2015 CPS cannot be redeemed by the Company or its holder;
- Holders of 2015 CPS will have priority over the holders of ordinary shares of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company;
- Subject to compliance with all applicable laws and the article of association of the Company, each 2015 CPS shall confer on its holder the right to receive a preferred distribution from the date of the issue of the 2015 CPS at a rate of 0.2% per annum, payable annually in arrear. Such preferred distribution is non-cumulative. The board of directors may, in its sole discretion, elect to defer or not to pay a preferred distribution. No interest accrues on any unpaid preferred distribution. If the board of directors of the Company elects to defer or not to pay a preferred distribution, the Company cannot pay any dividends, distributions or make any other payment to any ordinary shares of the Company.

附註：

本集團年內之儲備變動於綜合財務報表之綜合權益變動表中呈列。儲備之性質及用途如下：

(i) 於二零一五年十一月三十日，本公司按每股發行價2.06港元發行可換股優先股(「二零一五年可換股優先股」)，其中3,413,473,023股可換股優先股發行予黃先生，總代價7,031,754,000港元(相當於約人民幣5,959,114,000元)，作為交易代價(定義見附註37(ii)(b))。

二零一五年可換股優先股之主要條款

- 二零一五年可換股優先股持有人將有權收取本公司股東大會通告並出席本公司股東大會，但並不賦予投票的權利，除非所提呈的決議案會修訂二零一五年可換股優先股持有人的權利或就本公司清盤提呈決議案；
- 二零一五年可換股優先股持有人有權隨時將每股二零一五年可換股優先股轉換為一股本公司普通股股份，而毋須支付任何其他代價。倘於轉換後，公眾人士所持普通股股份之百分比低於上市規則第8.08條之最低公眾持股量規定，則持有人不得行使換股權。行使二零一五年可換股優先股之換股權發行之股份毋須受任何限制；
- 本公司或二零一五年可換股優先股持有人不可贖回二零一五年可換股優先股；
- 本公司因清算、清盤或解散而分派資產時，二零一五年可換股優先股持有人較本公司普通股持有人優先享有本公司可供分派之資產及資金；
- 待符合所有適用法律及本公司組織章程細則後，每股二零一五年可換股優先股將賦予其持有人權利，自發行二零一五年可換股優先股日期起按0.2%之年利率收取優先分派，並於每年年末支付。各優先分派不可累積。董事會可全權酌情選擇遞延或不支付優先分派。任何未支付優先分派並不計息。倘本公司董事會選擇遞延或不支付優先分派，則本公司不可就任何本公司普通股派付任何股息、分派或作出任何其他派付。

37. RESERVES *(Cont'd)*

Notes: (Cont'd)

(i) *(Cont'd)*

On 7 February 2018, the Company entered into the Convertible Preference Shares (the "2018 CPS") subscription agreement with Silver Sure (BVI) Investments Limited, an independent third party to the Group as the 2018 CPS subscriber pursuant to which the 2018 CPS subscriber agreed to subscribe for 132,564,669 new CPS at an aggregate consideration of approximately HK$389.47 million (equivalent to RMB325.56 million). The allotment and issue of 2018 CPS was completed on 21 February 2018.

The 2018 CPS is classified as equity instrument in the Group's consolidated financial statements as the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the 2018 CPS.

Key terms of the 2018 CPS

- Holders of the 2018 CPS will be entitled to receive notices of and to attend the general meetings of the Company but are not permitted to vote unless a resolution is proposed to vary the rights of holders of the 2018 CPS or a resolution is proposed for the winding up of the Company;
- Holders of the 2018 CPS have the right to convert each 2018 CPS at any time into one ordinary share of the Company without the payment of any additional consideration. The holders may not exercise the conversion right if upon the conversion, the percentage of ordinary shares held by the public will fall below the minimum public float requirement under Rule 8.08 of the Listing Rules. The shares that are issued upon the exercise of the conversion right of the 2018 CPS are not subject to any restriction;
- The 2018 CPS cannot be redeemed by the Company or its holder; and
- Holders of 2018 CPS will have priority over the holders of ordinary shares of the Company on the assets and funds of the Company available for distribution in a distribution of assets on liquidation, winding-up or dissolution of the Company;

The details of the 2018 CPS are set out in the announcement of the Company dated 7 February 2018.

The 2018 CPS and 2015 CPS are classified as equity instruments in the Group's consolidated financial statements as the Group does not have a contractual obligation to deliver cash or other financial assets arising from the issue of the 2018 CPS and 2015 CPS.

Up to the date of the authorisation for issue of the Group's consolidated financial statements for the year ended 31 December 2018, no 2018 CPS and 2015 CPS has been converted into ordinary shares of the Company.

37. 儲備*(續)*

附註：(續)

(i) *(續)*

於二零一八年二月七日，本公司與銀順(BVI)投資有限公司(為本集團之獨立第三方及作為二零一八年可換股優先股認購人)訂立可換股優先股(「二零一八年可換股優先股」)認購協議，據此，二零一八年可換股優先股認購人同意以總代價約389.47百萬港元(相當於人民幣325.56百萬元)認購132,564,669股新可換股優先股。二零一八年可換股優先股之配發及發行於二零一八年二月二十一日完成。

二零一八年可換股優先股於本集團綜合財務報表獲分類為股本工具，原因為本集團並無向持有人交付因發行二零一八年可換股優先股產生之現金或其他金融資產之合約責任。

二零一八年可換股優先股之主要條款

- 二零一八年可換股優先股持有人將有權收取本公司股東大會通告並出席本公司股東大會，但並不賦予投票的權利，除非所提呈的決議案會修訂二零一八年可換股優先股持有人的權利或就本公司清盤提呈決議案；
- 二零一八年可換股優先股持有人有權隨時將每股二零一八年可換股優先股轉換為一股本公司普通股股份，而毋須支付任何額外代價。倘於轉換後，公眾人士所持普通股股份之百分比低於上市規則第8.08條之最低公眾持股量規定，則持有人不得行使換股權。行使二零一八年可換股優先股之換股權後發行之股份毋須受任何限制；
- 本公司或二零一八年可換股優先股持有人不可贖回二零一八年可換股優先股；及
- 本公司因清算、清盤或解散而分派資產時，二零一八年可換股優先股持有人較本公司普通股持有人優先享有本公司可供分派之資產及資金。

二零一八年可換股優先股的詳情載於本公司日期為二零一八年二月七日之公告。

由於本集團並無交付發行二零一八年可換股優先股及二零一五年可換股優先股產生的現金或其他金融資產的合約責任，故二零一八年可換股優先股及二零一五年可換股優先股於本集團綜合財務報表中獲分類為股本工具。

截至授權刊發本集團截至二零一八年十二月三十一日止年度綜合財務報表日期，二零一八年可換股優先股及二零一五年可換股優先股並未轉換為本公司普通股股份。

37. RESERVES *(Cont'd)*

Notes: (Cont'd)

(ii) Other reserves mainly comprise:

(a) A deemed contribution of an amount of HK$1,007,864,525 (equivalent to approximately RMB806,292,000) by China LVGEM Property Holdings Limited ("China LVGEM"), the then immediate holding company of the Company, to acquire approximately 75% of the then aggregate issued share capital of the Company on 8 May 2014 (the "Acquisition").

(b) A deemed distribution of an amount of HK$13,785,000,000 (equivalent to approximately RMB11,682,204,000) to Mr. Wong, to acquire the entire equity interests in Green View Holding Company Limited and its subsidiaries (collectively referred to as the "Target Group") (the "Transaction"). The Transaction was completed on 30 November 2015. The amount of deemed distribution comprised of issuance of 2,509,342,511 new ordinary shares at issue price of HK$2.06 per ordinary share of the Company amounted to HK$5,169,246,000 (equivalent to approximately RMB4,380,717,000), issuance of 3,413,473,023 convertible preference shares at issue price of HK$2.06 per convertible preference shares amounted to HK$7,031,754,000 (equivalent to approximately RMB5,959,114,000), and cash consideration of HK$1,584,000,000 (equivalent to approximately RMB1,342,373,000).

(c) The difference between the aggregate amount of share capital and share premium of the Target Group and the Company at the completion date of the Transaction, which amounted to approximately RMB433,106,000.

(d) On 28 December 2018, the Group entered into a subscription agreement with Mr. Wong to subscribe 90.1% equity interests in Copious Favour Holdings Limited ("Copious Favour"), an investment holding company wholly owned by Mr. Wong and Copious Favour indirectly holds 44% equity interests in Zhuhai LVGEM Dongqiao Investment Co., Ltd ("Zhuhai LVGEM Dongqiao"), which is a 51% owned indirect subsidiary of the Company. Upon completion of the subscription on 28 December 2018, Copious Favour became a non-wholly owned subsidiary of the Company, while the Group's equity interests in Zhuhai LVGEM Dongqiao increased from 51% to 90.64%.

The difference between subscription amount and the attributable net liabilities being acquired was included in other reserve.

(iii) As stipulated by the relevant laws and regulations in the PRC, certain subsidiaries of the Company in the PRC are required to maintain a statutory reserve which is non-distributable other than upon the liquidation of the entity. Transfer to this reserve is made out of profit after tax of the PRC subsidiaries' statutory financial statements which are prepared in accordance with the accounting principles generally accepted in the PRC.

37. 儲備*(續)*

附註:(續)

(ii) 其他儲備主要包含:

(a) 中國綠景地產控股有限公司(「中國綠景」)(本公司當時之直接控股公司)之視作出資1,007,864,525港元(相當於約人民幣806,292,000元),以收購本公司於二零一四年五月八日之當時已發行股本總額約75%(「收購事項」)。

(b) 向黃先生之視作出資13,785,000,000港元(相當於約人民幣11,682,204,000元),以收購綠景控股有限公司及其附屬公司(統稱「目標集團」)之全部股權(「該交易」)。該交易已於二零一五年十一月三十日完成。視作出資金額包括按每股本公司普通股發行價2.06港元發行2,509,342,511股新普通股股份之金額5,169,246,000港元(相當於約人民幣4,380,717,000元)、按每股可換股優先股發行價2.06港元發行3,413,473,023股可換股優先股股份之金額7,031,754,000港元(相當於約人民幣5,959,114,000元),以及現金代價1,584,000,000港元(相當於約人民幣1,342,373,000元)。

(c) 於該交易完成日期,目標集團與本公司之股本及股份溢價總額的差額約人民幣433,106,000元及計入其他儲備。

(d) 於二零一八年十二月二十八日,本集團與黃先生訂立認購協議,以認購黃先生全資擁有之投資控股公司厚益控股有限公司(「厚益」)之90.1%股權,而厚益間接持有珠海市綠景東橋投資有限公司(「珠海綠景東橋」)之44%股權,而珠海綠景東橋為本公司擁有51%權益之間接附屬公司。於二零一八年十二月二十八日完成認購事項後,厚益成為本公司之非全資附屬公司,而本集團於珠海綠景東橋之股權由51%增至90.64%。

認購金額與已收購之應佔負債淨值之間之差額計入其他儲備。

(iii) 根據相關中國法律及法規規定,本公司若干中國附屬公司須維持不可分派的法定儲備,惟該公司清盤則除外。此儲備乃由中國附屬公司按照中國普遍採納會計原則編製的法定財務報表中的除税後盈利轉撥。

38. ACQUISITIONS OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES

(a) As detailed in the circular issued by the Company dated 19 December 2017, Pace Ascend Limited, an indirect wholly-owned subsidiary of the Company as the purchaser entered into a sale and purchase agreement on 11 October 2017, with Greater Honour Limited, an independent third party to the Group as the seller and The Wharf (Holdings) Limited, an independent third party to the Group as seller's guarantor pursuant to which Pace Ascend Limited conditionally agreed to purchase, and Greater Honour Limited conditionally agreed to sell and transfer, 500 shares in the issued share capital of New Grade Investments Limited, which represents its entire issued share capital, and its direct wholly-owned subsidiary, Olinda Limited ("Olinda") (collectively referred to as the "New Grade Group"), for a total cash consideration of HK$7,880,000,000 (equivalent to approximately RMB6,586,994,000). New Grade Group was engaged in property investment in Hong Kong through its direct wholly-owned subsidiary and thus regarded as acquisition of assets and liabilities. The acquisition was completed on 29 December 2017.

Assets and liabilities recognised at the date of acquisition:

		RMB'000 人民幣千元
Investment properties	投資物業	6,586,892
Other receivables	其他應收款項	96
Bank balances	銀行結餘	6
Net assets acquired	已收購資產淨值	6,586,994

Total consideration: 總代價：

		RMB'000 人民幣千元
Cash consideration paid	已付現金代價	4,518,142
Consideration payable *(note 31)(Note)*	應付代價*(附註31)(附註)*	2,068,852
		6,586,994

Note: The consideration payable was fully settled during the year ended 31 December 2018.

Net cash outflow arising on acquisition:

		RMB'000 人民幣千元
Cash consideration paid	已付現金代價	4,518,142
Less: Bank balances acquired	減：已收購銀行結餘	(6)
		4,518,136

38. 透過收購附屬公司收購資產及負債

(a) 誠如本公司於二零一七年十二月十九日刊發的通函所詳述，奏昇有限公司(本公司一間間接全資附屬公司，作為買方)於二零一七年十月十一日與Greater Honour Limited(獨立於本集團之第三方，作為賣方)及九龍倉集團有限公司(獨立於本集團之第三方，作為賣方擔保人)訂立買賣協議，據此，奏昇有限公司有條件購買，而Greater Honour Limited有條件同出售及轉讓New Grade Investments Limited已發行股本中之500股股份，即其全部已發行股本；連同其直接全資附屬公司，Olinda Limited(「Olinda」)(以下統稱「New Grade集團」)，總現金代價為7,880,000,000港元(相等於約人民幣6,586,994,000元)。New Grade集團透過其直接全資附屬公司從事物業投資，故視為收購資產及負債。該收購事項於二零一七年十二月二十九日完成。

於收購日期確認之資產及負債：

附註： 應付代價於截至二零一八年十二月三十一日止年度全數結算。

收購帶來的現金流出淨額：

38. ACQUISITIONS OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF SUBSIDIARIES *(Cont'd)*

(b) As detailed in the announcement of the Company dated 28 December 2018 and 4 January 2019, the Group entered into a subscription agreement with Mr. Wong, the controlling shareholder, to subscribe 90.1% equity interests at a consideration of RMB20,000,000 in Copious Favour, an investment holding company wholly owned by Mr. Wong and Copious Favour indirectly holds 44% equity interests in Zhuhai LVGEM Dongqiao, which is a 51% owned indirect subsidiary of the Company. Upon completion of the subscription on 28 December 2018, Copious Favour became a non-wholly owned subsidiary of the Company, while the Group's effective equity interests in Zhuhai LVGEM Dongqiao increased from 51% to 90.64%. At the date of acquisition, the net liabilities acquired by the Group amounting to RMB401,400,000, which mainly included an amount due to China LVGEM.

The difference between subscription amount and the attributable net liabilities being acquired was included in other reserve.

38. 透過收購附屬公司收購資產及負債*(續)*

(b) 誠如本公司日期為二零一八年十二月二十八日及二零一九年一月四日的公告所詳述，本集團與控股股東黃先生訂立認購協議，以按代價人民幣20,000,000元認購黃先生全資擁有之投資控股公司厚益之90.1%股權，而厚益間接持有珠海綠景東橋之44%股權，而珠海綠景東橋為本公司擁有51%權益之間接附屬公司。於二零一八年十二月二十八日完成認購事項後，厚益成為本公司之非全資附屬公司，而本集團於珠海綠景東橋之實際股權由51%增至90.64%。於收購日期，本集團收購之負債淨值為人民幣401,400,000元，當中主要包括應付中國綠景款項。

認購金額與已收購之應佔負債淨值之間之差額計入其他儲備。

39. SHARE-BASED EMPLOYEE COMPENSATION

The share option scheme adopted by the Company on 14 November 2005 expired on 13 November 2015. On 2 June 2016, the Company adopted a new share option scheme (the "Scheme") at the annual general meeting of the Company held on 2 June 2016.

Pursuant to the Scheme, the board of directors may, at its discretion, invite any executive or non-executive directors including independent non-executive directors or any employees (whether full-time or part-time) of the Company, its subsidiaries and associated companies; any discretionary objects of a discretionary trust established by any employees, executive or non-executive directors of each member of the Group or its associated companies; any consultants, professional and other advisers to each member of the Group or its associated companies (or persons, firms or companies proposed to be appointed for providing such services); any chief executives or substantial shareholders of the Company; any associates of any director, chief executive or substantial shareholder of the Company; and any employees (whether full-time or part-time) of substantial shareholders of the Company, provided that the board of directors may have absolute discretion to determine whether or not one falls within the above categories, (together, the "Participants" and each a "Participant"), to take up options ("Option(s)") to subscribe for shares at a price determined in accordance with the paragraph below.

In determining the basis of eligibility of each Participant, the board of directors would take into account such factors as the board of directors may at its discretion consider appropriate.

39. 以股份支付的僱員薪酬

本公司於二零零五年十一月十四日採納之購股權計劃已於二零一五年十一月十三日屆滿。於二零一六年六月二日，本公司於二零一六年六月二日舉行之本公司股東週年大會上採納新購股權計劃(「該計劃」)。

根據該計劃，董事會可酌情邀請本公司、其附屬公司及聯營公司的任何執行或非執行董事，包括獨立非執行董事或任何僱員(不論全職或兼職)；本集團各成員公司或其聯營公司的任何僱員、執行或非執行董事所設立的全權信託的任何全權受益人；本集團各成員公司或其聯營公司的任何諮詢人、專業人士及其他顧問(或擬委任以提供該等服務的人士、商行或公司)；本公司任何主要行政人員或主要股東；本公司任何董事、主要行政人員或主要股東的任何聯繫人；及本公司主要股東的任何僱員(不論全職或兼職)，惟董事會可全權酌情釐定有關人士是否屬於上述類別(上述人士均稱為及合稱「參與者」)，以接納購股權(「購股權」)，並根據下文確定的價格認購股份。

於釐定各參與者的資格標準時，董事會將考慮其可能酌情認為恰當的因素。

39. SHARE-BASED EMPLOYEE COMPENSATION *(Cont'd)*

The Scheme shall be valid and effective for a period of ten years commencing on the date on which the Scheme is adopted, after which period no further Options will be granted but in all other respects the provisions of the Scheme shall remain in full force and effect, and Options which are granted during the life of the Scheme may continue to be exercisable in accordance with their terms of grant.

The exercise price of a share in relation to each Option granted under the Scheme shall be a price solely determined by the board of directors and notified to a Participant and shall be at least the highest of:

(a) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the business day on which an offer is accepted by the grantee or if such date of acceptance by the grantee is not a business day, the immediately preceding business day;

(b) a price being the average of the closing prices of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which an offer is accepted by the grantee (provided that the new issue price shall be used as the closing price for any business day falling within the period before listing of the shares where the Company has been listed for less than five business days as at the date on which an offer is accepted by the grantee); and

(c) the nominal value of a Company's share.

The total number of shares, which may be issued upon exercise of all Options to be granted under the Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue on the date of commencement of dealings in the shares on the Stock Exchange ("Scheme Mandate Limit"), unless the Company obtains an approval from its shareholders. Options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating such 10% limit.

Notwithstanding any other provisions of the Scheme, the maximum number of the shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of shares in issue from time to time.

Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the Options granted to each participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

Offer of an option ("Offer") shall be deemed to have been accepted by any Participant (the "Grantee") who accepts an Offer in accordance with the terms of the Scheme and the option to which the Offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the Offer duly signed by the Grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the granting thereof is received by the Company within 30 days from the date upon which the Offer is made.

39. 以股份支付的僱員薪酬*(續)*

該計劃自獲採納日期起計有效期為十年，在限期後不會再授出購股權，惟在所有其他方面，該計劃的條文仍具有十足效力及作用，於該計劃期限內授出的購股權可按其授出條款繼續行使。

根據該計劃授出之各購股權之股份行使價將為僅由董事會釐定及告知參與者之價格，以及將為以下之最高者：

(a) 於要約獲承授人接納的營業日(或如要約獲承授人接納當日並非營業日，則為緊接該日前的營業日)聯交所日報表所報的本公司股份收市價；

(b) 緊接要約獲承授人接納前五個營業日聯交所日報表所報的本公司股份平均收市價(惟倘本公司股份於要約獲承授人接納當日前已上市的日數少於五個營業日，則新發行價應用作股份上市前期間任何營業日的收市價)；及

(c) 一股本公司股份面值。

因行使根據該計劃及本公司任何其他購股權計劃授出的所有購股權可發行的股份總數，合共不得超過股份於聯交所開始買賣當日已發行股份總數的10%(「計劃授權限額」)，惟本公司取得股東的批准則除外。計算該10%限額並不計及根據該計劃條款已失效的購股權。

儘管該計劃另有任何其他規定，於行使該計劃及本公司任何其他購股權計劃的已授出但尚未行使的所有未行使購股權時，最多可發行的股份數目不得超過不時已發行股份總數的30%。

除非獲股東批准，於任何十二個月期間因行使授予每名參與者的購股權(包括已行使及尚未行使的購股權)而已發行及將予發行的股份總數，不得超過已發行股份總數的1%。

任何參與者(「承授人」)凡按照該計劃的條款接納購股權要約(「要約」)，即被視為接納要約，而當載有接納要約的要約書副本由承授人妥為簽署，並在本公司作出要約當日起30日內，接獲承授人在接納購股權時須向本公司支付1.00港元作為授出購股權的代價後，與要約有關的購股權即被視為已授出並生效。

39. SHARE-BASED EMPLOYEE COMPENSATION *(Cont'd)*

On 28 June 2016, the Company granted share options under the Scheme to certain Participants which will enable the Grantees to subscribe for a total of 285,800,000 ordinary shares of HK$0.01 each in the share capital of the Company.

Details of the Options granted by the Company pursuant to the Scheme and the Options outstanding as at 31 December 2018 and 31 December 2017 are as follows:

39. 以股份支付的僱員薪酬*(續)*

於二零一六年六月二十八日，本公司根據該計劃向若干參與者授出購股權，使承授人能夠認購本公司股本中合共285,800,000股每股面值0.01港元的普通股。

本公司根據該計劃授出及於二零一八年十二月三十一日及二零一七年十二月三十一日尚未行使的購股權詳情如下：

				Number of options 購股權數目						
		Date of grant (dd/mm/yyyy) 授出日期 (日/月/年)	Exercisable period (dd/mm/yyyy) 行使期間 (日/月/年)	Balance at 1 January 2018 於二零一八年一月一日的結餘	Transfer during the year 於年內轉撥	Granted during the year 於年內授出	Exercised during the year (Note 4) 於年內行使 (附註4)	Lapsed during the year 於年內失效	Balance at 31 December 2018 於二零一八年十二月三十一日的結餘	Exercise price per share HK$ 每股行使價 港元
Executive directors *(Note 1)*	**執行董事***(附註1)*	**28/06/2016**	**28/06/2016 to 27/06/2026**	**16,950,000**	**–**	**–**	**–**	**–**	**16,950,000**	**1.846**
Executive directors *(Note 2)*	**執行董事***(附註2)*	**28/06/2016**	**28/06/2017 to 27/06/2026**	**13,950,000**	**–**	**–**	**–**	**–**	**13,950,000**	**1.846**
Executive directors *(Note 3)*	**執行董事***(附註3)*	**28/06/2016**	**28/06/2018 to 27/06/2026**	**18,600,000**	**–**	**–**	**–**	**–**	**18,600,000**	**1.846**
Employees *(Note 1)*	**僱員***(附註1)*	**28/06/2016**	**28/06/2016 to 27/06/2026**	**68,490,000**	**–**	**–**	**(3,000,000)**	**–**	**65,490,000**	**1.846**
Employees *(Note 2)*	**僱員***(附註2)*	**28/06/2016**	**28/06/2017 to 27/06/2026**	**68,490,000**	**–**	**–**	**(2,100,000)**	**(540,000)**	**65,850,000**	**1.846**
Employees *(Note 3)*	**僱員***(附註3)*	**28/06/2016**	**28/06/2018 to 27/06/2026**	**91,320,000**	**–**	**–**	**(1,600,000)**	**(1,920,000)**	**87,800,000**	**1.846**
				277,800,000	**–**	**–**	**(6,700,000)**	**(2,460,000)**	**268,640,000**	

39. SHARE-BASED EMPLOYEE COMPENSATION *(Cont'd)*

39. 以股份支付的僱員薪酬*(續)*

		Date of grant (dd/mm/yyyy) 授出日期（日/月/年）	Exercisable period (dd/mm/yyyy) 行使期間（日/月/年）	Number of options 購股權數目 Balance at 1 January 2017 於二零一七年一月一日的結餘	Transfer during the year 於年內轉撥	Granted during the year 於年內授出	Exercised during the year (Note 4) 於年內行使(附註4)	Lapsed during the year 於年內失效	Balance at 31 December 2017 於二零一七年十二月三十一日的結餘	Exercise price per share HK$ 每股行使價港元
Executive directors *(Note 1)*	**執行董事***(附註1)*	28/06/2016	28/06/2016 to 27/06/2026	15,600,000	1,350,000	–	–	–	16,950,000	1.846
Executive directors *(Note 2)*	**執行董事***(附註2)*	28/06/2016	28/06/2017 to 27/06/2026	15,600,000	1,350,000	–	–	(3,000,000)	13,950,000	1.846
Executive directors *(Note 3)*	**執行董事***(附註3)*	28/06/2016	28/06/2018 to 27/06/2026	20,800,000	1,800,000	–	–	(4,000,000)	18,600,000	1.846
Employees *(Note 1)*	**僱員***(附註1)*	28/06/2016	28/06/2016 to 27/06/2026	70,140,000	(1,350,000)	–	(300,000)	–	68,490,000	1.846
Employees *(Note 2)*	**僱員***(附註2)*	28/06/2016	28/06/2017 to 27/06/2026	70,140,000	(1,350,000)	–	(300,000)	–	68,490,000	1.846
Employees *(Note 3)*	**僱員***(附註3)*	28/06/2016	28/06/2018 to 27/06/2026	93,520,000	(1,800,000)	–	–	(400,000)	91,320,000	1.846
				285,800,000	–	–	(600,000)	(7,400,000)	277,800,000	
Exercisable at the end of the year	**於年末可行使**								167,880,000	

Note 1: The options were vested immediately on the date of grant.

Note 2: The options granted are subject to the vesting period from the date of grant up to 27 June 2017.

Note 3: The options granted are subject to the vesting period from the date of grant up to 27 June 2018.

Note 4: The weighted average share price at the dates of exercise for share options during the year was HK$2.61 per share.

附註1： 購股權於授出日期即時歸屬

附註2： 所授出的購股權受自授出日期起至二零一七年六月二十七日止之歸屬期所規限

附註3： 所授出的購股權受自授出日期起至二零一八年六月二十七日止之歸屬期所規限

附註4： 於本年度行使購股權當日之加權平均股價為每股2.61港元。

The closing price of the Company's shares immediately before 28 June 2016, the date of grant, was HK$1.820.

本公司股份於緊接二零一六年六月二十八日(授出日期)前的收市價為1.820港元。

There is no performance condition for the Options to vest.

購股權並無表現條件需予歸屬。

The fair values of the Options determined at the date of grant using the Binomial Option Pricing Model were HK$276,156,000 (equivalent to approximately RMB236,030,000). During the year ended 31 December 2018, the Group recognised the total expense of RMB21,959,000 (2017: RMB80,408,000) in relation to share options granted by the Company.

於授出日期以二項式期權定價模型釐定的購股權公允價值為276,156,000港元(相當於約人民幣236,030,000元)。截至二零一八年十二月三十一日止年度，本集團就本公司授出之購股權確認總開支人民幣21,959,000元(二零一七年：人民幣80,408,000元)。

39. SHARE-BASED EMPLOYEE COMPENSATION *(Cont'd)*

The following assumptions were used to calculate the fair values of share options on 28 June 2016:

Grant date share price	HK$1.820
Exercise price	HK$1.846
Expected life	8 to 10 years
Expected volatility	64.787%
Dividend yield	0.55%
Risk free interest rate	0.965%

The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the best estimate of the directors of the Company. Changes in variables and assumptions may result in changes in the fair value of the Options.

40. RETIREMENT BENEFIT SCHEME

Hong Kong

The Group has joined a Mandatory Provident Fund Scheme (the "MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the MPF Scheme.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

The PRC

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute a certain percentage of the salaries of their employees to the state-managed retirement benefit scheme. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

During the year, the retirement benefit scheme contributions amounted to RMB22,330,000 (2017: RMB20,167,000). No forfeited contributions have been used to reduce the level of contributions in both years.

39. 以股份支付的僱員薪酬*(續)*

以下假設乃用於計算購股權於二零一六年六月二十八日的公允價值：

於授出日期的股價	1.820港元
行使價	1.846港元
預期年期	8至10年
預期波幅	64.787%
股息率	0.55%
無風險利率	0.965%

二項式期權定價模型已用於估計購股權的公允價值。用於計算購股權公允價值的可變因素及假設乃根據本公司董事最佳估計得出。可變因素及假設的變動可能導致購股權公允價值出現變動。

40. 退休福利計劃

香港

本集團已參加一項為其在香港之僱員設立之強制性公積金計劃(「強積金計劃」)。強積金計劃已根據強制性公積金計劃條例在強制性公積金計劃管理局註冊。強積金計劃之資產與本集團之資產分開處理，由獨立受託人管理之基金持有。根據強積金計劃之規則，僱主及僱員須分別按規則指定之比率對強積金計劃供款。本集團就強積金計劃承擔之責任僅限於根據強積金計劃作出指定供款。

自綜合損益表中扣除有關強積金計劃之退休福利計劃供款乃本集團按該計劃規則訂明之比率須撥入基金之供款額。

中國

本集團中國附屬公司之僱員參與中國政府營運之國家管理退休福利計劃。附屬公司須按僱員薪金之若干比率向國家管理退休福利計劃供款。本集團就該退休福利計劃承擔之責任僅限於根據該計劃作出指定供款。

年內，退休福利計劃供款為人民幣22,330,000元(二零一七年：人民幣20,167,000元)。概無利用沒收供款減低兩個年度內之供款水平。

41. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing properties commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristic of the underlying assets.

The Group monitors capital on the basis of the net debt to equity ratio. For this purpose the net debt is defined as borrowings less cash and cash equivalents. The Group's goal in capital management is to maintain a net debt to equity ratio at a reasonable level. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debts.

The Group's overall strategy in capital management remains unchanged from prior year.

41. 資本風險管理

本集團管理資本的主要目標是保障本集團可持續經營能力，以不斷為股東提供回報及為其他利益相關方帶來利益。方法包括依照風險水平釐定物業價格，及以合理的成本進行融資。

本集團根據經濟狀況的變動及相關資產的風險特性管理資本結構並作出相應調整。

本集團按淨負債權益比率的基準監察其資本。就此而言，淨負債的定義為借貸減現金及現金等價物。本集團資本管理的目標為將淨負債權益比率維持於合理的水平。為維持或調整資本結構，本集團可調整派付予股東的股息款額、發行新股份、退還股本予股東、籌集新債務融資或出售資產減債。

自上年度起，本集團資本管理的整體策略維持不變。

42. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

42. 財務風險管理的政策及目標

Categories of financial instruments

金融工具類別

		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
Financial assets	**金融資產**		
Loans and receivables (including bank balances and cash)	貸款及應收款項(包括銀行結餘及現金)	**–**	7,514,221
Financial assets at amortised cost	按攤銷成本計量的金融資產	**8,579,811**	–
Financial asset at FVTPL	按公允價值計入損益之金融資產	**10,559**	150,000
AFS investments	可供出售投資	**–**	444,259
Equity instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之股本工具	**490,816**	–
Debt instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之債務工具	**20,000**	–
Financial liabilities	**金融負債**		
Financial liabilities measured at amortised cost	按攤銷成本計量的金融負債	**25,336,421**	22,202,042
Derivative financial instruments	衍生金融工具	**198,105**	111,078

The Group is exposed to a variety of financial risks: currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Group's overall risk management focuses on unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not have any written risk management policies and guidelines. However, the directors of the Company meet periodically to analyse and formulate strategies to manage and monitor financial risks.

本集團承受多種財務風險：貨幣風險、利率風險、價格風險、信貸風險及流動資金風險。本集團的整體風險管理重點在於金融市場的不可預測性，並尋求將對本集團財務表現的潛在不利影響降至最低。本集團現時並無任何明文的風險管理政策及指引。然而，本公司董事定期召開會議，以分析及制定措施以管理及監控財務風險。

42. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

Categories of financial instruments *(Cont'd)*

The Group is not engaged in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

42.1 Currency risk

Certain subsidiaries of the Company have foreign currency denominated monetary assets and liabilities, which expose the Group to foreign currency risk. The Group currently does not have a policy to hedge the foreign currency exposure. However, the management monitors the related foreign currency fluctuation closely and will consider entering into foreign exchange forward contracts to hedge significant portion of the foreign currency risk should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date as follows:

42. 財務風險管理的政策及目標*(續)*

金融工具類別*(續)*

本集團並無從事以投機為目標的金融資產買賣。本集團所面對的最主要財務風險載列如下。

42.1 貨幣風險

本公司若干附屬公司之貨幣資產及負債以外幣計值，故本集團面臨外匯風險。本集團現時並無對沖外匯風險之政策。然而，管理層會密切監控有關外匯波動，並於有需要時考慮簽訂外匯遠期合約以對沖重大外匯風險。

本集團以外幣計值之貨幣資產及貨幣負債於報告日期之賬面值如下：

		Assets 資產		Liabilities 負債	
		2018	2017	**2018**	2017
		二零一八年	二零一七年	**二零一八年**	二零一七年
		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
US$	美元	**125,999**	78,760	**835,367**	705,250
HK$	港元	**219,876**	132,086	**2,782,493**	825,193

Sensitivity analysis

The Group is mainly exposed to the currency of US$ and HK$.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currency. 5% is the sensitivity rate used when reporting foreign currency risk internally to directors of the Company's assessment of the reasonably possible change in foreign exchange rates.

敏感度分析

本集團主要面臨港元及美元貨幣風險。

下表詳述本集團對人民幣兑相關外幣增減5%的敏感度。5%為向本公司董事內部匯報外幣風險時所使用的敏感度比率，反映本公司董事對外幣匯率出現合理可能變動之評估。

42. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

42. 財務風險管理的政策及目標*(續)*

42.1 Currency risk *(Cont'd)*

42.1 貨幣風險*(續)*

Sensitivity analysis (Cont'd)

敏感度分析(續)

The sensitivity analysis includes only outstanding foreign currency denominated monetary items assuming the balances at the end of the reporting period outstanding for the whole year and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

敏感度分析僅包括以外幣折算之尚未支付貨幣項目(假設報告期末結餘於整個年度未結算),並於年結時以外幣匯率變動5%作匯兑調整。下列之正數數字反映人民幣兑有關外幣升值5%時,盈利會有所增加。人民幣兑有關外幣貶值5%時,盈利將構成等值及相反影響,而下列結餘將為負數。

		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
US$	**美元**		
Profit or loss	損益	**26,601**	23,493
HK$	**港元**		
Profit or loss	損益	**96,098**	25,992

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

管理層認為,由於年末風險不反映年內風險,故敏感度分析未能代表內在的外幣風險。

42.2 Interest rate risk

42.2 利率風險

The Group has significant borrowings (see note 33 for details) with floating interest rate which are exposed to cash flow interest-rate risk. Certain bank loans and certain other borrowings, certain restricted bank deposits, certain bank balances, convertible bonds and senior notes and bond carried at fixed rate which exposed the Group to fair value interest rate risk. During the year, the Group has not hedged its cash flow and fair value interest rate risks.

本集團有以浮息利率計算的重大借貸(詳情見附註33)承受現金流量利率風險。若干銀行貸款及若干其他借貸、若干受限制銀行存款、若干銀行結餘、可換股債券及定息優先票據及債券使本集團承受公允價值利率風險。年內,本集團並無對沖其現金流量及公允價值利率風險。

Sensitivity analysis

敏感度分析

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the end of the reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 (2017: 50) basis point increase or decrease is used when reporting interest rate risk internally to directors of the Company's assessment of the reasonably possible change in interest rates.

以下敏感度分析乃根據浮息借貸於報告期末面對之利率風險釐定。分析乃假設報告期末負債餘額於整個年度尚未償還而編製。向本公司董事內部申報利率風險時採用50(二零一七年:50)個基點增減,反映本公司董事對利率合理可能出現之變動之評估。

If interest rates had been 50 (2017: 50) basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by approximately RMB24,916,000 (2017: RMB20,298,000), net of interest that would be capitalised in accordance with the Group's accounting policy.

倘利率增加/減少50(二零一七年:50)個基點而所有其他變數維持不變,本集團扣除按照本集團會計政策資本化利息後的年內除税後盈利將減少/增加約人民幣24,916,000元(二零一七年:人民幣20,298,000元)。

42. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

42.2 Interest rate risk *(Cont'd)*

Sensitivity analysis (Cont'd)

Sensitivity analysis on bank deposits is not presented as the directors of the Company consider that the Group's exposure to interest rate fluctuations on bank deposits is insignificant.

42.3 Credit risk and impairment assessment

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 46.

The Group's credit risk is primarily attributable to its accounts and other receivables, amounts due from a joint venture, related companies and non-controlling interests, and amount of contingent liabilities in relation to the financial guarantees provided by the Group. The amounts presented in the consolidated statement of financial position are net of allowances for credit losses, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers, except for amounts due from a joint venture, a subcontractor, related parties and non-controlling interests of RMB810,002,000 (2017: RMB738,206,000) in aggregate as at 31 December 2018. The credit risk on liquid funds is limited because the funds have been deposited with various creditworthy financial institutions located in Hong Kong and the PRC.

As at 31 December 2018, the directors of the Company considered that the default risk for other receivables, amounts due from a joint venture, related parties and non-controlling interests is very low due to their sound credit worthiness, financial position and historical repayment records.

For amount due from a joint venture, the management of the Group assessed the profitability of the underlying project of the joint venture and its recoverability. Due to its profitability, the directors of the Company considered that the default risk is low.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

42. 財務風險管理的政策及目標*(續)*

42.2 利率風險*(續)*

敏感度分析(續)

銀行存款之敏感度分析並未呈列，因本公司董事認為本集團銀行存款利率浮動風險並不重大。

42.3 信貸風險及減值評估

於二零一八年十二月三十一日，由於交易方未有履行責任及本集團提供財務擔保而對本集團造成財務損失的最大信用風險承擔由綜合財務狀況報表所載各確認金融資產的賬面值及與本集團所發出財務擔保有關的或然負債金額而產生，於附註46中作出披露。

本集團信貸風險主要來自有關本集團提供財務擔保之應收賬款及其他應收款項、應收一間合營公司、關聯公司及非控股權益款項，及或然負債款項。綜合財務狀況報表所示金額已扣除信貸虧損撥備，由本集團管理層根據過往經驗及對當時經濟環境的評估作出估計。

本集團並無重大集中之信貸風險，且交易方及客戶數目眾多，能夠分散風險，惟於二零一八年十二月三十一日應收一間合營公司、一名分包商、關聯方及非控股權益款項合共人民幣810,002,000元(二零一七年：人民幣738,206,000元)除外。由於資金存放於香港及中國具良好信譽的金融機構，故有關流動資金的信貸風險有限。

於二零一八年十二月三十一日，本公司董事認為，由於交易方之信譽、財務狀況及過往還款記錄良好，故其他應收款項、應收一間合營公司、關聯方及非控股權益款項之違約風險極低。

就應收一間合營公司款項而言，本集團管理層評估合營公司相關項目的盈利能力及其可收回性。基於其盈利能力，本公司董事認為違約風險較低。

為將信貸風險減至最低，本集團管理層已委派團隊，負責釐定信貸限額、信貸審批及其他監控程序，以確保採取跟進措施收回逾期債務。此外，本集團於報告期末檢討各項個別貿易債項的可收回金額，以確保就不可收回金額作出足夠減值虧損。就此而言，本公司董事認為本集團之信貸風險已顯著降低。

42. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

42.3 Credit risk and impairment assessment *(Cont'd)*

For properties under development which are subject to pre-sales agreements, the Group generally typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of the properties for certain amount of the total purchase price of the property. If a purchaser defaults on the payment of its mortgage during the term of guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount of the loan and any accrued interest thereon. Under such circumstances, the Group is able to forfeit the customer's purchase deposit and sell the property to recover any amounts paid by the Group to the bank. Therefore, the management considers it would likely recover any loss incurred arising from the guarantee by the Group. The management considers the credit risk exposure to financial guarantees provided to property purchasers is limited because the facilities are secured by the properties and the market prices of the properties are higher than the guaranteed amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 December 2018, the directors of the Company considered that the default risk for the accounts receivable is very low and the lifetime ECL allowance is insignificant.

42.4 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In the opinion of the directors of the Company, the Group does not have any significant liquidity risk exposure.

The Group's policy is to regularly monitor its liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term financial liabilities.

The following table shows the remaining contractual maturities at the end of the reporting period of the non-derivative financial liabilities, based on undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group can be required to pay.

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflows based on the earliest period in which the Group can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

42. 財務風險管理的政策及目標*(續)*

42.3 信貸風險及減值評估*(續)*

就預售協議下之發展中物業而言，本集團一般通常為客戶就撥資購買物業而作出之按揭貸款向銀行提供擔保，金額為物業購買價總額之一定數額。倘買方於擔保期內逾期支付按揭款項，持有按揭之銀行可要求本集團償還貸款尚未償還金額及任何應計利息。在該情況下，本集團可沒收客戶之購買按金並出售有關物業以收回本集團向銀行支付之任何金額。因此，管理層認為任何因本集團之擔保而產生之虧損均可能收回。由於該等融資以物業作抵押，而物業之市價高於擔保金額，故管理層認為向物業買方提供財務擔保而面臨之信貸風險有限。就此而言，本公司董事認為此舉大幅減低本集團之信貸風險。

於二零一八年十二月三十一日，本公司董事認為應收賬款之違約風險極低，且存續期預期信貸虧損撥備不大。

42.4 流動資金風險

於管理流動資金風險時，本集團監控及維持現金及現金等價物達到管理層認為充足的水平，以便為本集團業務提供資金及減低現金流量波動的影響。本公司董事認為，本集團並無任何重大流動資金風險。

本集團的政策為定期監控其流動資金需要，以確保本集團維持充裕現金儲備來滿足其短期及長期金融負債的流動資金需要。

下表列示按未折現現金流量(包括按合約利率或(如為浮息)按報告期末的現行利率計算的利息金額)及本集團可被要求還款的最早日期呈列的於報告期末的非衍生金融負債的餘下合約期限。

具體而言，對於涵蓋銀行可全權酌情行使的按要求償還條款的定期貸款，有關分析按本集團可被要求還款的最早期間(即倘貸方擬行使其無條件權利要求即時償還貸款)呈列現金流出。其他銀行借貸的到期日分析則按計劃還款日期編製。

42. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

42. 財務風險管理的政策及目標*(續)*

42.4 Liquidity risk *(Cont'd)*

42.4 流動資金風險*(續)*

For derivative financial instruments settle on a net basis, undiscounted net outflows are presented.

就以淨值結算之衍生金融工具而言，未折現現金流出淨額已予呈列。

		Weighted average effective interest rate 加權平均實際利率 %	Less than 1 year or on demand 一年內或按要求 RMB'000 人民幣千元	After 1 year but less than 2 years 一年以上兩年以內 RMB'000 人民幣千元	After 2 years but less than 5 years 兩年以上五年以內 RMB'000 人民幣千元	After 5 years 五年後 RMB'000 人民幣千元	Total contractual undiscounted cash flows 未折現合約現金流量總額 RMB'000 人民幣千元	Carrying amount 賬面值 RMB'000 人民幣千元
2018	**二零一八年**							
Non-derivative financial liabilities	**非衍生金融負債**							
Accounts payable	應付賬款	–	1,383,514	–	–	–	1,383,514	1,383,514
Accruals and other payables	應計費用及其他應付款項	–	628,497	–	–	–	628,497	628,497
Bank and other borrowings	銀行及其他借貸	6.05	3,718,961	2,768,303	9,531,104	2,473,164	18,491,532	16,541,796
Senior notes and bond	優先票據及債券	7.75	2,962,551	2,963,780	–	–	5,926,331	5,400,969
Debt component of convertible bonds	可換股債券之債務部分	13.87	78,080	754,167	1,144,755	–	1,977,002	1,381,645
Financial guarantee contracts *(note 46)*	財務擔保合約*(附註46)*	–	1,162,977	–	–	–	1,162,977	–
			9,934,580	6,486,250	10,675,859	2,473,164	29,569,853	25,336,421
Derivatives – net settlement	**衍生工具－淨額結算**							
Derivative financial instruments	衍生金融工具	–	198,105	–	–	–	198,105	198,105
2017	**二零一七年**							
Non-derivative financial liabilities	**非衍生金融負債**							
Accounts payable	應付賬款	–	600,037	–	–	–	600,037	600,037
Accruals and other payables	應計費用及其他應付款項	–	2,803,224	–	–	–	2,803,224	2,803,224
Bank and other borrowings	銀行及其他借貸	5.89	4,288,874	2,513,647	5,410,440	3,302,294	15,515,255	12,958,277
Senior notes and bond	優先票據及債券	7.51	405,781	405,781	5,782,278	–	6,593,840	5,250,854
Debt component of convertible bonds	可換股債券之債務部分	19.98	693,260	–	–	–	693,260	589,650
Financial guarantee contracts *(note 46)*	財務擔保合約*(附註46)*	–	379,165	–	–	–	379,165	–
			9,170,341	2,919,428	11,192,718	3,302,294	26,584,781	22,202,042
Derivatives – net settlement	**衍生工具－淨額結算**							
Derivative financial instruments	衍生金融工具	–	111,078	–	–	–	111,078	111,078

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 financial receivables held by the counterparty which are guaranteed suffer credit losses.

上述計入財務擔保合約的款項為倘交易對方追討有關擔保，本集團根據安排就全部擔保須支付的最高金額。按照報告期末預期，本集團認為根據安排須要繳付該款項的可能性很低。然而，這估計可能會改變，取決於持有已擔保財務應收賬款的交易對方遭受信貸損失而按擔保條款追討的可能性。

42. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

42.4 Liquidity risk *(Cont'd)*

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis above. Taking into account the Group's financial position, the directors do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity analysis of term loans subject to a repayment on demand clause based on scheduled repayments is as follows:

42. 財務風險管理的政策及目標*(續)*

42.4 流動資金風險*(續)*

下表概述附有按要求償還條款的定期貸款按貸款協議載列的議定還款日期的到期日分析。該等金額包括按合約利率計算的利息款項。因此，該等金額較以上到期日分析中「按要求」時間範圍內披露的金額為高。鑒於本集團的財務狀況，董事認為銀行不大可能行使其酌情權要求即時還款。董事相信該等定期貸款將按貸款協議所載的既定還款日期償還。

附有按要求償還條款的定期貸款按既定還款日期的到期日分析如下：

		On demand 按要求 RMB'000 人民幣千元	Less than 6 months 少於六個月 RMB'000 人民幣千元	6 to 12 months 六個月至十二個月 RMB'000 人民幣千元	1 to 5 years 一年至五年 RMB'000 人民幣千元	Total undiscounted cash flows 未折現現金流量總額 RMB'000 人民幣千元	Carrying amount 賬面值 RMB'000 人民幣千元
31 December 2018	**二零一八年十二月三十一日**	**–**	**180,144**	**264,489**	**249,942**	**694,575**	**675,274**
31 December 2017	二零一七年十二月三十一日	–	91,691	41,858	–	133,549	131,236

42.5 Price risk

The Group is exposed to price risk in connection with equity instrument at FVTOCI and available-for-sale investments, which are public listed equity securities in the PRC. The Group closely monitors the fluctuation of the prices and assesses the impact on the Group's consolidated financial statements.

If prices of equity securities have been 5% higher/lower and all other variables were held constant, the Group's investment revaluation reserve would increase/decrease by approximately RMB18,406,000 (2017: RMB16,660,000).

The Group was also exposed to other price risk arising from the outstanding derivative financial instruments with predetermined maturity date. The fair value of these derivative financial instruments was calculated using the Binomial Option Pricing Model detailed in note 34.

However, the management considers that the sensitivity analysis is unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of these derivative financial statements which involves multiple variables are interdependent and the Company's exposure to fluctuation of the fair value is minimal.

42.5 價格風險

本集團承受與按公允價值計入其他全面收益之股本工具及可供出售投資相關之價格風險，有關可供出售投資為於中國的公眾上市股權證券。本集團密切監察價格浮動及評估有關浮動對本集團綜合財務報表之影響。

倘股權證券價格增加／減少5%，而所有其他變數維持不變，本集團之投資重估儲備將增加／減少約人民幣18,406,000元(二零一七年：人民幣16,660,000元)。

本集團亦面對來自附有預定到期日之尚未行使衍生金融工具之其他價格風險。該等衍生金融工具的公允價值乃使用二項式期權定價模型計算，詳情載於附註34。

然而，管理層認為，由於評估該等衍生金融工具公允價值所用的定價模型涉及多項互相影響的可變因素，且本公司之公允價值波動風險為微不足道，故固有市場風險的敏感度分析並無代表性。

42. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

42.6 Fair value measurement of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation or to establish the appropriate valuation techniques and inputs to the model.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

42. 財務風險管理的政策及目標*(續)*

42.6 金融工具的公允價值計量

本附註提供有關本集團如何釐定多項金融資產及金融負債公允價值的資料。

就財務報告目的而言，本集團部分金融工具乃按公允價值計量。在估計公允價值時，本集團在可得的範圍內使用市場可觀察數據。倘並無第一級輸入數據，本集團會委聘第三方合資格估值師進行估值或設立適用之估值技術及模型之輸入數據。

按經常性基準以公允價值計量的本集團金融資產及金融負債的公允價值

本集團部分金融資產及金融負債於各報告期末按公允價值計量。下表提供有關如何釐定該等金融資產及金融負債公允價值的資料(尤其是所採用的估值技術及輸入數據)。

Financial assets/ financial liabilities	金融資產／金融負債	Fair value as at 31 December 於十二月三十一日的公允價值 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	Fair value hierarchy 公允價值等級	Valuation technique(s) and key input(s) 估值技術及主要輸入數據	Significant unobservable input(s) 主要不可觀察輸入數據
Derivative financial instruments	衍生金融工具	**198,105**	111,078	Level 3 第三級	Binomial option pricing model The fair value is estimated based on the risk free rate, discount rate, share price, volatility of the share prices of the Company, dividend yield and exercise price. 二項式期權定價模式 公允價值乃按無風險利率、貼現率、股價、本公司股價波幅、股息率及行使價釐定。	Volatility of the share prices determined by reference to the historical share prices of the Company *(Note)*. 經參考本公司歷史股價後釐定的股價波幅*(附註)*。
Other financial assets	其他金融資產	–	150,000	Level 3 第三級	Discounted cash flow Future cash flows are estimated based on expected return, and the contracted investment costs, discounted at a rate that reflected the internal rate of return of varies underlying assets. 折現現金流量 未來現金流量基於預期回報率及已訂約投資成本估算，並以反映不同相關資產內部回報率的利率予以折現。	Internal rate of return of underlying assets. 相關資產內部回報率
Available-for-sale investments	可供出售投資	–	444,259	Level 1 第一級	Quoted bid price in an active market. 於活躍市場之買入價報價。	N/A 不適用

42. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

42. 財務風險管理的政策及目標*(續)*

42.6 Fair value measurement of financial instruments *(Cont'd)*

42.6 金融工具的公允價值計量*(續)*

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Cont'd)

按經常性基準以公允價值計量的本集團金融資產及金融負債的公允價值(續)

Financial assets/ financial liabilities	金融資產／金融負債	Fair value as at 31 December 於十二月三十一日的公允價值 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	Fair value hierarchy 公允價值等級	Valuation technique(s) and key input(s) 估值技術及主要輸入數據	Significant unobservable input(s) 主要不可觀察輸入數據
Equity instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之股本工具	**490,816**	–	Level 1 第一級	Quoted bid price in an active market. 於活躍市場之買入價報價。	N/A 不適用
Equity instrument at fair value through profit or loss	按公允價值計入損益之股本工具	**10,559**	–	Level 1 第一級	Quoted bid price in an active market. 於活躍市場之買入價報價。	N/A 不適用
Debt instrument at fair value through other comprehensive income	按公允價值計入其他全面收益之債務工具	**20,000**	–	Level 1 第一級	Quoted bid price in an active market. 於活躍市場之買入價報價。	N/A 不適用

Note: The higher the volatility of the share prices of the Company, the higher the fair value of the derivative financial instruments, and vice versa. For the volatility of the share prices of the Company used in the fair value measurement for derivative financial instruments, please refer to note 34.

附註： 本公司股價波幅愈高，衍生金融工具的公允價值則愈高，反之亦然。有關衍生金融工具公允價值計量所採用的本公司股價波幅，請參閱附註34。

There is no transfer between different levels of the fair value hierarchy for both years.

於兩個年度，公允價值等級各級之間概無轉移。

Reconciliation of Level 3 fair value measurements

第三級公允價值計量的對賬

		Conversion option derivative 兌換期權衍生工具 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
Net carrying amount as at 1 January	於一月一日的賬面淨值	**111,078**	120,496
Embedded derivatives at the date of issue of convertible bonds	於發行可換股債券日期之嵌入式衍生工具	**255,307**	–
Conversion of convertible bond of CB 2018	兌換二零一八年可換股債券之可換股債券	**(11,107)**	–
Fair value gain recognised in profit or loss	於損益確認的公允價值收益	**(172,192)**	(2,373)
Exchange difference	匯兌差額	**15,019**	(7,045)
Net carrying amount as at 31 December	於十二月三十一日的賬面淨值	**198,105**	111,078

42. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES *(Cont'd)*

42.6 Fair value measurement of financial instruments *(Cont'd)*

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except for the senior notes and bond as detailed in note 35, the directors of the Company consider that the carrying amounts of financial assets and liabilities recorded as amortised cost in the consolidated financial statements approximate to their fair values.

The fair value of such financial assets and financial liabilities (categories within Level 3 hierarchy) are determined in accordance with general accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

42. 財務風險管理的政策及目標*(續)*

42.6 金融工具的公允價值計量*(續)*

並非按經常性基準以公允價值計量(但須作出公允價值披露)的金融資產及金融負債的公允價值

除於附註35詳述之優先票據及債券外，本公司董事認為，於綜合財務報表內按攤銷成本列賬的金融資產及負債的賬面值與其公允價值相若。

有關金融資產及金融負債的公允價值(屬第三級類別者)乃根據基於貼現現金流量分析的一般公認定價模式釐定，其中最重要的輸入數據為反映交易對手信貸風險的貼現率。

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

43. 融資活動產生之負債對賬

下表為本集團融資活動產生之負債變動詳情，包括現金及非現金變動。融資活動產生之負債乃為現金流量或將來現金流量於本集團之綜合現金流量表分類為融資活動現金流量之負債。

		Dividend payables 應付股息 RMB'000 人民幣千元	Borrowings 借貸 RMB'000 人民幣千元	Debt component of convertible bonds 可換股債券債務部分 RMB'000 人民幣千元	Senior notes and bond 優先票據及債券 RMB'000 人民幣千元	Derivative component of convertible bonds 可換股債券衍生工具部分 RMB'000 人民幣千元	Total 總值 RMB'000 人民幣千元
At 1 January 2018	於二零一八年一月一日	–	12,958,277	589,650	5,250,854	111,078	18,909,859
Financing cash flows	融資性現金流	(203,019)	2,501,044	658,715	(394,549)	255,307	2,817,498
Foreign exchange translation	外匯換算	–	261,584	60,589	134,464	15,019	471,656
Interest expenses	利息開支	–	820,891	131,969	410,200	–	1,363,060
Conversion of CB 2018	兑換二零一八年可換股債券	–	–	(59,278)	–	(11,107)	(70,385)
Fair value adjustment	公允價值調整	–	–	–	–	(172,192)	(172,192)
Dividend declared	宣派股息	203,019	–	–	–	–	203,019
At 31 December 2018	於二零一八年十二月三十一日	–	16,541,796	1,381,645	5,400,969	198,105	23,522,515
At 1 January 2017	於二零一七年一月一日	–	8,830,800	559,186	2,586,467	120,496	12,096,949
Financing cash flows	融資性現金流	(211,211)	3,635,196	(37,247)	2,470,874	–	5,857,612
Foreign exchange translation	外匯換算	–	(53,171)	(39,588)	(49,172)	(7,045)	(148,976)
Interest expenses	利息開支	–	545,452	107,299	242,685	–	895,436
Fair value adjustment	公允價值調整	–	–	–	–	(2,373)	(2,373)
Dividend declared	宣派股息	211,211	–	–	–	–	211,211
At 31 December 2017	於二零一七年十二月三十一日	–	12,958,277	589,650	5,250,854	111,078	18,909,859

44. COMMITMENTS

(a) Capital and other commitments

At the end of the reporting period, the Group has the following commitments:

44. 承擔

(a) 資本及其他承擔

於報告期末，本集團有以下承擔：

		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
Contracted but not provided for:	已訂約但未撥備：		
– Investment properties under development	－在建投資物業	**98,892**	946,265
– Properties under development for sale	－發展中待售物業	**1,526,006**	2,663,904
– Acquisition of equity interests *(Note)*	－收購股權*(附註)*	**–**	1,890,000
		1,624,898	5,500,169

Note:

On 11 November 2016, Purchaser entered into the sale and purchase agreement with Vendor, and pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase 100% equity interests in a company holding 100% interest in Zhuhai Kaiwei Property Co., Ltd ("珠海凱威置業有限公司") which is engaged in property development in the PRC at a consideration of RMB2,100 million, subject to adjustment.

As of 31 December 2017, the Group has paid 10% of the total consideration amounting to RMB210 million in exchange for 10% equity interests, which in substance is a deposit paid for acquisition of land use right. After the Vendor obtains local government approval for the property development project, the Purchaser is obliged to pay the remaining 90% outstanding amount.

During the period ended 31 December 2018, the Group and the Vendor agreed that the Group would purchase 100% interest in Zhuhai Kaiwei Property Co., Ltd ("珠海凱威置業有限公司") directly. The total consideration for purchase of 100% equity interests of Zhuhai Kaiwei Property Co., Ltd ("珠海凱威置業有限公司") has been adjusted from RMB2,100 million to RMB1,800 million according to the adjustment mechanism based on the actual saleable gross floor area as determined by the relevant regulatory authority under the aforesaid adjustment in the sale and purchase agreement. Accordingly, Zhuhai Kaiwei Property Co., Ltd ("珠海凱威置業有限公司") has become a subsidiary of the Group since then. The remaining consideration has been paid by the Group in 2018.

附註：

於二零一六年十一月十一日，收購方與賣方訂立買賣協議，據此，賣方已同意出售而收購方已同意以代價人民幣21億元(可予調整)購買一間持有珠海凱威置業有限公司100%權益的公司的100%股權，而珠海凱威置業有限公司於中國從事物業開發。

截至二零一七年十二月三十一日，本集團已支付總代價之10%，為數人民幣210百萬元，以換取10%的股權，該金額實質上為收購土地使用權之已付按金。於賣方取得地方政府之物業開發項目批覆後，收購方須支付尚未償還金額的其餘90%。

於截至二零一八年十二月三十一日止期間，本集團及賣方協定本集團將直接收購珠海凱威置業有限公司之100%權益。根據上述買賣協議調整下之調整機制，收購珠海凱威置業有限公司100%股權之總代價已按相關監管機關釐定之實際可銷售建築面積由人民幣2,100百萬元調整為人民幣1,800百萬元。因此，珠海凱威置業有限公司自此成為本集團之附屬公司。本集團已於二零一八年支付餘下代價。

44. COMMITMENTS *(Cont'd)*

(b) Operating lease arrangements

(i) The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of land and buildings which are receivable as follows:

		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
Within one year	一年內	**462,420**	452,950
In the second to fifth year, inclusive	第二至五年(包括首尾兩年)	**753,475**	815,542
Over five years	多於五年	**193,673**	188,746
		1,409,568	1,457,238

The Group leases out its investment properties under operating lease arrangements which run for initial periods of less than one year to fifteen years (2017: less than one year to fifteen years) or expire at dates as mutually agreed between the Group and the respective tenants, without an option to renew the lease terms at the expiry date. The terms of the leases generally also require the tenants to pay security deposits.

(ii) The Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings which are payable as follows:

		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
Within one year	一年內	**30,449**	30,973
In the second to fifth year, inclusive	第二至五年(包括首尾兩年)	**98,963**	109,808
Over five years	多於五年	**80,057**	96,611
		209,469	237,392

The Group leases a number of properties under operating lease arrangements which run for initial periods of one year to thirteen years (2017: one year to fourteen years) or expire at dates as mutually agreed between the Group and the respective landlords, without an option to renew the lease terms at the expiry date.

44. 承擔*(續)*

(b) 經營租賃安排

(i) 本集團根據不可撤銷經營租賃應收土地及樓宇的未來最低租金收入總額如下：

本集團根據經營租賃安排出租其投資物業，初步為期少於一年至十五年(二零一七年：少於一年至十五年)或按本集團與相關租戶共同協定的日期屆滿，惟並無附帶於屆滿日續租的選擇權。租約條款一般亦規定租戶支付保證按金。

(ii) 本集團根據不可撤銷經營租賃應付土地及樓宇的未來最低租金費用總額如下：

本集團根據經營租賃安排租賃多項物業，初步為期一年至十三年(二零一七年：一年至十四年)或按本集團與相關業主共同協定的日期屆滿，惟並無附帶於屆滿日續租的選擇權。

45. PLEDGE OF ASSETS

At the end of the reporting period, the Group had the following assets being pledged.

45. 資產抵押

於報告期末，本集團以下資產已被抵押。

		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
Properties under development for sale	發展中待售物業	**243,244**	2,735,309
Properties held for sale	待售物業	**17,612**	60,443
Investment properties	投資物業	**16,186,128**	13,419,429
Property, plant and equipment	物業、廠房及設備	**228,428**	226,426
Pledged deposits	抵押存款	**2,202,786**	1,488,431
		18,878,198	17,930,038

Note: As at 31 December 2018, except for assets pledged above, a secured bank loan with aggregate amount of RMB1,785,690,000 is secured by the equity interests of a subsidiary of the Group (also see note 33).

附註： 於二零一八年十二月三十一日，除上述抵押之資產外，有抵押銀行貸款總金額人民幣1,785,690,000元由本集團一間附屬公司之股權作抵押(請同時參閱附註33)。

46. CONTINGENT LIABILITIES

For the year ended 31 December 2018, the Group had contingent liabilities relating to guarantees in respect of mortgage facilities for certain purchasers amounting to approximately RMB1,162,977,000 (2017: RMB379,165,000).

Pursuant to the terms of the guarantees, if there is default on the mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to the banks.

The Group's guarantee period commences from the dates of grant of the relevant mortgage loans and ends upon the earlier of the buyer obtaining the individual property ownership certificate or the full settlement of mortgage loans by the buyer.

The Directors consider that it is not probable for the Group to sustain a loss under these guarantees as during the periods under guarantees, the Group can take over the ownerships of the related properties under default and sell the properties to recover any amounts paid by the Group to the banks. The Group has not recognised any deferred income in respect of these guarantees as its fair value is considered to be minimal by the Directors. The Directors also consider that the fair market value of the underlying properties is able to cover the outstanding mortgage loans guaranteed by the Group in the event that the purchasers default payments to the banks for their mortgage loans.

46. 或然負債

截至二零一八年十二月三十一日止年度，本集團就若干買方的按揭融資提供擔保的或然負債約為人民幣1,162,977,000元(二零一七年：人民幣379,165,000元)。

根據擔保條款，倘該等買方拖欠按揭付款，則本集團須負責償還尚未償付的按揭貸款連同違約買方應付銀行的任何應計利息及罰金。

本集團的擔保期由相關按揭貸款授出日期起，直至買家取得個人房產所有權證或悉數清償按揭貸款(以較早者為準)時為止。

董事認為本集團於擔保期間不大可能因該等擔保而遭受虧損，而本集團在違約的情況下可接管有關物業的所有權並將之出售，以收回本集團向銀行支付的任何金額。由於董事認為該等擔保的公允價值微不足道，故本集團並未就該等擔保確認任何遞延收入。董事亦認為，倘買方拖欠償還銀行按揭貸款，相關物業的公允市值足以彌補本集團所擔保的未償還按揭貸款。

47. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in these consolidated financial statements, the Group has the following transactions with related parties during the year:

(a) Transactions with related parties

47. 關聯方交易

除綜合財務報表其他地方所披露者外，本集團年內與關聯方進行的交易如下：

(a) 與關聯方進行的交易

		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
Development cost paid to Shenzhen Forsafe System Technology Co., Ltd. ("Forsafe"), an entity controlled by an associate of the ultimate controlling party	向深圳市賦安安全系統有限公司(「賦安」)(一家由最終控股方之聯繫人士控制之實體)支付之開發成本費用	–	2,054

Note: As detailed in the announcement issued by the Company dated 24 November 2017, the Company and Forsafe entered into the new security services agreement to enable Forsafe to continue to provide security services to the Group from 1 January 2018 to 31 December 2020.

附註： 誠如本公司於二零一七年十一月二十四日發佈之公告所詳述，本公司與賦安訂立新安保服務協議，使賦安可於二零一八年一月一日至二零二零年十二月三十一日期間繼續向本集團提供安保服務。

(b) Balances with related parties

Details of the balances with related parties at the end of the reporting period are disclosed in the consolidated statement of financial position and notes 16, 26 and 31.

(b) 關聯方之結餘

於報告期末與關聯方之結餘詳情於綜合財務狀況報表及附註16、26及31中披露。

(c) Key management personnel compensation

The directors are of the opinion that the key management personnel were solely the executive directors of the Company. Remuneration paid to the Company's executive directors is disclosed in note 10.

(c) 主要管理人員薪酬

董事認為，主要管理人員僅包括本公司執行董事。已付本公司執行董事的薪酬於附註10中披露。

48. NON-CASH TRANSACTION

During the year ended 31 December 2018, an amount due to China LVGEM, a related party of the Group, of RMB341,876,000, which arised from the capital injection for an acquisition of non-controlling interest in a subsidiary, has been set off with amount due from related parties, in which the ultimate controlling party has beneficial interests.

48. 非現金交易

截至二零一八年十二月三十一日止年度，以增資方式收購一間附屬公司之非控股權益而產生之應付中國綠景(本集團之關聯方)款項人民幣341,876,000元已與應收關聯方款項(最終控股方於其中擁有實益權益)互相抵銷。

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

49. 本公司財務狀況表

		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
Non-current assets	**非流動資產**		
Investments in subsidiaries	於附屬公司的投資	**3,381,353**	3,381,353
Amounts due from subsidiaries	應收附屬公司款項	**9,517,918**	9,134,279
		12,899,271	12,515,632
Current assets	**流動資產**		
Amounts due from subsidiaries	應收附屬公司款項	**3,246,078**	1,183,672
Deposits paid, prepayments and other receivables	已付按金、預付款項及其他應收款項	**2,698**	3,347
Bank balances and cash	銀行結餘及現金	**86,277**	49,110
		3,335,053	1,236,129
Current liabilities	**流動負債**		
Accruals and other payables	應計費用及其他應付款項	**25,938**	4,540
Amounts due to subsidiaries	應付附屬公司款項	**231,455**	21,477
Borrowings	借貸	**590,239**	122,877
Debt component of convertible bonds	可換股債券債務部分	**–**	589,650
Derivative component of convertible bonds	可換股債券衍生工具部分	**–**	111,078
		847,632	849,622
Net current assets	**流動資產淨額**	**2,487,421**	386,507
Total assets less current liabilities	**總資產減流動負債**	**15,386,692**	12,902,139
Non-current liabilities	**非流動負債**		
Borrowings	借貸	**1,012,908**	158,821
Debt component of convertible bonds	可換股債券債務部分	**613,593**	–
Derivative component of convertible bonds	可換股債券衍生工具部分	**30,842**	–
		1,657,343	158,821
Net assets	**資產淨額**	**13,729,349**	12,743,318
Capital and reserves	**資本及儲備**		
Share capital	股本	**41,141**	39,121
Reserves	儲備	**13,688,208**	12,704,197
Total equity	**總權益**	**13,729,349**	12,743,318

HUANG Jingshu
黃敬舒
DIRECTOR
董事

DENG Chengying
鄧承英
DIRECTOR
董事

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Cont'd)*

49. 本公司財務狀況表*(續)*

Note:

附註：

Details of the movement in the Company's reserves are set out below:

本公司儲備變動之詳情載列如下：

		Share premium 股份溢價 RMB'000 人民幣千元	Convertible preference share 可換股優先股 RMB'000 人民幣千元	Share option reserve 購股權儲備 RMB'000 人民幣千元	Exchange reserve 匯兑儲備 RMB'000 人民幣千元	Contributed surplus 實繳盈餘 RMB'000 人民幣千元	Retained profits 保留盈利 RMB'000 人民幣千元	Total 總計 RMB'000 人民幣千元
Balance as at 1 January 2017	於二零一七年一月一日之結餘	6,299,142	5,959,114	128,404	30,165	(18)	230,996	12,647,803
Profit for the year	年度盈利	–	–	–	–	–	186,247	186,247
Exercise of share options	行使購股權	1,425	–	(475)	–	–	–	950
Recognition of equity-settled share-based payments	確認以股權結算以股份支付之付款	–	–	80,408	–	–	–	80,408
Dividend declared and made	已宣派及派付之股息	–	–	–	–	–	(211,211)	(211,211)
Balance as at 31 December 2017	於二零一七年十二月三十一日之結餘	6,300,567	5,959,114	208,337	30,165	(18)	206,032	12,704,197
Profit for the year	年度盈利	–	–	–	–	–	299,990	299,990
Lapse of share options	購股權失效	–	–	(2,039)	–	–	2,039	–
Exercise of share options	行使購股權	15,999	–	(5,287)	–	–	–	10,712
Recognition of equity-settled share-based payments	確認以股權結算以股份支付之付款	–	–	21,959	–	–	–	21,959
Conversion of convertible bonds	兑換可換股債券	70,145	–	–	–	–	–	70,145
Issue of ordinary shares	發行普通股	495,898	–	–	–	–	–	495,898
Issue of convertible preference shares	發行可換股優先股	–	287,047	–	–	–	–	287,047
Dividend declared and made	已宣派及派付之股息	–	–	–	–	–	(201,740)	(201,740)
Balance as at 31 December 2018	於二零一八年十二月三十一日之結餘	6,882,609	6,246,161	222,970	30,165	(18)	306,321	13,688,208

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries, each of which is a limited liability company, as at 31 December 2018 and 2017 are as follows:

50. 主要附屬公司的詳情

於二零一八年及二零一七年十二月三十一日主要附屬公司(均為有限公司)的詳情如下：

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立／成立地點	Issued and fully paid ordinary share capital/registered capital 已發行及繳足普通股本／註冊資本	Effectively attributable equity interests 實際應佔股本權益 Directly 直接	 Indirectly 間接	Principal activities (Place of operations) 主要業務(營業地點)
LVGEM (Suzhou) Real Estate Investment Company Limited 綠景(蘇州)地產投資有限公司	HK 香港	156 shares of HK$1 each 156股每股面值1港元之股份	–	100% (2017: 100%) (二零一七年：100%)	Administration vehicle of the Group (HK) 處理本集團行政工作(香港)
Prosper View Group Limited* ("PVGL") 協朗集團有限公司*(「協朗」)	HK 香港	10,000 shares of HK$1 each 10,000股每股面值1港元之股份	–	51% (2017: 51%) (二零一七年：51%)	Investment holding (HK) 投資控股(香港)
Suzhou Garden Villa Development & Management Co., Ltd. 蘇州錦華苑建設發展管理有限公司	PRC *(Note (a))* 中國*(附註(a))*	US$20,550,000 20,550,000美元	–	95% (2017: 95%) (二零一七年：95%)	Property development and investment (PRC) 物業發展及投資(中國)
Suzhou New Heritage GF Limited ("SNHGF") 蘇州新綉地產有限公司(「蘇州新綉」)	PRC 中國	US$26,600,000 26,600,000美元	–	61%# (2017: 61%#) (二零一七年：61%#)	Property development and investment (PRC) 物業發展及投資(中國)
Suzhou New Heritage WZA Limited 蘇州新興地產有限公司	PRC *(Note (b))* 中國*(附註(b))*	US$15,000,000 15,000,000美元	–	100% (2017: 100%) (二零一七年：100%)	Property development and investment (PRC) 物業發展及投資(中國)
New Heritage WJA Limited 吳江新澤地產有限公司	PRC *(Note (b))* 中國*(附註(b))*	US$13,000,000 13,000,000美元	–	100% (2017: 100%) (二零一七年：100%)	Property development and investment (PRC) 物業發展及投資(中國)
Shenzhen LVGEM Asset Management Co., Ltd. 深圳市綠景資產管理有限公司	PRC *(Note (b))* 中國*(附註(b))*	RMB16,000,000 人民幣16,000,000元	–	100% (2017: 100%) (二零一七年：100%)	Property management service (PRC) 物業管理服務(中國)
Shenzhen LVGEM Hotel Co., Ltd. 深圳市綠景酒店有限公司	PRC *(Note (b))* 中國*(附註(b))*	RMB10,000,000 人民幣10,000,000元	–	100% (2017: 100%) (二零一七年：100%)	Hotel operation services (PRC) 酒店營運服務(中國)
Shenzhen LVGEM Jiyuan Property Management Service Co., Ltd. 深圳市綠景紀元管理服務有限公司	PRC *(Note (b))* 中國*(附註(b))*	RMB500,000 人民幣500,000元	–	100% (2017: 100%) (二零一七年：100%)	Property management service (PRC) 物業管理服務(中國)
Shenzhen LVGEM Marketing Co., Ltd. 深圳市綠景房地產策劃有限公司	PRC *(Note (b))* 中國*(附註(b))*	RMB1,000,000 人民幣1,000,000元	–	100% (2017: 100%) (二零一七年：100%)	Consultancy services (PRC) 顧問服務(中國)
Shenzhen LVGEM Property Management Co., Ltd. 深圳市綠景物業管理有限公司	PRC *(Note (b))* 中國*(附註(b))*	RMB5,000,000 人民幣5,000,000元	–	100% (2017: 100%) (二零一七年：100%)	Property management services (PRC) 物業管理服務(中國)
Shenzhen LVGEM Real Estate Development Co., Ltd. 深圳市綠景房地產開發有限公司	PRC *(Note (b))* 中國*(附註(b))*	RMB150,000,000 人民幣150,000,000元	–	100% (2017: 100%) (二零一七年：100%)	Property development (PRC) 物業發展(中國)
Yiyang Zhonghe Real Estate Co., Ltd. 益陽中核置業有限公司	PRC *(Note (b))* 中國*(附註(b))*	RMB30,000,000 人民幣30,000,000元	–	100% (2017: 100%) (二零一七年：100%)	Property development (PRC) 物業發展(中國)

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)* 50. 主要附屬公司的詳情*(續)*

Name of subsidiary 附屬公司名稱	Place of incorporation/ establishment 註冊成立／成立地點	Issued and fully paid ordinary share capital/registered capital 已發行及繳足普通股本／註冊資本	Effectively attributable equity interests 實際應佔股本權益 Directly 直接	 Indirectly 間接	Principal activities (Place of operations) 主要業務(營業地點)
Zhengxinglong Real Estate (Shenzhen) Co.,Ltd. 正興隆房地產(深圳)有限公司	PRC *(Note (b))* 中國*(附註(b))*	HK$40,000,000 40,000,000港元	–	100% (2017: 100%) (二零一七年：100%)	Property development (PRC) 物業發展(中國)
Huazhou LVGEM Real Estate Development Co., Ltd. 化州市綠景房地產開發有限公司	PRC *(Note (b))* 中國*(附註(b))*	RMB210,000,000 人民幣210,000,000元	–	100% (2017: 100%) (二零一七年：100%)	Property development (PRC) 物業發展(中國)
Zhuhai LVGEM Dongqiao Investment Co., Ltd. 珠海市綠景東橋投資有限公司	PRC *(Note (b))* 中國*(附註(b))*	RMB7,500,000 人民幣7,500,000元	–	90.64% (2017: 51%) (二零一七年：51%)	Property development (PRC) 物業發展(中國)
Zhengxinglong Real Estate (Zhuhai) Co.,Ltd 正興隆房地產(珠海)有限公司	PRC *(Note (b))* 中國*(附註(b))*	RMB407,000,000 人民幣407,000,000元	–	100% (2017: 100%) (二零一七年：100%)	Property development (PRC) 物業發展(中國)
Guangzhou Yuejing Real Estate Development Co.,Ltd. 廣州市粵景房地產開發有限公司	PRC *(Note (b))* 中國*(附註(b))*	RMB10,000,000 人民幣10,000,000元	–	93% (2017: Nil) (二零一七年：無)	Property development (PRC) 物業發展(中國)
Jianmai Limited ("Jianmai") 景邁有限公司(「景邁」)	BVI 英屬維爾京群島	200 shares of US$1 each 200股每股面值1美元之股份	–	95% (2017: 75%) (二零一七年：75%)	Investment holding (HK) 投資控股(香港)
Wisdom Concept Development Limited 聰勁發展有限公司	HK 香港	2 shares of HK$1 each 2股每股面值1港元之股份	–	95% (2017: 75%) (二零一七年：75%)	Property development (HK) 物業發展(香港)
Olinda	HK 香港	20 shares of HK$1 each 20股每股面值1港元之股份	–	100% (2017: 100%) (二零一七年：100%)	Property development and investment (HK) 物業發展及投資(香港)
Gemstones 碧玺	BVI 英屬維爾京群島	1 share of US$1 1股1美元之股份	100% (2017: 100%) (二零一七年：100%)	–	Treasury vehicle (BVI) 處理財資工作 (英屬維爾京群島)
Zone Asia Investments (HK) Limited 崇亞投資(香港)有限公司	HK 香港	1 share of HK$1 each 1股每股面值1港元之股份	–	100% (2017: 100%) (二零一七年: 100%)	Investment holding (HK) 投資控股(香港)
World Margin Limited 世謙有限公司	HK 香港	800,000 shares of HK$1 each 800,000股每股面值1港元之股份	–	100% (2017: 100%) (二零一七年: 100%)	Treasury vehicle (HK) 處理財資工作 (香港)

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

* The Group has an effective interest of 51% (2017: 51%) in PVGL. In the opinion of the directors, the Group has the power to control over the relevant activities of PVGL and its subsidiary and PVGL and its subsidiary are consolidated in the financial statements of the Group accordingly.

Approximate percentage.

Notes:

(a) This subsidiary is registered as a Sino-foreign cooperative joint venture under the PRC law.

(b) These subsidiaries are registered as wholly foreign owned enterprises under the PRC law.

(c) Except for Zhengxinglong, which issued the Bond on 26 August 2016 as disclosed in note 35, and Gemstones, which issued Private Notes and Senior Notes in 2017 as disclosed in note 33 and note 35 respectively, none of the remaining subsidiaries had issued any debt securities at the end of the reporting period.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the results for the year or form a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Material non-controlling interests

Summarised consolidated financial information of PVGL and its subsidiary and Jianmai and its subsidiary, that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

50. 主要附屬公司的詳情*(續)*

* 本集團擁有協朗的51%(二零一七年:51%)實際股權。董事認為,本集團有權控制協朗及其附屬公司的相關業務,因此協朗及其附屬公司已在本集團財務報表中綜合入賬。

概約百分比

附註:

(a) 該附屬公司根據中國法律登記為中外合資合營公司。

(b) 該等附屬公司根據中國法律登記為外資獨資企業。

(c) 除正興隆(如附註35所披露,其於二零一六年八月二十六日發行該債券)及碧玺(如附註33及附註35分別披露,其於二零一七年發行私募票據及優先票據)外,於報告期末,其餘附屬公司概無發行任何債務證券。

本公司董事認為,上表列出之本公司附屬公司,主要影響本集團本年度之業績或為本集團資產及負債之主要組成部分。董事認為詳細交待其他附屬公司之詳情會令篇幅過於冗長。

重大非控股權益

有關協朗及其附屬公司以及景邁及其附屬公司(其擁有重大非控股權益)之綜合財務資料概要載列如下。下表所載財務資料概要指於集團內公司間對銷前之金額。

Name of subsidiary	附屬公司名稱	Proportion of equity interests held by non-controlling interests 非控股權益持有的股權比例		Total comprehensive income (expenses) allocated to non-controlling interests 分配給非控股權益的綜合收入(支出)總額		Accumulated non-controlling interests 累計非控股權益	
		2018 二零一八年	2017 二零一七年	**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	**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
PVGL and its subsidiary	協朗及其附屬公司	**49%**	49%	**(2,139)**	4,172	**37,527**	39,666
Jianmai and its subsidiary	景邁及其附屬公司	**5%**	25%	**15**	(43)	**30,610**	152,975
Individually immaterial subsidiaries with non-controlling interests	個別不屬重大並擁有非控股權益的附屬公司	**N/A 不適用**	N/A 不適用	**(4,362)**	(4,140)	**39,358**	40,500
				(6,486)	(11)	**107,495**	233,141

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

50. 主要附屬公司的詳情*(續)*

Material non-controlling interests *(Cont'd)*

重大非控股權益*(續)*

(i) PVGL and its subsidiary

(i) 協朗及其附屬公司

		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
Current assets	流動資產	**271,056**	279,171
Non-current assets	非流動資產	**–**	3
Current liabilities	流動負債	**(141,696)**	(145,414)
Net assets	資產淨值	**129,360**	133,760
Equity attributable to owners of the Company	本公司股東應佔權益	**39,058**	41,285
Equity attributable to non-controlling interests of PVGL	協朗之非控股權益應佔權益	**37,527**	39,666
Equity attributable to non-controlling interests of SNHGF *(Note)*	蘇州新綉之非控股權益應佔權益*(附註)*	**52,775**	52,809
Total equity	權益總額	**129,360**	133,760
Revenue	收益	**–**	7,062
Other income, other gains and losses	其他收入、其他收益及虧損	**(914)**	8,318
Expenses	開支	**(3,486)**	(6,165)
Attributable to non-controlling interests of SNHGF *(Note)*	蘇州新綉非控股權益應佔*(附註)*	**34**	(701)
(Loss) profit for the year	年度(虧損)盈利	**(4,366)**	8,514
(Loss) profit attributable to owners of the Company	本公司股東應佔(虧損)盈利	**(2,227)**	4,342
(Loss) profit attributable to non-controlling interests	非控股權益應佔(虧損)盈利	**(2,139)**	4,172
(Loss) profit for the year	年度(虧損)盈利	**(4,366)**	8,514
Net cash used in operating activities	經營活動所用現金淨額	**(185,774)**	(8,714)
Net cash from investing activities	投資活動所得現金淨額	**3,312**	2,572
Net cash from financing activities	融資活動所得現金淨額	**–**	51
Net cash outflow	現金流出淨額	**(182,462)**	(6,091)

Note: As at 31 December 2018, the Group held 51% (2017: 51%) equity interests in PVGL, which indirectly held 80% (2017: 80%) equity interests in SNHGF. In addition, the Group also indirectly held the remaining 20% (2017: 20%) equity interests in SNHGF. Therefore, the Group effectively held 61% (2017: 61%) in SNHGF.

附註： 於二零一八年十二月三十一日，本集團持有協朗51%股權(二零一七年：51%)，協朗間接持有蘇州新綉80%股權(二零一七年：80%)。此外，本集團亦間接持有蘇州新綉餘下20%股權(二零一七年：20%)。因此，本集團實際持有蘇州新綉61%(二零一七年：61%)股權。

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(Cont'd)*

50. 主要附屬公司的詳情*(續)*

Material non-controlling interests *(Cont'd)*

重大非控股權益*(續)*

(ii) Jianmai and its subsidiary

(ii) 景邁及其附屬公司

		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
Current assets	流動資產	**667,159**	677,033
Current liabilities	流動負債	**(54,952)**	(65,133)
Net assets	資產淨值	**612,207**	611,900
Equity attributable to owners of the Company	本公司股東應佔權益	**581,597**	458,925
Equity attributable to non-controlling interests	非控股權益應佔權益	**30,610**	152,975
Total equity	權益總額	**612,207**	611,900
Other income	其他收入	**380**	–
Expenses	開支	**(73)**	(171)
Profit (loss) for the year	年度盈利(虧損)	**307**	(171)
Profit (loss) attributable to owners of the Company	本公司股東應佔盈利(虧損)	**292**	(128)
Profit (loss) attributable to non-controlling interests	非控股權益應佔盈利(虧損)	**15**	(43)
Profit (loss) for the year	年度盈利(虧損)	**307**	(171)
Net cash (used in) from operating activities and net cash (outflow) inflow	經營活動(所用)所得現金淨額及現金(流出)流入淨額	**(5,650)**	15,972

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