

IMPORTANT NOTICE

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

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

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

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

Confirmation and your representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, investors must be addressees outside the United States (as defined in Regulation S under the Securities Act). By accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to us that (1) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) you consent to delivery of such offering memorandum by electronic transmission. You are reminded that this offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. If this is not the case, you must return this offering memorandum to us immediately. You may not, nor are you authorized to, deliver or disclose the contents of this offering memorandum to any other person.

The securities are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“EEA”) or in the United Kingdom (the “UK”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (“**MI FID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (“**IMD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the EU Prospectus Directive.

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchaser or any affiliate of the initial purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchaser or such affiliate on behalf of the issuer in such jurisdiction.

This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, neither Guotai Junan Securities (Hong Kong) Limited (the “**Initial Purchaser**”) nor any person who controls it, nor any of its director, officer, employee, or agent or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchaser.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

US\$125,000,000



China South City Holdings Limited
華南城控股有限公司

(incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

10.875% Senior Notes due 2022
(to be consolidated and form a single series with
the US\$225,000,000 10.875% Senior Notes due 2022 issued on February 26, 2020

China South City Holdings Limited, a company incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance (the “Company”), is proposing to offer US\$125,000,000 aggregate principal amount of its 10.875% Senior Notes due 2022 (the “New Notes”). The New Notes will be issued under the indenture (the “Indenture”) governing the Company’s outstanding US\$225,000,000 aggregate principal amount of 10.875% Senior Notes due 2022 (the “Original Notes”). The New Notes constitute Additional Notes under the Indenture and are identical in all respects with the Original Notes, other than with respect to the date of issuance, the issue price and the first interest payment date. The New Notes will form a single series with the Original Notes. The Original Notes and the New Notes are referred to collectively as the “Notes”. Upon completion of this issuance, the aggregate principal amount of outstanding Notes will be US\$350,000,000. Terms not defined in this supplemental offering memorandum have the meanings given to them in the offering memorandum dated February 19, 2020. You should rely only on the information contained in this supplemental offering memorandum and the accompanying offering memorandum.

The New Notes will bear interest from June 26, 2020 at the rate of 10.875% per year. We will pay interest on the New Notes semi-annually in arrears on June 26 and December 26 of each year, commencing December 26, 2020.

At any time and from time to time prior to June 26, 2022, we may redeem up to 35% of the aggregate principal amount of the Notes, at a redemption price of 110.875% of their principal amount, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock. In addition, we may redeem the Notes at any time prior to June 26, 2022, in whole but not in part, at a price equal to 100% of the principal amount of such Notes plus: (1) accrued and unpaid interest (if any) to the redemption date; and (2) a premium as set forth in this supplemental offering memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase. The Notes are senior obligations of the Company guaranteed (the “Subsidiary Guarantees”) by our existing subsidiaries (the “Subsidiary Guarantors”) other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in “Description of the Notes” (together, the “Non-Guarantor Subsidiaries”). Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (a “JV Subsidiary Guarantee”). We refer to the subsidiaries providing a JV Subsidiary Guarantee as “JV Subsidiary Guarantors”.

The Notes: (1) are senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (2) rank at least *pari passu* in right of payment with our Existing Notes and our other unsubordinated indebtedness (subject to any priority rights pursuant to applicable law); (3) are effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries; and (4) are effectively subordinated to our secured obligations, if any and those of the Subsidiary Guarantors and the JV Subsidiary Guarantors, including the Existing Secured Notes, to the extent of the value of the assets serving as security therefor. Applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) and the pledge of the collateral.

For a more detailed description of the Notes, see “Description of the Notes” beginning on page 180 in the offering memorandum and page S-12 in the supplemental offering memorandum.

Investing in the Notes involves risks. See “Risk Factors” beginning on page 13 in the offering memorandum and page S-9 in the supplemental offering memorandum.

The Original Notes are listed on the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and application will be made to the SGX-ST for the listing of and quotation for the New Notes. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST or quotation of any New Notes on the SGX-ST is not to be taken as an indication of the merits of our company and our subsidiaries, joint ventures and associates or the New Notes, Subsidiary Guarantees or JV Subsidiary Guarantees.

Pursuant to the Notice on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知《發改外資[2015]2044號》) (the “NDRC Circular”) promulgated by the National Development and Reform Commission of the PRC (the “NDRC”) on September 14, 2015, which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated July 5, 2019 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the New Notes to be reported to the NDRC within 10 business days after the issue date of the New Notes.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and they may not be offered, sold or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the New Notes are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the New Notes and the distribution of this supplemental offering memorandum and the accompanying offering memorandum, see “Plan of Distribution.”

The Original Notes are rated “B” by Fitch Inc. Additionally, we have been assigned a long-term foreign currency issuer default rating of “B” by Fitch Inc. 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.

We expect that delivery of the New Notes will be made on or about June 26, 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.

Sole Global Coordinator, Bookrunner and Lead Manager

Guotai Junan International

The date of this supplemental offering memorandum is June 22, 2020

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
RECENT DEVELOPMENT	S-5	DESCRIPTION OF THE NOTES	S-12
THE OFFERING	S-7	PLAN OF DISTRIBUTION	S-13
RISK FACTORS	S-9	GENERAL INFORMATION	S-15
USE OF PROCEEDS	S-10	LISTING OF THE NOTES	S-16
CAPITALIZATION AND INDEBTEDNESS	S-11		

You should rely only on the information contained in this supplemental offering memorandum and the accompanying offering memorandum. The accompanying offering memorandum contains important information with respect to an investment in the New Notes. This supplemental offering memorandum is not complete without the accompanying offering memorandum. Terms not defined in this supplemental offering memorandum have the meanings assigned to them in the accompanying offering memorandum. To the extent any information in this supplemental offering memorandum (including any information incorporated by reference in it) is inconsistent with the accompanying offering memorandum, you should rely on this supplemental offering memorandum, including information incorporated by reference.

This supplemental offering memorandum and the accompanying offering memorandum do 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 supplemental offering memorandum and the accompanying 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 supplemental offering memorandum and the accompanying offering memorandum or that the information contained in this supplemental offering memorandum and the accompanying offering memorandum is correct as of any time after that date.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER (AS DEFINED BELOW), AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE OR SELL THE NEW NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE 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. HOWEVER, THERE IS NO ASSURANCE THAT THE INITIAL PURCHASER (AS DEFINED BELOW), AS STABILIZING MANAGER, OR ANY PERSON ACTING FOR IT, WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NEW NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NEW NOTES. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF THE INITIAL PURCHASER, AS STABILIZING MANAGER, AND NOT FOR OR ON BEHALF OF THE COMPANY.

Guotai Junan Securities (Hong Kong) Limited (the “Initial Purchaser”), or its affiliates may purchase the New Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the New Notes and/or other securities of the Company or its subsidiaries or associates at the same time as the offer and sale of the New Notes or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the New Notes to which this supplemental offering memorandum and the accompanying offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the New Notes). Furthermore, investors in the New Notes may include entities affiliated with the Company or its subsidiaries.

Certain price information of the New Notes (the “**Price Information**”), including but not limited to the issue price, has been delivered to you by the Initial Purchaser in the form of the final terms of the New Notes. Such final terms have been distributed via Bloomberg email distribution list. You are deemed to have received such information. You should rely only on the Price Information and the information contained in this supplemental offering memorandum and the accompanying offering memorandum. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

This supplemental offering memorandum and the accompanying offering memorandum are highly confidential. We are providing them solely for the purpose of enabling you to consider a purchase of the New Notes and for the listing of the New Notes on the SGX-ST. You should read this supplemental offering memorandum and the accompanying offering memorandum before making a decision whether to purchase the New Notes. You must not use this supplemental offering memorandum and the accompanying offering memorandum for any other purpose, or disclose any information in this supplemental offering memorandum and the accompanying offering memorandum to any other person.

Notwithstanding anything to the contrary contained herein, a prospective investor (and each employee, representative or other agent of a prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this supplemental offering memorandum and the accompanying offering memorandum and all materials of any kind that are provided to the prospective investor relating to such tax treatment and tax structure (as such terms are defined in U.S. Treasury Regulation section 1.6011-4). This authorization of tax disclosure is retroactively effective to the commencement of discussions with prospective investors regarding the transactions contemplated herein.

We have prepared this supplemental offering memorandum and the accompanying 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 headed “Plan of Distribution” below.

No representation or warranty, express or implied, is made by any of the Initial Purchaser, Citicorp International Limited (the “Trustee”), Citibank, N.A., London Branch, a banking corporation organized and existing under the laws of the State of New York with limited liability (the “Paying Agent”, the “Registrar” and the “Transfer Agent”, and together, the “Agents”) or any of their respective affiliates, directors or advisors, to the accuracy, completeness or sufficiency of the information contained in this supplemental offering memorandum and the accompanying offering memorandum, and nothing contained in this supplemental offering memorandum and the accompanying offering memorandum is, or should be, relied upon as, a promise, representation or warranty by the Initial Purchaser, the Trustee, or the Agents, whether as to the past or the future. The Initial Purchaser assumes no responsibility for its accuracy, completeness or sufficiency or for any statement made or purported to be made by the Initial Purchaser or on our behalf in connection with the Company, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) on the issue and offering of the New Notes. None of the Initial Purchaser, the Trustee or the Agents accept any responsibility for the contents of this supplemental offering memorandum and the accompanying offering memorandum. Each of the Initial Purchaser, the Trustee and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this supplemental offering memorandum and the accompanying offering memorandum or any such statement.

Each person receiving this supplemental offering memorandum and the accompanying offering memorandum acknowledges to us and the Initial Purchaser 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 Purchaser or any person affiliated with the Initial Purchaser 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 Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our company and the terms of the offering of the 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 Purchaser.

The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been approved or disapproved by the United States Securities and Exchange Commission, 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 supplemental offering memorandum and the accompanying offering memorandum. Any representation to the contrary is a criminal offense in the United States.

We are not, and the Initial Purchaser is not, making an offer to sell the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) in any jurisdiction except where an offer or sale is permitted. None of the Initial Purchaser, the Trustee or the Agents or any of their respective affiliates, officers, directors or advisors undertakes to review the financial condition or affairs of the Company or its subsidiaries as a group during the life of the New Notes contemplated by this supplemental offering memorandum and the accompanying offering memorandum nor to advise any investor or potential investor in the New Notes of any information coming to the attention of the Initial Purchaser, the Trustee or the Agents. The distribution of this supplemental offering memorandum and the accompanying offering memorandum and the offering of the securities, including the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may in certain jurisdictions be restricted by law. Persons into whose possession this supplemental offering memorandum and the accompanying offering memorandum comes are required by us and the Initial Purchaser to inform themselves about and to observe any such restrictions. Each prospective purchaser of the New Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the New Notes or possesses or distributes this supplemental offering memorandum and the accompanying offering memorandum and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchaser shall have any responsibility therefor. For a description of the restrictions on offers, sales and resales of the securities, including the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), and distribution of this supplemental offering memorandum and the accompanying offering memorandum, see "Plan of Distribution" below.

No person has been or is authorized to make any representation concerning us or the New Notes other than as contained herein 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 Purchaser, the Trustee or the Agents. Neither the delivery of this supplemental offering memorandum and the accompanying offering memorandum nor any offering, sale or delivery made in connection with the issue of the New Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This supplemental offering memorandum and the accompanying offering memorandum do not constitute an offer of, or an invitation by or on behalf of us, the Initial Purchaser, the Trustee or the Agents to subscribe for or purchase, any of the New Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful.

This supplemental offering memorandum and the accompanying 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 supplemental offering memorandum and the accompanying 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, tax or similar laws or regulations. You should not consider any information in this supplemental offering memorandum and the accompanying offering memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding any investment in the New Notes.

We reserve the right to withdraw the offering of New Notes at any time or sell less than the aggregate principal amount of New Notes offered by this supplemental offering memorandum and the accompanying offering memorandum, and the Initial Purchaser reserves 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 New Notes sought by such purchaser. The Initial Purchaser and certain related entities may acquire for their own account a portion of the New Notes.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), 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 CMP Regulations 2018) 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).

PRESENTATION OF FINANCIAL INFORMATION

Our unaudited interim condensed consolidated financial statements as of and for the six months ended September 30, 2018 and 2019, included in the accompanying offering memorandum, are prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which differ in certain material respects from generally accepted accounting principles in certain other countries, including the United States. There are no material differences, however, between HKFRS and IFRS. We have not identified the differences between HKFRS and those generally accepted accounting principles in other countries, nor have we quantified the effect of applying those generally accepted accounting principles to our financial statements. In making an investment decision, investors must make their own judgment in assessing our financial statements. You should consult your own professional advisors for an understanding of the differences between HKFRS and generally accepted accounting principles in other countries and how such differences might affect our financial statements and your investment in the Notes. Our reporting currency is the Hong Kong dollar.

RECENT DEVELOPMENT

WE HAD THE FOLLOWING CHANGES IN DIRECTORS OF THE COMPANY WITH EFFECT FROM APRIL 1, 2020

Dr. Ma Kai Cheung, for the purpose of devoting more time on personal affairs and charity affairs, has tendered his resignation as Non-Executive Director of the Company, and accepted the Company's sincere invitation to act as Honourable Adviser of the Group.

Mr. Fung Sing Hong Stephen, for the purpose of devoting more time with family, developing personal interest (exploration of religion and philosophy) and participating in charity activities, has tendered his resignation as the Vice Chairman of the Group and Executive Director of the Company, and accepted the Company's sincere invitation to act as Senior Adviser of the Group.

Mr. Wu Guangquan ("Mr. Wu"), aged 58, has been appointed as an Executive Director of the Company with effect from April 1, 2020. He is primarily responsible for the management of the Group's resources integration, business development strategy and daily operations of the Group. Mr. Wu graduated from Tongji University with a master degree in Business Administration. He has extensive experience in finance, administration and management. He is the president of presidium of China Federation of Industrial Economics, and also as the president and executive chairman of Federation of Shenzhen Industries. Before joining the Group, Mr. Wu served as the chairman/chairman of the board of Aviation Industry Corporation of China ("AVIC") International Holding Corporation, AVIC International Shenzhen Company Limited, and the following listed companies: AVIC International Holdings Limited (stock code: 161.HK) and AVIC International Holding (HK) Limited (stock code: 232.HK), which are listed on the mainboard of Hong Kong Stock Exchange, and of which Mr. Wu served as an executive director; Tianma Microelectronics Co., Ltd. (stock code: 000050.SZ), FIYTA Holdings Ltd. (stock code: 000026.SZ), Rainbow Department Store Co., Ltd. (stock code: 002419.SZ) and AVIC Real Estate Holding Company Limited (stock code: 000043.SZ), which are listed on the Shenzhen Stock Exchange.

Please refer to our announcement of March 27, 2020 published on the Website of the Hong Kong Stock Exchange for details.

WE HAVE REPURCHASED AND CANCELLED PARTS OF THE SENIOR INDEBTEDNESS

We made on-market repurchase recently of parts of (i) 2018 May Notes in an aggregate principal amount of US\$39,900,000, representing approximately 15.96% of the initial principal amount of such notes, which has been cancelled; (ii) 2018 January Notes in an aggregate principal amount of US\$21,900,000, representing approximately 8.76% of the initial principal amount of such notes, which has been cancelled/will be cancelled; (iii) 2019 March Notes in an aggregate principal amount of US\$8,500,000, representing approximately 3.27% of the initial principal amount of such notes, which has been cancelled; and (iv) 2016 Notes in an aggregate principal amount of US\$8,000,000, representing approximately 2.29% of the initial principal amount of such notes, which will be cancelled. Please refer to our announcements of May 4, 2020 and June 8, 2020 published on the website of the Hong Kong Stock Exchange for details. The repurchase of the aforementioned notes was conducted based on the market condition and our debt profile and will improve our debt structure. We will continue to monitor the market condition and our financial structure and may repurchase Existing Notes as and when appropriate.

We have also repaid the outstanding balance of our 2017 March Notes in full on March 9, 2020.

LEGAL PROCEEDINGS

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

- (1) Chongqing China South City Company Limited, one of our PRC subsidiaries, has been involved in a construction contract dispute litigation as a second defendant, where a third party subcontractor made a claim against the third party general contractor as the first defendant in the amount of RMB12,369,071.05, and against Chongqing China South City Company Limited in relation to its joint and several guarantee within the scope of the outstanding construction payment thereto. As of the date of this supplemental offering memorandum, the plaintiff had withdrawn the claim against Chongqing China South City Company Limited.
- (2) As of the date of this offering memorandum, Chongqing ZhenZhong Property Development Company Limited, one of our PRC subsidiaries, as a defendant, has been involved in a corporate loan dispute between contract parties with a third party plaintiff in the amount of RMB70,024,320 and relevant interests. Zhengzhou China South City Company Limited, one of our PRC subsidiaries, as a defendant, has been involved in a real property sales contract dispute litigation with a third party plaintiff in the amount of RMB30,000,000. Zhengzhou China South City Company Limited, China South International Industrial Materials City (Shenzhen) Company Limited, Hefei China South City Company Limited and another two PRC subsidiaries of the Group have been involved in a construction contract labor dispute litigation as co-defendants in the total amount of RMB31,175,556.

We believe that the amount of each ongoing claim is minimal compared to the total assets of the Company, and we believe such claims should not have any material adverse effect on us or any of our relevant subsidiaries. Save as disclosed above, we are not aware of any material legal proceedings, claims or disputes currently existing or pending against us that may have a material adverse impact on our business or our results of operations.

OUTBREAK OF COVID-19

On March 11, 2020, the World Health Organization declared COVID-19 outbreak a pandemic. The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries, particularly by the PRC government, have had a certain negative impact on our operations, as most of our operations are located in the PRC. In January 2020, due to mandatory government quarantine measures in an effort to contain the spread of COVID-19 in the PRC, we had to suspend most of the operation, construction, marketing and selling activities in relation to our projects. As the pandemic abated in the PRC, we gradually resumed our operation in mid-March 2020. As of the date of this supplemental offering memorandum, we have resumed full operations at normal capacity. The outbreak of COVID-19 had a negative impact on our business and results of operation in the first three calendar months of 2020. Meanwhile, the dynamic nature of these circumstances makes the future of the epidemic and its impacts on us unpredictable. Please see “Risk Factors — The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics” for further details.

THE OFFERING

The following is a brief summary of the terms of the offering and is qualified in its entirety by the remainder of this offering memorandum. Capitalized terms used in this summary and not defined herein shall have the meanings given to them in “Description of the Notes.”

Issuer	China South City Holdings Limited (the “Company”).
New Notes Offered	US\$125,000,000 aggregate principal amount of 10.875% Senior Notes due 2022 (the “New Notes”), to be consolidated and form a single series with the US\$225,000,000 10.875% Senior Notes due 2022 issued by the Company on February 26, 2020 (the “Original Notes” and, together with the New Notes, the “Notes”). The terms for the New Notes are the same as those for the Original Notes in all respects except for the issue date, the issue price and the first interest payment date.
Maturity Date	June 26, 2022.
Interest	The New Notes bear interest from and including June 26, 2020 at the rate of 10.875% per annum, payable semi-annually in arrear.
Interest Payment Dates	June 26 and December 26 of each year, commencing December 26, 2020 with respect to the New Notes.
Use of Proceeds	The Company intends to use the net proceeds from this offering primarily to refinance existing indebtedness and for general corporate purposes. See “Use of Proceeds.”
Transfer Restrictions	The New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and 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 “Plan of Distribution.”
Form, Denomination and Registration	The New Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of a common depository for Euroclear and Clearstream.
Delivery of the New Notes ..	The Company expects to make delivery of the New Notes, against payment in same-day funds, on or about June 26, 2020. See “Plan of Distribution.”
Listing	Application will be made for the listing of and quotation for the New Notes on the SGX-ST. The New Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 (or its equivalent in other currencies) for as long as the New Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

Ratings The Original Notes are rated “B” by Fitch Inc. Additionally, we have been assigned a long-term foreign currency issuer default rating of “B” by Fitch Inc and we do not expect the ratings to change as a result of the issuance of the New Notes. We cannot assure investors that these ratings will not be adversely revised or withdrawn either before or after delivery of the New Notes.

ISIN/Common Code.....	ISIN:	Common Code:
	XS2120092882	212009288

For all other terms, please refer to the section entitled “The Offering” in the accompanying offer memorandum.

RISK FACTORS

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. Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China, especially the cities where we have operations, which may result in material disruptions to our property development and sales and the operation of commercial properties. In addition, the outbreak of communicable diseases, such as the COVID-19 outbreak on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect China and other economies.

The outbreak of COVID-19 has continuously cast negative effects to both China and world situation. Several cities in China where we operate had imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. Though China and some other countries gradually lifted stay-at-home orders and travel restrictions and began to resume work and school at varying levels and scopes since March 2020, and we have also resumed work from around mid-March, such governmental orders and restrictions had negatively affected our operation during the first three months in 2020. The outbreak of COVID-19 epidemic also caused the delay in resumption of local business in the PRC after the Chinese New Year holiday. As a result, most of the operation and development of our projects were temporarily suspended. The suspension of operation of our projects may in turn result in late delivery of properties, increase in our costs and/or otherwise adversely affect our profitability and cash flows. Further, our customers may face financial difficulties, which may in turn result in a reduction in demand for our properties and service. Customers who have previously entered into contracts with us may also default on their purchase contracts if the economic situation further deteriorates as a result of the epidemic. For the three months ended March 31, 2020, our total contracted sales recorded a decrease as compared with corresponding period in 2019. Should the disruption to our operations continue, it may materially and adversely affect our results of operations and financial condition and may also cause reputation damage.

Moreover, global capital markets have experienced and may continue to experience negative investor sentiment, significant volatility and liquidity disruptions. This may adversely affect our ability to access capital markets for funding, which may in turn have a negative effect on our liquidity. In addition, as the outbreak extended, several countries have introduced new restrictions on travel, including restrictions on travel to and from China. The COVID-19 epidemic has created and may further create negative economic impact globally. On March 11, 2020, the World Health Organization declared COVID-19 outbreak a pandemic. As of the date of this supplemental offering memorandum, more than nine million cases have been confirmed worldwide.

Given the uncertainties as to the development of the outbreak at the moment, it is still difficult to predict how long these conditions will persist and to what extent to which we may be affected. We cannot assure you that our business, financial condition and results of operations will not be materially and adversely affected. Any material change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations.

USE OF PROCEEDS

We intend to use the net proceeds from this offering, after deducting the underwriting discount and other estimated expenses payable in connection with this offering, primarily to refinance existing indebtedness and for general corporate purposes.

We may adjust the foregoing plans in response to changing market conditions, change in government policies and other factors, and thus, we may reallocate the use of the proceeds for different uses.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth on an actual basis our consolidated capitalization and indebtedness as of September 30, 2019, as adjusted to give effect to the issuance of the Original Notes, the New Notes and receipt of the net proceeds from this offering by us. The following table should be read in conjunction with our consolidated financial statements and related notes incorporated by reference in this supplemental offering memorandum and the accompanying offering memorandum.

	As of September 30, 2019			
	Actual		As adjusted ⁽¹⁾	
	HK\$	U.S.\$ ⁽⁷⁾	HK\$	U.S.\$ ⁽⁷⁾
	(in thousands)			
Cash and cash equivalents and restricted cash	9,279,660	1,183,615	10,186,799	1,299,320
Short-term debt⁽²⁾				
Interest-bearing bank and other borrowings	8,748,435	1,115,858	8,748,435	1,115,858
Senior notes	4,210,442	537,039	4,210,442	537,039
Domestic company bonds	1,556,063	198,475	1,556,063	198,475
Total short-term debt	14,514,940	1,851,372	14,514,940	1,851,372
Long-term debt⁽³⁾				
Interest-bearing bank and other borrowings	8,970,975	1,144,242	8,970,975	1,144,242
Senior notes ⁽⁴⁾	8,327,117	1,062,119	8,327,117	1,062,119
Medium-term notes	687,064	87,635	687,064	87,635
Notes to be issued	–	–	980,013	125,000
The Original Notes ⁽⁵⁾	–	–	1,764,023	225,000
Total long-term debt	17,985,156	2,293,996	20,729,191	2,643,996
Equity				
Equity attributable to owners of the parent				
Share capital	7,222,312	921,202	7,222,312	921,202
Other reserves	26,525,287	3,383,284	26,525,287	3,383,284
	33,747,599	4,304,486	33,747,599	4,304,486
Non-controlling interests	71,330	9,098	71,330	9,098
Total equity	33,818,929	4,313,584	33,818,929	4,313,584
Total capitalization⁽⁶⁾	51,804,085	6,607,580	54,548,120	6,957,580

Notes:

- (1) “As adjusted” refers to adjustments which give effect to the issuance of the Notes and receipt of the net proceeds from this offering by the Company.
- (2) Includes the current portion of long-term debt.
- (3) Excludes the current portion of long-term debt.
- (4) In December 2019 and January 2020, we issued the 2019 December Notes. The issuance of the 2019 December Notes is not reflected in the capitalization table above.
- (5) On February 26, 2020, we issued US\$225 million of the Original Notes.
- (6) Total long-term debt plus total equity.
- (7) Translated at the rate of US\$1.00 = HK\$7.8401, which is the noon buying rate for U.S. dollars in New York City on September 30, 2019 for cable transfers in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York.

Subsequent to September 30, 2019, we have obtained approximately HK\$7,717 million of new banking facilities and repaid approximately HK\$8,827 million of our existing debts.

Except as disclosed above, there has been no material change in our consolidated capitalization or indebtedness since September 30, 2019.

DESCRIPTION OF THE NOTES

The following provisions should be read in conjunction with the section entitled “Description of the Notes” in the accompanying offering memorandum.

The Company is issuing US\$125,000,000 aggregate principal amount of New Notes in this issuance. The New Notes constitute Additional Notes under the Indenture and are identical in all respects to the Original Notes, other than with respect to the issue date, the issue price and the first interest payment date, and will be consolidated and form a single series with the Original Notes. Upon completion of this issuance, the aggregate principal amount of outstanding New Notes and Original Notes will be US\$350,000,000. Interest on the New Notes will accrue from (and including) June 26, 2020. All references to the Notes in the accompanying offering memorandum include the New Notes and the Original Notes, except as otherwise stated.

The New Notes issued will have the same ISIN and Common Code as those that are assigned to the Original Notes previously sold to investors. The New Notes will be subject to restrictions on transfer as set forth in a legend appearing thereon as described in the section entitled “Transfer Restrictions” in the accompanying offering memorandum.

Unless otherwise defined below, you can find the definitions of terms used in this section under “Description of the Notes — Definitions” in the accompanying offering memorandum.

PLAN OF DISTRIBUTION

Guotai Junan Securities (Hong Kong) Limited is acting as the Sole Global Coordinator, Sole Bookrunner and Sole Lead Manager for the offering of the New Notes and as the Initial Purchaser. Subject to the terms and conditions stated in the purchase agreement dated the date of this supplemental offering memorandum, the Initial Purchaser has agreed to purchase, and we have agreed to sell to the Initial Purchaser, the principal amount of the New Notes.

The purchase agreement provides that the obligation of the Initial Purchaser to purchase the New Notes is subject to approval of legal matters by counsel and to other conditions. The Initial Purchaser must purchase all the New Notes if it purchases any of the New Notes.

The Initial Purchaser proposes to resell the New Notes at the offering price set forth on the cover page of this supplemental offering memorandum in reliance on Regulation S. We and the Subsidiary Guarantors will pay the Initial Purchaser customary fees and commissions in connection with the offering and will reimburse the Initial Purchaser for certain expenses incurred in connection with the offering.

We have agreed that, for a period of three days from the date of the purchase agreement, we will not, without the prior written consent of the Initial Purchaser, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by us outside the PRC. The Initial Purchaser in its sole discretion may consent to the offering and sales of debt securities by us at any time without notice.

The Original Notes are listed on the SGX-ST and application will be made for the listing 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 there will be an active trading market for the New Notes. The Initial Purchaser has advised us that it currently intends to make or continue to make a market in the New Notes. However, it is not obligated to do so and it 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.

In connection with the offering, the Initial Purchaser (as “Stabilizing Manager”) (or any person acting for it) may purchase and sell the New Notes in the open market. These transactions may, to the extent permitted by applicable laws and regulations, include short sales, purchases on the open market to cover positions created by short sales and stabilizing purchases. Short sales involve the sale by the Stabilizing Manager of a greater principal amount of the New Notes than it is required to purchase in the offering. The Stabilizing Manager must close out any short position by purchasing the New Notes in the open market. A short position is more likely to be created if the Initial Purchaser is concerned that there may be downward pressure on the price of the New Notes in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions involve bids to purchase the New Notes so long as the stabilizing bids do not exceed a specified maximum.

Similar to other purchase transactions, the Stabilizing Manager’s purchases to cover the syndicate short sales and stabilizing purchases may have the effect of raising or maintaining the market price of the New Notes or preventing or retarding a decline in the market price of the New Notes. As a result, the price of the New Notes may be higher than the price that might otherwise exist in the open market.

Neither the Company nor the Initial Purchaser makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the New Notes. In addition, neither the Company nor the Initial Purchaser makes any representation that the Initial Purchaser will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice at any time. No assurance can be given as to the liquidity of, or the trading market for, the New Notes.

We expect to deliver the New Notes on or about the date specified in the last paragraph of the cover page of this supplemental offering memorandum.

The Initial Purchaser and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities (“Banking Services or Transactions”). The Initial Purchaser and its affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with us and/or our subsidiaries and affiliates for which they have received, or will receive, fees and expenses. In connection with the offering of the New Notes, the Initial Purchaser or any of its affiliates may purchase the New Notes for its own accounts and enter into transactions, including repackaging and other transactions.

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchaser may be required to make because of any of those liabilities.

Selling Restrictions

You should refer to the section entitled “Plan of Distribution — Selling Restrictions” in the accompanying offering memorandum.

GENERAL INFORMATION

Authorizations and Consents

We have obtained all necessary governmental consents, approvals and authorizations, as and when applicable, in Hong Kong, the British Virgin Islands and the Cayman Islands in connection with the issue and performance of the New Notes and the Subsidiary Guarantees. The issue of the New Notes have been authorized by resolutions of our board of directors dated February 17, 2020.

Litigation

Save as that and what disclosed in the accompanying offering memorandum, there are no other legal or arbitration proceedings against or affecting us, any of our subsidiaries or any of our assets, which are or might be material in the context of this issue of the New Notes or the Subsidiary Guarantees, nor are we aware of any other pending or threatened proceedings.

No Material Adverse Change

Save as disclosed in this supplemental offering memorandum and the accompanying offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs and/or prospects since September 30, 2019 that is material in the context of the issue of the New Notes or the Subsidiary Guarantees.

Documents Available

For so long as any of the Notes are 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 Notes are outstanding, copies of our audited consolidated financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the principle office of the Company.

Clearing System and Settlement

The New Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The temporary ISIN of the New Notes is XS2120092882. The Common Code of the New Notes is 212009288.

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

Independent Auditor

Our unaudited interim condensed consolidated financial statements as of and for the six months ended September 30, 2018 and 2019, included in the accompanying offering memorandum, have been reviewed by Ernst & Young, our Independent Auditors, as stated in their reports appearing therein.

LISTING OF THE NOTES

The Original Notes are listed on the SGX-ST and application will be made for the listing of and quotation for the New Notes on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this supplemental offering memorandum and the accompanying offering memorandum. Admission of the New Notes to the Official List of the SGX-ST and quotation of the New Notes on the SGX-ST are not to be taken as an indication of the merits of our company and subsidiaries, joint ventures and associates or the New Notes, Subsidiary Guarantees or JV Subsidiary Guarantees. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 (or its equivalent in foreign currencies) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we shall appoint and maintain a Paying Agent in Singapore, where the New Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the Paying Agent in Singapore.

IMPORTANT NOTICE

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

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

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

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

Confirmation and your representation: In order to be eligible to view this offering memorandum or make an investment decision with respect to the securities, investors must be addressees outside the United States (as defined in Regulation S under the Securities Act). By accepting the e-mail and accessing this offering memorandum, you shall be deemed to have represented to us that (1) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) you consent to delivery of such offering memorandum by electronic transmission. You are reminded that this offering memorandum has been delivered to you on the basis that you are a person into whose possession this offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. If this is not the case, you must return this offering memorandum to us immediately. You may not, nor are you authorized to, deliver or disclose the contents of this offering memorandum to any other person.

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

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

This offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently, none of UBS AG Hong Kong Branch, Barclays Bank PLC, Credit Suisse (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, BOCI Asia Limited, CCB International Capital Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, CMB International Capital Limited, HeungKong Securities Limited, Kaisa Financial Group Company Limited and Orient Securities (Hong Kong) Limited (the “Initial Purchasers”) nor any person who controls them, nor any director, officer, employee, or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between this offering memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

US\$225,000,000



China South City Holdings Limited 華南城控股有限公司

(incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance)

10.875% Senior Notes due 2022

Issue Price: 97.073% plus accrued interest, if any, from the issue date

The US\$225,000,000 10.875% Senior Notes due 2022 (the “Notes”) will bear interest from February 26, 2020 at the rate of 10.875% per year. We will pay interest on the Notes on June 26 and December 26 of each year, beginning on June 26, 2020, except that the first payment of interest, to be made on June 26, 2020, will be in respect of the period from and including February 26, 2020 to but excluding June 26, 2020. The Notes will mature on June 26, 2022.

At any time and from time to time prior to June 26, 2022, we may redeem up to 35% of the aggregate principal amount of the Notes, at a redemption price of 110.875% of their principal amount, plus accrued and unpaid interest, if any, in each case, using the net cash proceeds from sales of certain kinds of capital stock. In addition, we may redeem the Notes at any time prior to June 26, 2022, in whole but not in part, at a price equal to 100% of the principal amount of such Notes plus: (1) accrued and unpaid interest (if any) to the redemption date; and (2) a premium as set forth in this offering memorandum. Upon the occurrence of a Change of Control Triggering Event (as defined in the indenture governing the Notes), we must make an offer to repurchase all Notes outstanding at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the date of repurchase.

The Notes are senior obligations of China South City Holdings Limited (the “Company”) guaranteed (the “Subsidiary Guarantees”) by our existing subsidiaries (the “Subsidiary Guarantors”) other than (1) those organized under the laws of the PRC and (2) certain other subsidiaries specified in “Description of the Notes” (together, the “Non-Guarantor Subsidiaries”). Under certain circumstances and subject to certain conditions, a Subsidiary Guarantee required to be provided by a subsidiary of the Company may be replaced by a limited-recourse guarantee (a “JV Subsidiary Guarantee”). We refer to the subsidiaries providing a JV Subsidiary Guarantee as “JV Subsidiary Guarantors”.

The Notes: (1) are senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; (2) rank at least *pari passu* in right of payment with our Existing Notes and our other unsubordinated indebtedness (subject to any priority rights pursuant to applicable law); (3) are effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries; and (4) are effectively subordinated to our secured obligations, if any and those of the Subsidiary Guarantors and the JV Subsidiary Guarantors, including the Existing Secured Notes, to the extent of the value of the assets serving as security therefor. Applicable law may limit the enforceability of the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) and the pledge of the collateral.

For a more detailed description of the Notes, see “Description of the Notes” beginning on page 180.

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

Application will be made to the Singapore Exchange Securities Trading Limited (the “SGX-ST”) for listing of and quotation for the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. Admission to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST is not to be taken as an indication of the merits of our company and our subsidiaries, joint ventures and associates or the Notes, Subsidiary Guarantees or JV Subsidiary Guarantees.

Pursuant to the Notice on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知《發改外資[2015]2044號》) (the “NDRC Circular”) promulgated by the National Development and Reform Commission of the PRC (the “NDRC”) on September 14, 2015, which came into effect on the same day, we have registered the issuance of the Notes with the NDRC and obtained a certificate from the NDRC dated July 5, 2019 evidencing such registration. Pursuant to the registration certificate, we will cause relevant information relating to the issue of the Notes to be reported to the NDRC within 10 business days after the issue date of the Notes.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”) and they may not be offered, sold or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Notes and the distribution of this offering memorandum, see “Plan of Distribution.”

The Notes are expected to be rated “B” by Fitch Inc. Additionally, we have been assigned a long-term foreign currency issuer default rating of “B” by Fitch Inc. 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.

We expect that delivery of the Notes will be made on or about February 26, 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

UBS Barclays Credit Suisse Guotai Junan International Haitong International

Joint Bookrunners and Joint Lead Managers

BOC International CCB International China Everbright Bank Hong Kong Branch CMB International
HeungKong Financial Kaisa Financial Group Orient Securities (Hong Kong)

The date of this offering memorandum is February 19, 2020

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
GLOSSARY	x	REGULATION	129
SUMMARY	1	MANAGEMENT	153
THE OFFERING	6	PRINCIPAL SHAREHOLDERS	163
SUMMARY CONSOLIDATED		RELATED PARTY TRANSACTIONS ..	165
FINANCIAL DATA	11	DESCRIPTION OF OTHER MATERIAL	
RISK FACTORS	13	INDEBTEDNESS	166
USE OF PROCEEDS	45	DESCRIPTION OF THE NOTES	180
EXCHANGE RATE INFORMATION ...	46	TAXATION	250
CAPITALIZATION AND		PLAN OF DISTRIBUTION	253
INDEBTEDNESS	48	TRANSFER RESTRICTIONS	258
MANAGEMENT'S DISCUSSION AND		RATINGS	260
ANALYSIS OF FINANCIAL		LEGAL MATTERS	261
CONDITION AND RESULTS OF		INDEPENDENT AUDITORS	262
OPERATIONS	49	GENERAL INFORMATION	263
INDUSTRY OVERVIEW	80	LISTING OF THE NOTES	264
HISTORY AND CORPORATE		INDEX TO CONSOLIDATED	
STRUCTURE	99	FINANCIAL STATEMENTS	F-1
BUSINESS	101		

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.

IN CONNECTION WITH THIS OFFERING, EACH OF THE INITIAL PURCHASERS (AS DEFINED BELOW), AS STABILIZATION MANAGER, OR ANY PERSON ACTING FOR IT, MAY PURCHASE OR SELL THE NOTES IN THE OPEN MARKET. THESE TRANSACTIONS MAY, TO THE EXTENT PERMITTED BY APPLICABLE LAWS AND REGULATIONS, INCLUDE SHORT SALES, STABILIZING TRANSACTIONS AND PURCHASES TO COVER POSITIONS CREATED BY SHORT SALES. THESE ACTIVITIES MAY STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE MARKET PRICE OF THE NOTES. AS A RESULT, THE PRICE OF THE NOTES MAY BE HIGHER THAN THE PRICE THAT OTHERWISE MIGHT EXIST IN THE OPEN MARKET. HOWEVER, THERE IS NO ASSURANCE THAT ANY OF THE INITIAL PURCHASERS (AS DEFINED BELOW), AS STABILIZATION MANAGER, OR ANY PERSON ACTING FOR IT, WILL UNDERTAKE ANY SUCH STABILIZATION ACTION. IF THESE ACTIVITIES ARE COMMENCED, THEY MAY BE DISCONTINUED AT ANY TIME AND MUST IN ANY EVENT BE BROUGHT TO AN END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. THESE ACTIVITIES WILL BE UNDERTAKEN SOLELY FOR THE ACCOUNT OF EACH OF THE INITIAL PURCHASERS, AS STABILIZATION MANAGER, AND NOT FOR OR ON BEHALF OF THE COMPANY.

Any of UBS AG Hong Kong Branch, Barclays Bank PLC, Credit Suisse (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, BOCI Asia Limited, CCB International Capital Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, CMB International Capital Limited, HeungKong Securities Limited, Kaisa Financial Group Company Limited and Orient Securities (Hong Kong) Limited (the “Initial Purchasers”), or their respective affiliates may purchase the Notes for its or their own account and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Notes and/or other securities of the Company or its subsidiaries or associates at the same time as the offer and sale of the Notes or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Notes to which this offering memorandum relates (notwithstanding that such selected counterparties may also be purchasers of the Notes). Furthermore, investors in the Notes may include entities affiliated with the Company or its subsidiaries.

You should rely only on the information contained in this offering memorandum. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

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

Notwithstanding anything to the contrary contained herein, a prospective investor (and each employee, representative or other agent of a prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this offering memorandum and all materials of any kind that are provided to the prospective investor relating to such tax treatment and tax structure (as such terms are defined in U.S. Treasury Regulation section 1.6011-4). This authorization of tax disclosure is retroactively effective to the commencement of discussions with prospective investors regarding the transactions contemplated herein.

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

None of the Initial Purchasers, Citicorp International Limited (the “Trustee”), Citibank, N.A., London Branch (the “Paying Agent”, the “Registrar” and the “Transfer Agent”, and together, the “Agents”) or any of their respective affiliates, directors or advisors has independently verified the information contained in this offering memorandum, and no representation or warranty, express or implied, is made by them as to the accuracy, completeness or sufficiency of the information contained in this offering memorandum, and nothing contained in this offering memorandum is, or should be, relied upon as, a promise, representation or warranty by the Initial Purchasers, the Trustee or the Agents, whether as to the past or the future. The Initial Purchasers assume no responsibility for its accuracy, completeness or sufficiency or for any statement made or purported to be made by the Initial Purchasers or on our behalf in connection with the Company, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) on the issue and offering of the Notes. None of the Initial Purchasers, the Trustee or the Agents accept any responsibility for the contents of this offering memorandum. Each of the Initial Purchasers, the Trustee and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering memorandum or any such statement.

Each person receiving this offering memorandum acknowledges to us and the Initial Purchasers that: (i) such person has been afforded an opportunity to request from us and to review, and has received,

all additional information considered by it to be necessary to verify the accuracy of, or to supplement, the information contained herein; (ii) such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with any investigation of the accuracy of such information or its investment decision; and (iii) no person has been authorized to give any information or to make any representation concerning us, our subsidiaries and affiliates, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) (other than as contained herein and information given by our duly authorized officers and employees in connection with investors' examination of our company and the terms of the offering of the Notes) and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers.

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

We are not, and the Initial Purchasers are not, making an offer to sell the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) in any jurisdiction except where an offer or sale is permitted. None of the Initial Purchasers, the Trustee or the Agents or any of their respective affiliates, officers, directors or advisors undertakes to review the financial condition or affairs of the Company or its subsidiaries as a group during the life of the Notes contemplated by this offering memorandum nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Initial Purchasers, the Trustee or the Agents. The distribution of this offering memorandum and the offering of the securities, including the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may in certain jurisdictions be restricted by law. Persons into whose possession this offering memorandum comes are required by us and the Initial Purchasers to inform themselves about and to observe any such restrictions. Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes or possesses or distributes this offering memorandum and must obtain any consent, approval or permission required under any regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the Initial Purchasers shall have any responsibility therefor. For a description of the restrictions on offers, sales and resales of the securities, including the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), and distribution of this offering memorandum, see "Plan of Distribution" below.

No person has been or is authorized to make any representation concerning us or the Notes other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorized by us or the Initial Purchasers, the Trustee or the Agents. Neither the delivery of this offering memorandum nor any offering, sale or delivery made in connection with the issue of the Notes shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This offering memorandum does not constitute an offer of, or an invitation by or on behalf of us, the Initial Purchasers, the Trustee or the Agents to subscribe for or purchase, any of the Notes and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or is unlawful.

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

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

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), 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 CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

CERTAIN DEFINITIONS, CONVENTIONS AND CURRENCY PRESENTATION

We have prepared this offering memorandum using a number of conventions, which you should consider when reading the information contained herein. When we use the terms “we,” “us,” “our,” the “Company,” the “Issuer,” the “Group,” and words of similar import, we are referring to China South City Holdings Limited itself, or to China South City Holdings Limited and its consolidated subsidiaries, joint ventures and associates as the context requires.

Market data, industry forecasts 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 respective directors and advisors make any representation as to the accuracy or completeness of such 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 forecasts or PRC and property industry statistics.

All references in this offering memorandum to “U.S. dollars” and “US\$” are to United States dollars, the official currency of the United States of America (the “United States” or “U.S.”); all references to “HK dollars” and “HK\$” are to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC (“Hong Kong” or “HK”); all references to “RMB” or “Renminbi” are to Renminbi, the official currency of the People’s Republic of China. Solely for the convenience of the reader, this offering memorandum contains translations of certain RMB amounts or HK dollar amounts into U.S. dollars at the following rates. On September 30, 2019, the noon buying rate in New York City for cable transfers payable in HK dollars as certified for customs purposes by the Federal Reserve Bank of New York was HK\$7.8401 to US\$1.00. On September 30, 2019, the noon buying rate in New York City for cable transfers payable in RMB as certified for customs purposes by the Federal Reserve Bank of New York was RMB7.1477 to US\$1.00. See “Exchange Rate Information”. No representation is made that the HK dollar or RMB amounts stated herein could have been, or could be, converted into U.S. dollars, or vice versa, at such rates or at any other rate.

References to the “PRC” and “China,” solely for purposes of this offering memorandum, refer to the People’s Republic of China and do not include Hong Kong, Macau or Taiwan.

References to the “Greater Bay Area” refer to the Guangdong-Hong Kong-Macau Bay Area.

In this offering memorandum, unless the context otherwise requires, references to “affiliate” are to any person or entity directly or indirectly controlled by, or under the direct or indirect common control of, another person or entity; references to “subsidiary” are used with the meaning ascribed to it in the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended (the “Listing

Rules”), which includes: (1) a “subsidiary undertaking” as defined in the first schedule to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”); (2) any entity which is accounted for and consolidated in the audited consolidated accounts of another entity as a subsidiary pursuant to HKFRS (as defined below) or International Financial Reporting Standards (the “IFRS”), as applicable; and (3) any entity which will, as a result of the acquisition of its equity interests by another entity, be accounted for and consolidated in the next audited consolidated accounts of such other entity as a subsidiary pursuant to HKFRS or IFRS, as applicable; all references to “associate” are used with the meaning ascribed thereto under the Listing Rules, which includes: (1) in relation to an individual, his spouse and children under the age of 18, certain trustees, his or his family’s holding companies, as well as companies over which he, his family, trustee interests and holding companies exercise at least 30% voting power; (2) 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 (3) 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 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 general meetings or are in a position to control the composition of a majority of the board of directors, and “controlling interest” will be construed accordingly.

References to “PRC government” mean the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local governmental entities) and instrumentalities thereof.

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

In this offering memorandum, references to our senior notes are made as US\$350,000,000 6.75% Senior Notes due 2021 (the “2016 Notes”), US\$300,000,000 5.75% Senior Notes due 2020 (the “2017 March Notes”), US\$300,000,000 7.25% Senior Notes due 2022 (the “2017 November Notes”), US\$250,000,000 7.25% Senior Notes due 2021 (the “2018 January Notes”), US\$250,000,000 10.875% Senior Notes due 2020 (the “2018 May Notes”), US\$260,000,000 11.875% Senior Notes due 2021 (the “2019 March Notes”) and US\$350,000,000 11.5% Senior Notes due 2022 (the “2019 December Notes”). The 2016 Notes, the 2017 March Notes, the 2017 November Notes, the 2018 January Notes, the 2018 May Notes, the 2019 March Notes and the 2019 December Notes are collectively referred to as the “Existing Notes”. The 2016 Notes, the 2017 March Notes, the 2017 November Notes, the 2018 January Notes and the 2018 May Notes are collectively referred to as the “Existing Secured Notes”.

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 includes forward-looking statements which are by their nature subject to certain risks and uncertainties. All statements other than statements of historical fact contained in this offering memorandum, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words “believe”, “expect”, “aim”, “intend”, “plan”, “will”, “may”, “anticipate”, “seek”, “should” or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements

expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future and are not a guarantee of future performance. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- our ability to successfully execute our business plan and strategies and effectively manage our growth;
- future developments, performance, trends and conditions in the trade center, finished and unfinished goods and real estate industries in China and the regions in China where we currently or propose to operate;
- any changes in the regulatory policies of the PRC government, the Guangdong, Jiangxi, Shaanxi, Heilongjiang, Henan and Anhui provincial governments, the Chongqing municipal government, the government of the Guangxi Zhuang Autonomous Region and the Pearl River Delta, and other relevant government authorities relating to, among other things, the real estate, logistics and finished and unfinished goods industries;
- any delay or inability in obtaining the various permits, approvals or land use rights for our project developments;
- the effects of competition in the trade center and finished and unfinished goods industries;
- higher than expected losses or financing costs, or lower than expected returns on our investments;
- the sufficiency of our capital resources and cost and availability of external financing;
- governmental approval processes;
- our inability to accurately predict our future results of operations;
- changes in political, economic, legal and social conditions in China, the provinces of Guangdong, Jiangxi, Shaanxi, Heilongjiang, Henan, Anhui, Chongqing Municipality, the Guangxi Zhuang Autonomous Region and the Pearl River Delta, including specific policies with respect to economic growth, inflation, foreign exchange, lending, the availability of credit, trade center development and manufacturing and exports;
- changes in population growth and GDP growth and the impact of these changes on demand for trade centers and finished and unfinished goods;
- timely repayment by our purchasers of mortgage loans guaranteed by us;
- accidents and natural disasters;
- the costs of construction and fluctuations in the price and availability of raw materials used in our trade center business;
- relationships with our joint venture partners, customers, suppliers and contractors, and the performance by them of their contractual obligations;
- our dividend policy and the dividend policy of our subsidiaries, joint ventures and associates;
- our ability to comply with loan and bond covenants;

- general political and economic conditions, including those related to the PRC;
- developments in the PRC economy, measures taken in response thereto by the PRC government and the potential impact these developments and measures may have on our business, including our customers;
- exchange rate fluctuations;
- regulations and restrictions, and the interpretation or implementation of regulations, including tariffs, environmental regulations and land appreciation tax and other tax rules and regulations;
- changes to our expansion plans and estimated capital expenditures; and
- other factors beyond our control.

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

ENFORCEMENT OF CIVIL LIABILITIES

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

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

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

We have been advised by our Hong Kong legal counsel, Linklaters, that Hong Kong has no arrangement for the reciprocal enforcement of judgments obtained within the United States. However, under Hong Kong common law, a foreign judgment (including one from a court in the United States predicated upon U.S. federal or state securities laws) may be enforced in Hong Kong by bringing an action in a Hong Kong court, and then seeking summary or default judgment based on the foreign judgment, provided that the foreign judgment is for a debt or definite sum of money and is final and conclusive on the merits.

Hong Kong courts may refuse to recognize or enforce a foreign judgment if such judgment:

- was obtained by fraud;
- was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules);
- was not affected by an order for stay of enforcement;
- is sought to be enforced by or between different parties to the foreign judgment;
- concerns title to immovable property or intellectual property;
- is against a person who is entitled to claim immunity from suit and/or execution under the laws of Hong Kong and who has not waived such immunity before the Hong Kong courts;
- is contrary to public policy or natural justice;
- is for a sum payable in respect of taxes or other charges of a like nature or in respect of a fine or other penalty;
- is inconsistent with a prior Hong Kong judgment or foreign judgment which is entitled to recognition in Hong Kong;
- is not barred from enforcement by or in breach of the provisions of the Foreign Judgments (Restriction on Recognition and Enforcement) Ordinance (Chapter 46 of the Laws of Hong Kong); or
- was a judgment for multiple damages or a judgment for multiple damages or a judgment based on a provision or rule of law specified by the Chief Executive of Hong Kong as concerned with the prohibition of restrictive trade practices pursuant to the Protection of Trading Interests Ordinance (Chapter 471 of the Laws of Hong Kong).

We have been advised by our British Virgin Islands legal advisor, Ogier, that any final and conclusive monetary judgment obtained against a British Virgin Islands company in the courts of New York, for a definite sum, may be treated by the courts of the British Virgin Islands as a cause of action in itself so that no retrial of the issues would be necessary provided that in respect of the foreign judgment: (a) the foreign court issuing the judgment had jurisdiction in the matter and the British Virgin Islands company either submitted to such jurisdiction or was resident or carrying on business within such jurisdiction and was duly served with process; (b) the judgment given by the foreign court was not in respect of penalties, taxes, fines or similar fiscal or revenue obligations of the Company; (c) in obtaining judgment there was no fraud on the part of the person in whose favor judgment was given or on the part of the court; (d) recognition or enforcement of the judgment in the British Virgin Islands would not be contrary to public policy; and (e) the proceedings pursuant to which judgment was obtained were not contrary to natural justice.

We have been advised by our Cayman Islands legal advisor, Ogier, that a judgment obtained in New York would be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment: (a) is given by a foreign court of competent jurisdiction; (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given; (c) is final; (d) is not in respect of taxes, a fine or a penalty; and (e) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

Furthermore, we have been advised by our PRC legal counsel, Commerce & Finance Law Offices, that there is uncertainty as to whether the courts of the PRC would: (1) enforce judgments of the U.S. courts obtained against us, our directors or officers, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) or their respective directors or officers predicated upon the civil liability provisions of the federal securities laws of the United States; or (2) entertain original actions brought in the courts of the PRC against us, our directors or officers, the Subsidiary Guarantors or the JV Subsidiary Guarantors (if any) or their respective directors or officers predicated upon the federal securities laws of the United States or the securities laws of any state or territory within the United States. With regard to the above, Commerce & Finance Law Offices has also advised us that China does not have treaties for the reciprocal enforcement of judgments with the United States.

PRESENTATION OF FINANCIAL INFORMATION

The financial information, except for EBITDA data, have been derived from our audited consolidated financial statements as of and for the fiscal years ended March 31, 2017, 2018 and 2019 and our unaudited interim condensed consolidated financial statements as of and for the six months ended September 30, 2019. Our audited consolidated financial statements as of and for the fiscal years ended March 31, 2017, 2018 and 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance while the unaudited interim condensed consolidated financial statements as of and for the six months ended September 30, 2019 have been prepared in accordance with HKAS 34 Interim Financial Reporting issued by the HKICPA, which differ in certain material respects from generally accepted accounting principles in certain other countries, including the United States. There are no material differences, however, between HKFRS and IFRS. We have not identified the differences between HKFRS and those generally accepted accounting principles in other countries, nor have we quantified the effect of applying those generally accepted accounting principles to our financial statements. In making an investment decision, investors must make their own judgment in assessing our financial statements. You should consult your own professional advisors for an understanding of the differences between HKFRS and generally accepted accounting principles in other countries and how such differences might affect our financial statements and your investment in the Notes. Our presentation currency is the Hong Kong dollar.

GLOSSARY

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

attributable GFA	represents the portion of the total GFA which is attributable to us, based on our interest in the relevant project
bonded warehouse	is a warehouse authorized by customs officials for storing imported goods until removal, without the payment of duties, and pending customs inspection and the completion of other customs procedures. Such warehouses must be secure, with dutiable goods segregated from non-dutiable goods
commodity properties	residential properties, commercial properties and other buildings that are developed by property developers
Contracted Sales	sales of properties with respect to which agreements or contracts related to sale and purchase or finance lease of properties have been entered into
effective rental rate	the total contractual base rent, after adjusting to amortize the effect of any discounts and rent-free periods, divided by the leased GFA
export supervised warehouse	is a warehouse authorized by customs officials for storing goods that have already obtained export permits, have been settled in foreign exchange with overseas firms and have cleared all customs export formalities
GFA	gross floor area, which comprises the total floor area contained within the external walls of a building
land grant confirmation agreement	developer has won the bid for the land use rights of a parcel of land in a government-organized public tender, auction or listing for sale process
land grant contract	an agreement between a property developer and a PRC land authority in respect of the grant of the state-owned land use rights of a parcel of land to such property developer
land grant	a land grant contract, land grant confirmation agreement or land use rights transfer agreement
land use rights transfer agreement	an agreement in respect of the transfer of the land use rights of a parcel of land by the previous grantee of the land use rights in the secondary market
leasable gross floor area	comprises the gross floor area designated by us for lease to occupants, including, with respect to our trade center units, the gross floor area sold by us to purchasers of trade center units and leased by us to third parties pursuant to cooperation and lease agreements with the purchasers of these trade center units

Phase One, Phase Two, or Phase Three	phases of development, as provided in the master agreements, the corresponding supplementary agreements or the Group's development plans, for the construction and development of our trade center projects
rental occupancy rate	percentage of leasable gross floor area: (1) owned and leased out by us; and (2) sold by us to purchasers of trade center units and subsequently leased by us to third party occupants
saleable GFA	comprises the area of our trade centers designated by us for sale to purchasers of trade center units
sq.km.	square kilometers
sq.m.	square meters
total occupancy rate	percentage of total gross floor area: (1) owned and leased out by us; and (2) sold by us to purchasers of trade center units, excluding vacant units

SUMMARY

Overview

We are a leading developer and operator of large-scale, integrated logistics and trade centers in the PRC, based on GFA, industry coverage and range of ancillary services and facilities offered. Leveraging our successful experience and brand reputation, we currently have eight projects in different stages of development located in regional economic hubs in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing, China, with a total planned GFA of approximately 80.99 million sq.m., out of which we have acquired land use rights of approximately 42.93 million sq.m. attributable GFA as of September 30, 2019, of which approximately 18.45 million sq.m. has been completed and approximately 6.76 million sq.m. is under development as of September 30, 2019.

Our business model is built on the premise of building a flexible business model, with a portfolio of projects occupying strategic locations in major provincial capitals and municipality in China. Our large-scale integrated logistics and trade centers are designed to serve as key commercial hubs to satisfy the economic and industrial needs of the regions in which we operate, and the ancillary residential and commercial facilities are designed to facilitate the operations of our trade center occupants and their customers. We serve wholesale markets for multiple industries at our trade centers, which are complemented by residential developments and comprehensive ancillary commercial facilities including logistics and warehouse, hotel, office, exhibition and conference facilities as well as E-commerce services. Our residential facilities further complement our trade center operations by providing convenient, high-quality accommodations for our trade center occupants, as well as generating cash flows to cover a portion of project-related capital expenditures. Our business model is further augmented by the on-site presence of PRC government agencies, banks and securities firms, which offer a diverse range of services to trade center occupants and other customers.

Our flexible business model is supported by various ancillary services, namely logistics and warehousing services, E-commerce services, outlet and furnishing center, property management services and exhibition and conference facilities, that complement our core business of developing and operating an integrated trade and logistics platform. We provide one-stop logistics services such as warehousing, integrated inbound/outbound services, on-site delivery and freight forwarding to our customers. We provide an E-commerce platform, namely CSC86.com, which combines the advantages of physical and online stores, through which our clients can promote their businesses and products online. Following the success of trade fairs at our various projects, we established a one-stop exhibition platform for organizing convention and exhibition at our projects, through which we have hosted a number of significant events which has enhanced our reputation and facilitated traffic flow through our trade centers. In addition, our outlet and furnishing center operations have also boosted overall traffic at our related projects and expanded our operations. We plan to further boost overall traffic flow by building upon our successful outlet centers, expanding and replicating this further at our other projects. Our property management services help maintain a safe and comfortable business environment at our trade centers and ancillary facilities. We believe that this expansion of the scope of services provided will enable us to build a self-sustaining business strategy that will strengthen our overall business model.

Our first project, China South City Shenzhen, has a planned GFA of approximately 2.64 million sq.m. As of September 30, 2019, it had approximately 2.39 million sq.m. of GFA completed and in operation, with approximately 185,000 sq.m. of GFA under development. China South City Shenzhen is strategically located at the heart of the Greater Bay Area and centered within an extensive transportation network of airports, railways, port facilities and highways that facilitate trade in the region.

Leveraging our success, experience and brand recognition from our China South City Shenzhen project, we have added seven additional projects:

- China South City Nanchang, with a planned GFA of approximately 6.87 million sq.m., is currently under development in Nanchang, the capital of Jiangxi Province. As of September 30, 2019, it had approximately 2.40 million sq.m. of GFA completed and approximately 426,000 sq.m. of GFA under development. As it is strategically located to serve both the Pearl River Delta and Yangtze River Delta regions, we believe that China South City Nanchang is well positioned to develop in line with the expected increase in trade within and among these regions.
- China South City Nanning, with a planned GFA of approximately 4.88 million sq.m., is currently under development in Nanning, the capital of Guangxi Zhuang Autonomous Region. As of September 30, 2019, it had approximately 1.95 million sq.m. of GFA completed and approximately 154,300 sq.m. of GFA under development. Strategically located in close proximity to Southeast Asia, we believe China South City Nanning will serve as a key hub for cross-border commodity trade with ASEAN countries.
- China South City Xi'an, with a planned GFA of approximately 17.50 million sq.m., is under development in Xi'an, the capital of Shaanxi Province, at the Xi'an International Trade and Logistics Park with access to a railway container terminal. As of September 30, 2019, it had approximately 1.79 million sq.m. of GFA completed and approximately 1.13 million sq.m. of GFA under development. China South City Xi'an is positioned to capitalize on the opportunities arising from China's strategic development of its western regions and the "Belt and Road" initiative, catering to the growing development needs in the region.
- China South City Harbin, with a planned GFA of approximately 12.00 million sq.m., is under development in Harbin, the capital of Heilongjiang Province. As of September 30, 2019, it had approximately 1.84 million sq.m. of GFA completed and approximately 1.01 million sq.m. of GFA under development. We believe that the site's location in northeast China makes it a premier hub for cross-border trade with countries in Northeast Asia, and we intend to capitalize on opportunities arising from the area's emerging development potential due to its proximity to the China-Russia border.
- China South City Zhengzhou, with a planned GFA of approximately 12.00 million sq.m., is under development in Zhengzhou, the capital of Henan Province. As of September 30, 2019, it had approximately 3.33 million sq.m. of GFA completed and approximately 2.32 million sq.m. under development. Zhengzhou is highly accessible as a primary passenger and freight hub, a convenient trading platform to promote trade among cities in central China.
- China South City Hefei, with a planned GFA of approximately 12.00 million sq.m., is under development in Hefei, the capital of Anhui Province. As of September 30, 2019, it had approximately 2.75 million sq.m. of GFA completed with approximately 961,300 sq.m. of GFA under development. Hefei is a transport and economic hub at the heart of Eastern China and China South City Hefei benefits from its strategic location in the Anhui Feixi Economic Development Zone.
- China South City Chongqing with a planned GFA of approximately 13.10 million sq.m., located in Chongqing Municipality. As of September 30, 2019, it had approximately 2.00 million sq.m. of GFA completed and approximately 583,400 sq.m. of GFA under development. China South City Chongqing is highly accessible from the city center and other regions given its strategic location in the Chongqing Highway Logistics Base.

We expect the aggregate planned GFA of these eight projects will be sufficient to support several years of development.

Recent Development

Issuance of 2019 December Notes

In December 2019 and January 2020, we issued senior notes due in February 2022 with a nominal value of US\$150 million and US\$200 million respectively, in a total of US\$350 million. These notes were consolidated and formed a single series at a coupon rate of 11.5% per annum (the “2019 December Notes”). The net proceeds of the issue was mainly for the purpose of refinancing existing indebtedness and for general corporate purposes.

Cooperation Agreement with Wanda Group

Our wholly-owned subsidiary, China South International Industrial Materials City (Shenzhen) Co. Ltd. (“China South International”), signed a cooperation agreement with Wanda Commercial Management Group Co., Ltd. (the “Wanda Group”) on December 25, 2019, to develop a new generation of Wanda Plaza at China South City Shenzhen (the “Wanda Program”). The Wanda Program has an operation term of 20 years with a total GFA of approximately 305,000 sq.m. and will overturn the existing concept of business center. While retail business accounts for only one-third in proportion, the Wanda Program mainly covers tourism and creative sports, such as trending sports hall, go-kart club, snow park, pets paradise, etc. It is also planned to build a ‘24-hour’ night economic street business center and smart business center. The Wanda Program will be commenced in 2020.

We are committed to developing a modern integrated trade and logistics platform and continuously enrich our business ecosystem to bring sustainable business development for the Group. Combined with our multi-industry trade centers, comprehensive commercial elements, E-commerce, logistics and warehousing services, local amenities, etc., the cooperation will greatly enrich the business industries of us. The new generation Wanda Program will effectively increase the customer flow, which in turn brings prosperity to the integrated trade and logistics platform and steps up the upgrade of China South City projects.

Repurchase and Cancellation of Parts of the Senior Indebtedness

We made on-market repurchase recently of parts of the 2017 March Notes in an aggregated principal amount of US\$50,000,000 (the “Repurchased Notes”), representing approximately 16.67% of the initial principal amount of the 2017 March Notes, which has been cancelled. After the cancellation of the Repurchased Notes, the outstanding principal amount of the 2017 March Notes is US\$248,500,000. We have also made several other repurchases of our Existing Notes. Please refer to our announcements of December 10, 2019 and January 7, 2020 published on the website of the Hong Kong Stock Exchange for details. The repurchase of the aforementioned notes was conducted based on the market condition and our debt profile and will improve our debt structure. We will continue to monitor the market condition, our financial structure and may repurchase Existing Notes as when appropriate.

Change of Chief Financial Officer

On November 15, 2019, our Board announced that Mr. Hui Chun Yip has resigned as the Group’s chief financial officer and Mr. Chan Mau Cheong Bryan has been appointed as the Group’s chief financial officer. Mr. Chan will be responsible for the overall financial management of the Group, establishing and maintaining investor relations and executing the Group’s capital markets financing, mergers and acquisitions and business cooperation projects. For details about Mr. Chan, please see “Management — Senior Management.”

Outbreak of COVID-19

At the end of December 2019, public health officials from China informed the World Health Organization that an unknown, new virus was causing pneumonia-like illness in the city of Wuhan. They determined that it was a coronavirus named COVID-19, and that it was rapidly spreading through and

outside of Wuhan. As of the date of this offering memorandum, over 70,000 cases had been confirmed in China. Several cities in China have been under a lockdown and 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 Our Business and Our Industry — 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 we have the following competitive strengths:

- Our unique flexible business model provides an integrated platform for our trade center occupants and their customers to receive a comprehensive range of trade, logistics and ancillary services;
- The provision of ancillary services to complement our trade centers further strengthens our business model;
- We are a solution provider for local governments and enjoy strong municipal and regional government support in the locations in which we currently operate;
- We provide sufficient ancillary residential and multi-purpose properties at our projects;
- Our land has developed deeper appreciation with growing maturity in operation and the development of inter-city transportation from city center;
- Our integrated logistics and trade centers are strategically located in accessible, fast growing first tier provincial capital cities and municipality;
- We have a proven track record of successful development and launch of our projects, which has earned us brand name recognition and diversified our revenue streams; and
- We have a strong, experienced management team with a demonstrated record of success.

Our Strategies

The principal components of our business strategy are to:

- Differentiate project positioning and functions across our eight projects;
- Develop each of our projects in phases and optimize property mix;
- Continue to grow our recurring businesses for multiple and stable income streams to mitigate cyclical fluctuations in trade center and property markets;
- Strike a balance between business development and financial health;
- Optimize occupancy rates, rental rates and traffic flow in our trade centers;
- Further develop our various ancillary services for long-term sustainability;
- Continue to expand our operations by broadening our industry coverage; and
- Put more emphasis on developing ancillary facilities including residential and multi-purpose properties in recent years in response to needs of our projects and to capture the market opportunities.

Our Corporate Information

We were incorporated in Hong Kong on May 8, 2002, as a company with limited liability under the Hong Kong Companies Ordinance. Our registered office and headquarters is located at Suite 3306-08, 33rd Floor, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong. Our website is www.chinasouthcity.com. Information contained on our website does not constitute any part of this offering memorandum.

We are listed on The Stock Exchange of Hong Kong Limited and completed our initial public offering in September 2009.

THE OFFERING

The following is a brief summary of the terms of the offering and is qualified in its entirety by the remainder of this offering memorandum. Capitalized terms used in this summary and not defined herein shall have the meanings given to them in “Description of the Notes.”

Issuer	China South City Holdings Limited (the “Company”).
Notes Offered	US\$225,000,000 aggregate principal amount of 10.875% Senior Notes due 2022 (the “Notes”).
Offering Price	97.073% of the principal amount of the Notes plus accrued interest (if any).
Maturity Date	June 26, 2022.
Interest	The Notes bear interest from and including February 26, 2020 at the rate of 10.875% per annum, payable semi-annually in arrear, except that the first payment of interest, to be made on June 26, 2020, will be in respect of the period from and including February 26, 2020 to but excluding June 26, 2020. The Notes will mature on June 26, 2022.
Interest Payment Dates	June 26 and December 26 of each year, commencing June 26, 2020.
Ranking of the Notes	The Notes: • are general obligations of the Company; • are senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes; • rank at least <i>pari passu</i> in right of payment with our Existing Notes and with all other unsubordinated Indebtedness of the Company (subject to any priority rights pursuant to applicable law); • are guaranteed by the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) on a senior basis, subject to certain limitations described under the caption “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees” and “Description of the Notes — The Subsidiary Guarantees;” • are effectively subordinated to the secured obligations, if any of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, including the Existing Secured Notes, to the extent of the value of the assets serving as security therefor; and • are effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.
Subsidiary Guarantees	Each of the Subsidiary Guarantors, 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.

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

The initial Subsidiary Guarantors consist of all of the Restricted Subsidiaries other than the Non-Guarantor Subsidiaries.

The Company may elect to have (i) any existing or future Restricted Subsidiary organized outside the PRC, or (ii) upon an Exempted Subsidiary ceasing to be an Exempted Subsidiary, such Exempted Subsidiary, or (iii) upon a Listed Subsidiary ceasing to be a Listed Subsidiary, such Listed Subsidiary, not provide a Subsidiary Guarantee or JV Subsidiary Guarantee (each a “Designated Non-Guarantor Subsidiary,” together with any Restricted Subsidiary organized under the laws of the PRC, any Exempted Subsidiary and any Listed Subsidiary, the “Non-Guarantor Subsidiaries”), subject to the limitations described below under “Non-Guarantor Subsidiaries.”

None of the Restricted Subsidiaries organized under the laws of the PRC, the Exempted Subsidiaries (so long as they continue to be Exempted Subsidiaries) or any Listed Subsidiary (so long as it continues to be a Listed Subsidiary) will at any time in the future provide a Subsidiary Guarantee or a JV Subsidiary Guarantee.

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

Any future Restricted Subsidiary, other than any Non-Guarantor Subsidiary, will provide a guarantee of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor as soon as practicable after becoming a Restricted Subsidiary.

Ranking of Subsidiary
Guarantees

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

JV Subsidiary Guarantees . . .	A JV Subsidiary Guarantee instead of a Subsidiary Guarantee may be provided by a Subsidiary Guarantor following a sale by the Company or any of its Restricted Subsidiaries of Capital Stock in such Subsidiary Guarantor, where such sale is for no less than 20% and no more than 49.9% of the issued Capital Stock of such Subsidiary Guarantor. No JV Subsidiary Guarantee exists as of the date of this offering memorandum. 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 limited to the JV Entitlement Amount; • will be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefore; • will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and • will rank at least <i>pari passu</i> with all other unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).
Non-Guarantor Subsidiaries	A Restricted Subsidiary that is organized outside the PRC (other than Exempted Subsidiaries or any Listed Subsidiary) need not provide a Subsidiary Guarantee or JV Subsidiary Guarantee if it is designated by the Board of Directors as a Designated Non-Guarantor Subsidiary. The Board of Directors may designate any such Restricted Subsidiary to be a Designated Non-Guarantor Subsidiary if at the time of determination, the total consolidated assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Exempted Subsidiaries and any Listed Subsidiary) do not account for more than 20.0% of the Total Assets of the Company.
Use of Proceeds	The Company intends to use the net proceeds from this offering primarily to refinance existing indebtedness and for general corporate purposes. See “Use of Proceeds.”
Optional Redemption	At any time prior to June 26, 2022, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time and from time to time prior to June 26, 2022, the Company may redeem up to 35% of the aggregate principal amount of the Notes at a redemption price of 110.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, with the proceeds from sales of certain kinds of its capital stock, subject to certain conditions.

Repurchase of Notes Upon a Change of Control Triggering Event	Upon the occurrence of a Change of Control Triggering Event, the Company will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the repurchase date. See “Description of the Notes — Repurchase of Notes Upon a Change of Control Triggering Event.”
Redemption for Taxation Reasons	Subject to certain exceptions and as more fully described herein, the Company may redeem the Notes, as a whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption, if the Company or a Subsidiary Guarantor would become obligated to pay certain additional amounts as a result of certain changes in specified tax laws. See “Description of the Notes — Redemption for Taxation Reasons.”
Covenants	The Notes and the Indenture governing the Notes limit the Company’s ability and the ability of its Restricted Subsidiaries to, among other things: • incur or guarantee additional indebtedness or issue disqualified or preferred stock; • declare dividends on capital stock or purchase or redeem capital stock; • make investments or other specified restricted payments; • issue or sell capital stock of Restricted Subsidiaries; • guarantee indebtedness of Restricted Subsidiaries; • sell assets; • create liens; • enter into sale and leaseback transactions; • enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends, transfer assets or make intercompany loans; • enter into transactions with shareholders or affiliates; and • effect a consolidation or merger. These covenants are subject to a number of important qualifications and exceptions described in “Description of the Notes.”
Transfer Restrictions	The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act or under any state securities laws of the United States and will be subject to customary restrictions on transfer and resale. See “Plan of Distribution.”

Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of a common depository for Euroclear and Clearstream.	
Book-Entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of its participants. Beneficial interests in the Notes represented by the global note will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. For a description of certain factors relating to clearance and settlement, see “Description of the Notes — Book-Entry; Delivery and Form.”	
Delivery of the Notes	The Company expects to make delivery of the Notes, against payment in same-day funds, on or about February 26, 2020, which the Company expects will be the fifth business day following the date of this offering memorandum, referred to as “T+5”. See “Plan of Distribution.”	
Trustee	Citicorp International Limited.	
Paying Agent and Transfer Agent	Citibank, N.A., London Branch.	
Registrar	Citibank, N.A., London Branch.	
Listing	Application will be made to the SGX-ST for listing of and quotation for the Notes on the Official List of the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 (or its equivalent in other currencies) for as long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.	
Ratings	The Notes are expected to be rated “B” by Fitch Inc. Additionally, we have been assigned a long-term foreign currency issuer default rating of “B” by Fitch Inc. We cannot assure investors that these ratings will not be adversely revised or withdrawn either before or after delivery of the Notes.	
Governing Law	The Notes and the Indenture are governed by and will be 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 Notes, see “Risk Factors”.	
Security Codes	ISIN:	Common Code:
	XS2120092882	212009288
Legal Entity Identifier (LEI) code:	254900BV844D9H1E0W44	

SUMMARY CONSOLIDATED FINANCIAL DATA

The following tables present our summary consolidated financial data. The summary consolidated financial data as of and for each of the years ended March 31, 2017, 2018 and 2019 (except for EBITDA data) have been derived from our audited consolidated financial statements as of such dates and for such years included elsewhere in this offering memorandum. The summary consolidated financial data as of September 30, 2019 and for each of the six months ended September 30, 2018 and 2019 (except for EBITDA data) have been derived from our unaudited interim condensed consolidated financial statements as of September 30, 2019, which have been reviewed by Ernst & Young and included elsewhere in this offering memorandum.

Our financial statements have been prepared and presented in accordance with HKFRS. The summary consolidated financial data below should be read in conjunction with the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” our consolidated financial statements and the notes to those statements included elsewhere in this offering memorandum. The data for the six months ended September 30, 2019 may not be indicative of our financial performance for a subsequent period or the full year ending March 31, 2020.

	Fiscal Year Ended March 31,			Six Months Ended September 30,	
	2017	2018	2019	2018	2019
	(HK\$ in thousands, except per share data)				
Consolidated Statement of Profit or Loss Data:					
Revenue	7,838,510	9,405,370	10,274,255	5,212,447	5,827,158
Cost of sales	(4,328,365)	(5,336,191)	(5,834,661)	(3,095,492)	(3,580,070)
Gross Profit	3,510,145	4,069,179	4,439,594	2,116,955	2,247,088
Other income and gains/(losses)	726,027	856,965	804,061	392,978	172,276
Fair value gains on investment properties . . .	4,549,509	4,378,474	2,793,403	875,971	278,361
Selling and distribution expenses	(624,629)	(680,691)	(666,069)	(348,027)	(323,881)
Administrative expenses . .	(1,146,292)	(1,216,023)	(1,129,949)	(598,414)	(555,651)
Other expenses	(147,028)	(329,668)	(333,407)	(218,178)	(94,383)
Finance costs	(275,478)	(294,771)	(530,858)	(302,074)	(302,333)
Profit before tax	6,592,254	6,783,465	5,376,775	1,919,211	1,421,477
Income tax expenses	(2,269,292)	(2,281,133)	(2,133,661)	(1,070,202)	(791,236)
Profit for the year/period . .	4,322,962	4,502,332	3,243,114	849,009	630,241
Attributable to:					
Owners of the parent	4,322,626	4,511,679	3,250,962	848,179	628,170
Non-controlling interests . .	336	(9,347)	(7,848)	830	2,071
	4,322,962	4,502,332	3,243,114	849,009	630,241
Dividends per share	HK\$0.05	HK\$0.05	HK\$0.05	–	–
Earnings per share — Basic	HK\$0.54	HK\$0.56	HK\$0.40	HK\$0.11	HK\$0.08
Other financial data					
Core net profit attributable to owners of the parent ⁽¹⁾	1,351,212	1,608,548	1,749,575	420,142	501,749
EBITDA ⁽²⁾	6,960,466	7,158,869	5,992,719	2,256,453	1,741,446
Adjusted EBITDA ⁽³⁾	2,689,404	3,028,931	3,204,416	1,348,838	1,512,667

	As of March 31,			As of September 30,
	2017	2018	2019	2019
	(HK\$ in thousands)			
Consolidated Statement of Financial Position Data:				
Non-current assets	51,889,666	59,267,098	59,867,531	55,876,880
Current assets:				
Cash and cash equivalents and restricted cash	10,490,909	10,655,692	9,359,772	9,279,660
Other current assets	26,595,258	41,623,176	43,879,659	45,524,073
Total current assets	37,086,167	52,278,868	53,239,431	54,803,733
Total assets	88,975,833	111,545,966	113,106,962	110,680,613
Current liabilities:				
Short-term interest-bearing bank and other borrowings	7,042,625	7,098,504	8,778,903	8,748,435
Other current liabilities	22,558,554	36,811,544	40,094,683	41,210,607
Total current liabilities	29,601,179	43,910,048	48,873,586	49,959,042
Non-current liabilities:				
Long-term interest-bearing bank and other borrowings	6,369,837	8,999,701	8,959,775	8,970,975
Other non-current liabilities	24,525,426	22,235,463	19,123,774	17,931,667
Total non-current liabilities	30,895,263	31,235,164	28,083,549	26,902,642
Total liabilities	60,496,442	75,145,212	76,957,135	76,861,684
Total equity	28,479,391	36,400,754	36,149,827	33,818,929
Total equity and liabilities	88,975,833	111,545,966	113,106,962	110,680,613

Notes:

- (1) Represents the net profit attributable to owners of the parent excluding fair value gains on investment properties and related tax effects, fair value gain on derivative financial instrument, provision for impairment loss of available-for-sale investments, impairment of goodwill, and profit or loss on purchase and redemption of senior notes.
- (2) EBITDA consists of profit before interest income, income tax expenses, depreciation and amortization and finance costs (excluding capitalized interest). 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 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year under HKFRS to our definition of EBITDA. Investors should also note that EBITDA as presented above is calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.
- (3) Adjusted EBITDA consists of profit before interest income, income tax expenses, depreciation and amortization, finance costs (excluding capitalized interest) and non-operating income and expenses (including fair value gains and losses on investment properties, held for trading investments at fair value through profit and loss and profit or loss on purchase and redemption of senior notes and etc.). EBITDA is not a standard measure under HKFRS. Investors should not compare our Adjusted EBITDA to EBITDA presented by other companies because not all companies use the same definition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Non-GAAP Financial Measures" for a reconciliation of our profit for the year under HKFRS to our definition of Adjusted EBITDA. Investors should also note that Adjusted EBITDA as presented above is calculated differently from Consolidated EBITDA as defined and used in the Indenture governing the Notes. See "Description of the Notes — Definitions" for a description of the manner in which Consolidated EBITDA is defined for purposes of the Indenture governing the Notes.

RISK FACTORS

You should carefully consider the risks described below and other information contained in this offering memorandum before making an investment decision. The risks and uncertainties described below may not be the only ones that we face. Additional risks and uncertainties that we are not aware of or that we currently believe are immaterial may also adversely affect our business, prospects, cash flows, financial condition and results of operations. If any of the events described below occur, our business, prospects, cash flows, financial condition and 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. For more information concerning the PRC and related regulatory matters discussed below, see “Regulation.”

Risks Relating to our Business and our Industry

Our results of operations substantially depend on PRC economic growth and development and our ability to execute our business strategy.

Our results of operations substantially depend on the successful execution of our business strategy to attract and retain high-quality occupants, achieve market rental rates and improve the surrounding infrastructure. Our success will also depend upon the economic growth and development in the PRC, especially in the Greater Pearl River Delta region, as well as the regions surrounding Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing, the locations of our properties under development and planned for future developments, and our ability to compete with other similar businesses. We may face challenges in implementing our strategy, and our ability to achieve our goals may be adversely affected by various factors, many of which are beyond our control. If we are not able to execute our business strategy or successfully compete with other similar businesses, our business, prospects, cash flows, financial condition and results of operations will be materially and adversely affected.

Our revenues and revenue mix vary significantly based upon the completion dates of our projects and prevailing market conditions.

Our business depends on the success of a small number of large-scale, multi-phase, mixed-use projects developed over the course of several years. Our strategy is to achieve an optimal mix between trade center units for sale and trade center units held as investment properties. We generally sell certain trade center units in the initial stages following completion of a project subject to prevailing market conditions and restrictions. The number of trade centers that we are able to complete during any given period is limited due to the substantial capital requirements for land acquisition and construction, as well as the lengthy development periods required before positive cash flows may be generated.

Our revenues, and our mix of sales revenues versus recurring incomes (which mainly include rental incomes, property management service income and income from outlet operations and warehouse and logistics services), vary significantly based upon the completion dates of our projects, among other factors. For instance, we recognized sales of approximately 907,800 sq.m., 860,900 sq.m. and 940,000 sq.m. of properties for the fiscal years ended March 31, 2017, 2018 and 2019, respectively, resulting in a 24.8% increase in revenues from sales of properties from HK\$5,794.2 million to HK\$7,229.6 million from the fiscal year ended March 31, 2017 to the fiscal year ended March 31, 2018 and a 28.8% increase to HK\$7,462.8 million for the fiscal year ended March 31, 2019. The increase during the fiscal year ended March 31, 2018 was mainly attributable to the sales and delivery of properties in Nanning and Nanchang projects during the year and the increase during the fiscal year ended March 31, 2019 was mainly attributable to the sales and delivery of properties in Hefei, Chongqing and Zhengzhou projects. Further, we recognized sales of approximately 500,000 sq.m. and 493,000 sq.m. of properties for the six months ended September 30, 2018 and 2019, respectively, resulting in a 11.2% increase from sales of properties from HK\$4,139.7 million to HK\$4,603.8 million from the six months ended September 30, 2018 to the six months ended September 30, 2019, which was mainly attributable to more sales and delivery of properties in Hefei, Chongqing and Zhengzhou projects during the period. For the fiscal years ended March 31, 2017, 2018 and 2019, sales of properties accounted for 73.9%, 76.9% and 72.6%, respectively, of our total revenues. For the six months ended September 30, 2018 and 2019, sales of properties accounted for 79.4% and 79.0%, respectively, of our total revenues.

The revenues from sales of properties may increase sharply during periods when we complete a significant project or project phase and offer it for sale, whereas revenues from the same may decline during periods when we offer less new saleable GFA. The sale revenues we are able to achieve in a given period vary significantly based upon the GFA and type of properties, the proportion of GFA we allocate to sales versus rental properties, prevailing sales prices, market demand, interest rates, inflation, the availability of attractive mortgage terms to our buyers, the prevailing regulatory environment for property sales, regional economic growth, competition and other factors, which may be beyond our control. Accordingly, our past performance in any given period and in relation to any given project may not be indicative of our future performance. Furthermore, the market prices of trade center units may not be in line with our expectations.

Part of our strategy is to increase our recurring income, as well as recurring income as a proportion of total revenue, as we complete and lease out more properties over time. Recurring incomes are subject to cyclical changes in market demand and economic developments. We may not be able to implement this strategy successfully if we cannot complete the development of adequate GFA of new rental and self-operated properties, achieve adequate rental and operating occupancy rates and achieve adequate recurring incomes. Furthermore, maximizing yields from properties held for investment also depends to a large extent on active ongoing management and maintenance of the properties.

Our recurring incomes attributable to the leasing of trade center units and other properties under operating lease as well as incomes from other operations like outlets, warehouse and logistics services and property management during the fiscal years ended March 31, 2017, 2018 and 2019 and the six months ended September 30, 2018 and 2019 were HK\$1,598.0 million, HK\$2,020.0 million, HK\$2,314.9 million, HK\$1,036.5 million and HK\$1,197.1 million, respectively, accounting for 20.4%, 21.5%, 22.5%, 19.9% and 20.5%, respectively, of our total revenues.

Recurring incomes vary among projects according to maturity of projects, market demand, date of completion and other factors. Occupants generally prefer to operate at a facility with a high occupancy rate, so we offer occupants in newly completed trade center units preferential rental rates or other charges and rent-free periods in order to boost initial occupancy rates. If we fail to achieve a sufficiently high occupancy rate or utilization rate at any of our projects or services provided, we may need to provide additional incentives to attract a core group of clients. Our recurring incomes for future periods may be adversely affected by these and similar incentive plans and may not increase in line with our expectations, or at all.

We may not be able to replace or renew all of our lease agreements upon their expiration.

Most of our rental incomes are derived from trade centers in China South City Shenzhen. The terms of our leases generally range from one to five years. Since many leases have identical terms and were entered into soon after completion of the relevant project phase, we often must seek to renew or replace a significant portion of our leases at about the same time. When a lease is not renewed, we must sometimes lower our rental rates to attract new occupants.

In exchange for discounts on their purchase price, the buyers of certain trade center units in some of our projects have permitted us to lease these units to third parties while retaining all the rental income from these units. Pursuant to these arrangements, we are able to earn rental income until the expiration of the permitted period, after which we may no longer be entitled to the revenue from such leases.

We cannot assure you that we will be able to renew or replace our existing leases upon expiration or that our occupancy rates and effective rental rates will not decline. Any decline in our occupancy or rental rates could reduce our leasing revenue, which in turn could have a material adverse impact on our business, prospects, cash flows, financial condition and results of operations.

We incur significant capital expenditures in developing our projects.

Development of our projects involves significant capital expenditures. For the fiscal years ended March 31, 2017, 2018 and 2019, we incurred capital expenditure of HK\$10,746.0 million, HK\$11,792.7 million and HK\$12,043.1 million, respectively. In the event of a circumstance which adversely affects the operations or business of our projects, or their attractiveness to occupants, we may not have sufficient income to fully mitigate any ensuing loss or recover our capital expenditures. We are highly susceptible to a downturn in the property market of regions in which our projects are located. In addition, any property damage at these projects, resulting from fire or other causes, or a downturn in the finished and unfinished goods or manufacturing industries in the regions where our projects are located, may have a material adverse effect on our business, prospects, cash flows, financial condition and results of operations. Furthermore, we cannot assure you that these projects will continue to attract occupants and customers and generate recurring income and sales revenue at historical rates, or that they will be successful in the future. We cannot assure you that we will be able to successfully diversify our revenue base, obtain land use rights for all of the land necessary to develop new projects or generate revenue and net income from new projects in amounts that will allow us to recover our capital expenditures.

We may not be able to complete the development of our projects in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing on time or within budget.

Completing the development of our projects in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing may involve obtaining additional land use rights for large plots of land, many of which have existing structures and residents, from municipal and provincial governments of the PRC. Other properties we may develop in the future may also involve similar circumstances. Acquiring these development rights, converting them into land use rights and committing the financial and managerial resources to the development of land involves significant risks. Before an integrated logistics and trade center development generates any revenue, we must make a variety of material expenditures, which include acquiring the development rights and constructing the integrated logistics and trade center development infrastructure.

It generally takes several years for a planned development to generate revenue, and we cannot assure you that such developments will achieve positive cash flows. Our integrated logistics and trade center development activities may be exposed to the following risks:

- we engage independent contractors to provide various services, including but not limited to construction, piling and foundation, engineering, interior decoration, mechanical and electrical installation and utilities installation. The services rendered by any of these independent contractors may not meet our quality standards and timing requirements, and negligence or poor work quality by contractors may result in defects in our buildings or trade center units, which could in turn cause us to suffer financial losses, harm our reputation or expose us to third-party claims;
- we may incur construction and other development costs for a development project which exceed our original estimates due to increases in material, labor, leasing or other costs, which could make the completion of the project uneconomical because market rents or sales prices may not increase sufficiently to compensate for the increase in construction and other development costs. In addition, in recent years, construction costs in China have been increasing as a result of economic growth and increased activity in the property industry in China, as well as increases in wages for construction workers and the prices of construction materials and building equipment. Although our construction contracts typically provide for fixed or capped payments, in the long run increases in construction costs may be passed on to us by our construction contractors. Because it normally takes several years for us to complete a project development, we expect that we will be affected by increases in the costs of construction materials, other goods and services or labor. Any cost increases may reduce our profits if we are unable to pass these increased costs on to our customers;

- we may delay, or change our plans for, integrated logistics and trade center development opportunities after we begin to explore them and as a result we may lose deposits paid to participate in the land tender process or fail to recover expenses already incurred;
- we may be unable to complete construction of a property on schedule, or on budget, due to a variety of factors including shortages or increased costs of materials, equipment, contractors and skilled labor; adverse weather conditions; natural disasters; unforeseen engineering, design, environmental, structural or geological problems; labor disputes; disputes with contractors and subcontractors; construction accidents; changes in government priorities and policies or in applicable laws or regulations; changes in market conditions; delays in or increased costs of relocation of existing residents or demolition of existing structures; delays in obtaining requisite licenses, permits or approvals from the relevant authorities; and other problems and circumstances resulting in increased debt service expense and construction costs;
- we may be unable to obtain, or face delays in obtaining, required zoning, land use, building, occupancy, and other governmental permits, rights and authorizations, which could result in increased costs and could require us to abandon our activities in part or as a whole with respect to a project;
- we may be involved in legal, governmental or administrative proceedings or disagreements with regulatory bodies arising out of our operations and may face significant liabilities as a result;
- we may lease or sell developed properties at below expected rental rates or sales prices, and we may experience delays in the sale or leasing of developed properties; and
- occupancy rates, rents and sales prices at newly completed properties may fluctuate depending on a number of factors, including market and economic conditions, and may result in our investments being less profitable than we expected or not profitable at all.

The occurrence of any of these circumstances, most of which are beyond our control, could delay the completion or affect the profitability of our properties under development in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing or increase our costs, which could adversely affect our business, prospects, cash flows, financial condition and results of operations. In addition, many of the assumptions on which we have based the timetables for our properties under development and planned for future development are also outside of our control. If the actual economic conditions or other facts turn out to be materially different from these assumptions, our actual development timetable could differ materially from that described in this offering memorandum.

We may not be able to obtain adequate funding to complete our properties under development in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing.

We will require substantial capital resources to develop our properties in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing. Each of these projects is a large-scale project consisting of multiple phases that: (1) will take several years to complete; (2) do not require full completion of all phases to be operational; (3) will be completed on a phase-by-phase basis; and (4) can be financed from a variety of funding sources, including project financing, other bank borrowings, offerings of debt and equity securities and cash flows from operations, including from pre-sales and recurring income.

We rely on cash flows from operations, bank borrowings and offerings of debt and equity securities to fund our development requirements. In this regard, our cash flows from operations alone may not be sufficient to fund our future development requirements. Due to the nature of our trade center development business, we may from time to time experience periods of net cash outflows, when imbalances may arise

between the timing of cash inflows from rentals and sales of trade center units and our cash outflows relating to the construction of properties and purchases of land use rights.

We may require additional bank borrowings and, if necessary, future offerings of debt and/or equity securities for a significant portion of our liquidity requirements to finance the construction costs of our projects, which are expected to be completed in multiple phases. Our ability to secure sufficient funding for project development depends on a number of factors that are beyond our control, including market conditions in debt and equity markets, investors' perception of our business, lenders' perception of our creditworthiness, the PRC economy and PRC regulations. We cannot assure you that we will be able to obtain additional financing at competitive costs, or at all. In addition, we may not be able to renew our existing loan facilities granted by banks in the PRC on satisfactory terms, or at all. If we are unable to obtain necessary additional financing or renew existing loan facilities, we will not be able to complete our properties under development or planned for future development in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing, and our business development could be severely disrupted.

In addition, the People's Bank of China, or the PBOC, regulates the reserve requirement ratio for commercial banks in the PRC, which affects the availability and cost of financing from PRC commercial banks. Although the PBOC decreased the reserve requirement ratio four times in 2015 and 2016, there is no assurance that it will continue to decrease or remain at the current level. In case of any increases of the reserve requirement ratio required by the PBOC, it may negatively impact the amount of funds available for corporate lending, including to us, by commercial banks in China. As a result, we cannot assure you that we will be able to obtain sufficient funding to finance intended purchases of land use rights, develop future projects or meet other capital needs as and when required at a commercially reasonable cost, or at all. Failure to obtain adequate funding at a commercially reasonable cost may limit our ability to acquire land, commence new projects or to continue the development of existing projects. Any such failure may also increase our borrowing costs and have a material adverse effect on our business, prospects, cash flows, financial condition and results of operations.

In previous years, the PRC government had introduced a number of measures and regulations to restrict the ability of property developers to raise capital through external financing and other methods. These PRC regulations include, but are not limited to, the following:

- pre-sale proceeds may only be used to fund the property development costs of the relevant projects to which they relate;
- we cannot pre-sell uncompleted units in a project prior to achieving certain development milestones;
- PRC banks are prohibited from extending loans to real estate companies for the purposes of funding the payment of land premium;
- we cannot borrow from a PRC bank for a particular project unless we fund at least 35% of the estimated total capital required for that project from our own capital;
- we cannot borrow from a PRC bank for a particular project unless we first obtain the land use rights certificate, construction land planning permit, construction works planning permit and construction permit for that project;
- PRC banks are restricted from granting loans for the development of luxury residential properties;
- property developers are strictly prohibited from using the proceeds from a loan obtained from a local bank to fund property developments outside the region where that bank is located, subject to limited exceptions;

- PRC banks are restricted from granting revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- PRC banks are prohibited from accepting properties that have been vacant for more than three years as collateral for loans;
- in November 2009, the PRC government raised the minimum down payment of land grant fees 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; and
- in March 2010, the Ministry of Land and Resources of the PRC, or the MLR, stipulated that the minimum down payment of land grant fees of 50% must be paid within one month after the signing of a land grant contract and the rest of the land grant fees must be fully paid within one year after the signing of a land grant contract.

Because the local authorities in Shenzhen treat our subsidiary, China South International, as an integrated logistics enterprise, we have not been subject to these measures and regulations with respect to China South City Shenzhen. However, if local regulatory authorities were to change their current approach and treat China South International as a property developer, or if higher level or central government regulatory authorities were to override the decision of the local regulatory authorities, China South International would be subject to these measures and regulations with respect to China South City Shenzhen. We have not received any formal assurance or comfort from any authorities that such a change will not occur. Moreover, these measures may apply to our properties under development or future projects. For further discussion on the restrictions imposed on property developers, see “Regulation — Regulations on Foreign-Invested Real Estate Enterprises” and “Regulation — Regulations on Real Estate Financing.” Any application of these measures to our business could have a material adverse effect on our business, prospects, cash flows, financial condition and results of operations.

If we are unable to obtain suitable sites or the land use rights for our properties under development and planned for future development, we will not be able to develop these projects.

We signed master agreements with the local governments where our projects operate, namely Shenzhen, Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing, and certain supplementary agreements thereto. Pursuant to these master agreements and the corresponding supplementary agreements, the municipal governments have identified land which is suitable for our development strategy in these locations. However, the signing of the master agreements and the corresponding supplementary agreements thereto does not guarantee that we will obtain the land identified therein, which may only be transferred by public tender, auction or listing for sale. Thus, the signing of such agreements does not guarantee that we will be able to obtain land for use in connection with our planned projects. Although as of September 30, 2019 we have obtained land with attributable GFA of approximately 4.79 million sq.m., or 69.8% of the planned GFA, attributable GFA of approximately 2.48 million sq.m., or 50.8% of the planned GFA, attributable GFA of approximately 4.68 million sq.m., or 26.7% of the planned GFA, attributable GFA of approximately 5.65 million sq.m., or 47.0% of the planned GFA, attributable GFA of approximately 10.19 million sq.m., or 84.9% of the planned GFA, attributable GFA of approximately 5.99 million sq.m., or 49.9% of the planned GFA and attributable GFA of approximately 6.50 million sq.m., or 49.6% of the planned GFA for the identified site area of the Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing projects, respectively, we cannot assure you that we will be successful in bidding for the remaining parcels of land for these projects or that we will be able to obtain the land use rights at our desired price. If we are not successful in bidding for the remaining parcels of land for our properties under development in Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing, we will not be able to develop these projects as planned.

Our ability to identify and obtain suitable sites for future development is critical to our strategy but is subject to regulatory constraints and other factors beyond our control. We cannot assure you that we will be able to identify and acquire suitable sites within our budget, or at all. The PRC government controls substantially all new land supply in the PRC and regulates land sales in the secondary market. Our ability to acquire land use rights and the acquisition costs of such land use rights may be adversely affected by the PRC government's policies towards land supply, development and pricing. The PRC central and local governments regulate the means by which property developers obtain land sites for property developments. In particular, under PRC government regulations, state-owned land use rights for residential and commercial property developments may only be granted by public tender, auction or listing-for-sale. The regulatory climate may constrain our ability to pursue development opportunities in the future and may contribute to an increase in land acquisition costs. In this regard, in the past our land acquisition costs reflected the relatively lower amounts applicable to the treatment of China South International as an integrated logistics enterprise by local authorities in Shenzhen. As we increase the proportion of our properties that will be residential properties, we will be required to pay the higher costs applicable to residential properties. Furthermore, the PRC government requires property developers to pay the full land-grant fees for the entire parcel under the land grant contract before they can receive a land use rights certificate and commence development on the land. The implementation of the regulation requires property developers to maintain a higher level of working capital. This may have a material adverse effect on our business, cash flows, financial condition and results of operations.

Our flexibility to sell properties is limited by certain project and land related contracts and documents.

Pursuant to certain project and land related contracts and documents, some of the lands we have acquired or may acquire in the future have or may have sales restrictions on properties built on it. For example, the saleable area of trade centers of China South City Shenzhen is limited to 30% of the total buildable GFA of properties built on the relevant parcels of land. The saleable area of trade centers and logistics facilities built on certain parcels of land acquired by China South City Nanchang and China South City Nanning in 2010 are limited to 60% of the relevant total buildable GFA. The saleable area of trade centers built by China South City Hefei and China South City Chongqing are limited to 50% of their relevant total buildable GFA. The saleable area of trade centers of Phase One and future phases of China South City Zhengzhou are limited to 60% and 50% respectively of its relevant total buildable GFA. According to our business plan, we intend to hold not less than 50% of trade centers and commercial facilities for leasing and self-use, therefore we do not believe the related sales restrictions will have a significant impact on our business operations. Nevertheless, our flexibility to sell the properties in the future to generate additional revenue or to take advantage of rising sales prices of those properties is limited, which will in turn have an adverse effect on our business, prospects, cash flows, financial condition and results of operation. Furthermore, we cannot assure you that land we acquire in the future will not be subject to similar restrictions on sales.

The treatment of China South International as a foreign-invested real estate enterprise may subject us to restrictions imposed on such enterprises under relevant PRC laws and regulations.

China South International is treated as an integrated logistics enterprise by local authorities in Shenzhen and, as such, it is not subject to rules and regulations in the PRC applicable to foreign-invested real estate enterprises. The local governmental authorities have the discretion as to whether to treat China South International as a foreign-invested real estate enterprise, as opposed to an integrated logistics enterprise, we would become subject to these rules and regulations. Our project company in Harbin is a domestic real estate developer and our project companies in Nanning, Zhengzhou, Nanchang, Hefei Chongqing and Xi'an have also obtained real estate developer certificates. If the regulatory authorities were to treat China South International or Chongqing China South City Company Limited as a foreign-invested real estate enterprise, it would need to be recorded as such with the local commerce authorities and be subject to regulations and restrictions applicable to foreign-invested real estate enterprises, including, but not limited to, restrictions on our ability to obtain loans within and outside of the PRC, restrictions on the conversion and sale of foreign exchange into the capital account, as well as restriction on proceeds of bond offerings offshore by PRC property enterprises from being used for investments in property projects within or outside China or working capital.

Because China South International and Chongqing China South City Company Limited are not treated as foreign-invested real estate enterprises, we are able to downstream funds to China South International and Chongqing China South City Company Limited are in the form of shareholders' loans rather than capital contributions and China South International and Chongqing China South City Company Limited are not subject to certain approval and registered capital requirements applicable to foreign-invested real estate enterprises. If there is a change of policy resulting in our treatment as a foreign-invested real estate enterprise, it will become subject to registered capital ratio restrictions requiring us to maintain registered capital levels at 50% or more of our total investment. In addition, according to the regulation issued by the General Affairs Department of the State Administration of Foreign Exchange ("SAFE"), SAFE will no longer process foreign exchange or debt registrations or applications for the sale and purchase of foreign exchange submitted by real estate enterprises with foreign investment that fails to meet certain requirements. This regulation effectively prohibits foreign-invested real estate companies from raising funds through an offshore parent for the purpose of injecting such funds into the companies by way of shareholder loans but does not restrict property developers from receiving foreign capital through approved transactions that increase the registered capital of existing foreign-invested companies or through the establishment of new foreign-invested real estate companies. As such, we may be subject to this notice if China South International and Chongqing China South City Company Limited are treated as a foreign-invested real estate enterprises.

Any capital contributions made to our operating subsidiaries in China are also subject to the foreign-invested regulations and foreign exchange regulations in the PRC. Unless otherwise permitted by PRC laws or regulations, Renminbi capital converted from foreign exchange capital contribution can only be applied to the activities within the approved business scope of such foreign-invested enterprise and cannot be used for domestic equity investment or acquisition. We may encounter difficulties in increasing capital contributions to our project companies and subsequently converting such capital contributions into Renminbi for equity investment or acquisition in China. However, we cannot assure you that we will be able to obtain all requisite approvals on a timely basis, or at all. If we fail to obtain such approvals, our ability to make capital contributions to our project companies as their general working capital or to fund their operations may be negatively affected, which could materially and adversely affect our business, prospects, cash flows, financial condition and results of operations.

The cyclical nature of the real estate and logistics industries could adversely affect our results of operations.

Our results of operations are and will continue to be affected by the cyclical nature of the real estate industry in the PRC. Property values and rents are affected by, among other factors, supply and demand of comparable properties, interest rates, inflation, the rate of economic growth, tax laws and political and economic developments in the PRC. We cannot assure you that property values and rents will not decline. In addition, additional trade center and logistics properties are scheduled for completion over the next few years in China. Increased competition brought by this additional supply could adversely affect trade center rents and occupancy rates as well as sales prices for new trade center units. Our trade centers depend upon the growing demand for such developments in China. A downturn in the PRC economy could materially and adversely affect such demand. For further information on how recent market developments have affected the real estate and logistics industries, see "Industry Overview — Real Estate Market in the PRC."

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

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

In addition, investment properties may not be readily convertible for alternative uses without substantial capital expenditure if the original function of such investment property became unprofitable due to competition, age, decreased demand, increased supply or other factors. Similarly, substantial

capital expenditure may be required to correct defects or to make improvements before an investment property can be sold. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties may materially and adversely affect our business, prospects, cash flows, financial condition and results of operations.

Our results of operations fluctuate from period to period due to the fair value of our investment properties.

Our results of operations fluctuate due to changes in the fair value of our trade center units and other facilities retained for rental income and capital appreciation. Fair value gains on our investment properties include gains recognized upon project completion as applicable properties under development and completed properties for sale on our statement of financial position are transferred to investment properties when there is a change in use with sufficient evidence. We reassess the fair value of our investment properties every year. Property valuation typically requires the use of certain bases and assumptions with respect to a variety of factors, including supply and demand of comparable properties, the rate of economic growth in the location of the property, interest rates, inflation and political and economic developments in the PRC. For the fiscal years ended March 31, 2017, 2018 and 2019, we had fair value gains on our investment properties of HK\$4,549.5 million, HK\$4,378.5 million and HK\$2,793.4 million, respectively, representing 105.2%, 97.2% and 86.1%, respectively, of the profit for the respective periods after taking into account deferred income tax on such gains. For the six months ended September 30, 2018 and 2019, we had fair value gains on our investment properties of HK\$876.0 million and HK\$278.4 million, respectively, representing 103.2% and 44.2%, respectively, of the profit for the respective periods after taking into account deferred income tax on such gains. These fair value gains reflect unrealized capital gains on our investment properties at the relevant reporting dates, as well as the reclassification of properties under development and properties held for sale to investment properties. These fair value gains were not profit generated from day-to-day rental income from our investment properties, were largely dependent on prevailing property market conditions, and did not generate cash inflow which could contribute to the payments of interest, principal or other amounts under the Notes unless such investment properties can be disposed of and the capital gains are realized. Excluding the effect of gains on changes in fair value of investment properties and the deferred tax expenses in connection with the investment properties, we would have had a profit of HK\$1,167.2 million, HK\$1,329.6 million and HK\$1,520.3 million for fiscal years ended March 31, 2017, 2018 and 2019, respectively, and HK\$285.9 million and HK\$503.8 million for the six months ended September 30, 2018 and 2019, respectively. We had a net cash inflow from operating activities of HK\$3,282.8 million, HK\$3,943.2 million and HK\$7,156.4 million for fiscal years ended March 31, 2017, 2018 and 2019, respectively. The change in fair value of our investment properties has been, and will continue to be, significantly affected by the prevailing property market prices and is subject to market fluctuations. We cannot assure you that we will continue to record similar levels of revaluation gains or that the fair value of our investment properties will not decrease in the future, in which case, we may incur a fair value loss. In addition, we cannot assure you that we will be able to realize all or any of these fair value gains. In the event there is a material negative change in the value of our investment properties in the future, our results of operations and financial condition will be materially and adversely affected.

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

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

The customers of our trade centers, residential properties or multi-purpose properties may not be able to obtain mortgages on favorable terms, or at all, which could reduce our sales.

Many of the purchasers of our trade centers, residential or multi-purpose properties rely on mortgages to fund their purchases. An increase in interest rates may significantly increase the cost of

mortgage financing, thus reducing the attractiveness of mortgages as a source of financing for property purchases and adversely affecting the affordability of trade centers, residential properties or multi-purpose properties. In addition, the PRC government and commercial banks may also increase down payment requirements, impose other conditions or otherwise change the regulatory framework in a manner that would make mortgage financing unattractive or unavailable to potential property purchasers. In this regard, in recent years the PRC government has issued laws and regulations to raise minimum down payments for property purchases, and impose other requirements. In the event that mortgages become more difficult to obtain or that the costs of such financing increases, many of our prospective customers who rely on mortgages may not be able to purchase our properties. In addition, in line with industry practice, we provide guarantees to banks for mortgage loans that they offer to purchasers of our properties. For these mortgage loans, our guarantee terminates when purchasers obtain the building ownership certificate and pledge it to the relevant banks. If there are changes in laws, regulations, policies or practices that would prohibit property developers from providing such guarantees and these banks do not accept alternative guarantees from third parties, if available, it may become more difficult for property purchasers to obtain mortgages from banks in connection with pre-sales. Such difficulties may inhibit pre-sales, which could materially and adversely affect our business, prospects, cash flows, financial condition and results of operations.

We may become liable if our customers default on mortgage or bank loans we have guaranteed.

We guarantee mortgage and bank loans entered into by certain of our purchasers, including purchasers of trade center units, residential or multi-purpose properties and purchasers under finance leases of residential and supporting commercial units. For these mortgage loans, our guarantee terminates when purchasers obtain the building ownership certificate and pledge it to the relevant banks. We do not conduct independent credit checks on our customers. Although the mortgages we guarantee typically finance no more than 50% to 70% of the purchase price of our trade center units and residential properties or 50% of the finance lease price of our residential and supporting commercial units, if a purchaser defaults on its mortgage or bank loan, we may be required to repay the outstanding amount together with accrued interest thereon and any penalty owed by the defaulting purchaser to the relevant bank. In the event of a purchaser default, we are entitled to take over the legal title and usage rights of the related properties. As of September 30, 2019, our outstanding guarantees in respect of mortgage loans amounted to approximately HK\$14,516.3 million. If we are called upon to honor a material portion of our guarantees, our business, prospects, cash flows, financial condition and results of operations may be materially and adversely affected.

In addition, we make entrusted loans in connection with the sales and finance leases of certain units by advancing an amount, typically no more than one-half of the purchase price or the finance lease price, to the purchaser's lending bank. These advances appear as loan receivables and finance lease receivables on our consolidated balance sheet. In the event of a purchaser default, we write off the receivable and are entitled to take over the legal title and usage rights of the related properties.

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

Proceeds from the pre-sales of our properties may be an important source of funds for our property developments and may have a significant impact on our cash flows and liquidity position. In August 2005, the PBOC proposed in a report that the practice of pre-selling uncompleted properties be discontinued, on the grounds that pre-sales create significant market risks and generate transactional irregularities. Since the PBOC proposal, various cities in China, including Shenzhen, have issued supervision measures regarding the pre-sale payment requirements and restrictions. However, there are no central level regulations adopted by PRC government authorities. We cannot assure you that the PRC government will not ban or impose material limitations on presales of uncompleted properties in the future. Future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditure we must incur prior to obtaining the pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance a portion of our property developments, which could have a material adverse effect on our business, prospects, cash flows, financial condition and results of operations.

Our operations are subject to extensive governmental regulation, and we are susceptible to changes in policies related to the real estate and logistics markets in China.

In order to develop and operate a trade center or residential development, we must obtain various permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of our trade center or other properties' development, including land use rights documents, planning permits, construction permits, and certificates or confirmation of completion and acceptance. Each approval is dependent on the satisfaction of certain conditions.

We cannot assure you that we will be able to fulfill the pre-conditions necessary to obtain required governmental approvals, or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to the real estate or logistics industries in general or the particular processes with respect to the grant of approvals in China. There may be delays on the part of relevant administrative bodies in reviewing our applications and granting approvals. We cannot assure you that our projects will not be subject to delays or fines in relation to the development of such land parcels in the future. In addition, property developers are typically required to deliver to purchasers the relevant individual property ownership certificates within one to two years after delivery of the property or within a time frame set out in the relevant sale and purchase agreement. Under current regulations, property developers are required to submit requisite governmental approvals in connection with their property developments, including various approval certificates and a property survey report, to the local bureau of land resources and housing administration after the receipt of the certificate of completion for the relevant properties and to apply for the general property ownership certificate in respect of these properties. Property developers are then required to submit, within regulated periods after delivery of the properties, various documents in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval, as well as other factors, may affect timely delivery of the general and/or individual property ownership certificates. We may also be subject to periodic delays in our trade center and residential development projects due to building moratoria in the areas in which we operate or plan to operate. If we are unable to obtain, or experience material delays in obtaining, the requisite governmental approvals, or if a building moratorium is implemented at one or more of our project sites, the development and sale of our projects could be substantially disrupted, which would have a material adverse effect on our business, prospects, cash flows, financial condition and results of operations.

We may also be liable for monetary penalties to purchasers for late delivery of the individual property ownership certificates due to delays in the administrative approval processes, or for other reasons beyond our control. Furthermore, we cannot assure you that the implementation of laws and regulations by relevant authorities, or the interpretation or enforcement of such laws and regulations, will not cause us to incur additional costs. For example, the majority of our land used for China South City Shenzhen is designated by the local government in Shenzhen for integrated logistics uses. Under applicable PRC laws and regulations, however, "integrated logistics" is not a designated category for land use. Therefore, the land use rights certificates and building ownership certificates for China South City Shenzhen's trade centers (which are combined into one certificate) indicate that our land and buildings are for "warehousing (integrated logistics)" purposes. Relevant government agencies of the Shenzhen Municipal Government have concluded that our use of land primarily for the wholesale business is consistent with regulations of the Shenzhen government governing the "integrated logistics" industry. Because there are not national laws, regulations or policies governing the "integrated logistics" industry in the PRC, we rely on regulations and policies in Shenzhen for the legality of our current land use. However, we cannot assure you that PRC governmental authorities will not issue regulations on the integrated logistics industry that restrict our current and planned activities or that we will not be required to change our land uses.

The PRC government exerts considerable direct and indirect influence on the growth and development of the PRC property market, particularly the supply of land, through industry policies and other economic measures such as adjustments in interest rates, controlling the supply of credit by adjusting the reserve requirement ratios of the banks and implementing lending restrictions, increasing tax and duties on property transfers, imposing property transfer restrictions, imposing foreign investment and currency exchange restrictions. We cannot assure you that the PRC government will not adopt more stringent industry policies, regulations and measures in the future. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes disrupt our business or cause us to incur additional costs, our business, prospects, cash flows and results of operations may be materially and adversely affected.

We face competition from other trade centers and other property developers.

We face competition from other trade centers in China, particularly in Guangdong Province with regard to China South City Shenzhen. The greatest concentration of similar trade centers in China is in the Greater Pearl River Delta, the Yangtze River Delta and the Bohai-Ring region near Beijing. The finished and unfinished goods featured at these competing trade centers include textile and clothing, leather and accessories, electronic accessories, printing and finished goods, paper and packaging and metals, chemicals and plastics that compete with the finished and unfinished goods featured at our projects. In addition, there may be an increase in supply of trade centers in the Greater Pearl River Delta and elsewhere in China, such as Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing in the future. Each of Jiangxi Province, Guangxi Zhuang Autonomous Region, Shaanxi Province, Heilongjiang Province, Henan Province, Anhui Province and Chongqing Municipality also has numerous trade centers varying in size and type of industries represented. The competition may limit our ability to attract and retain occupants and buyers and may reduce the rents or prices we are able to charge. We cannot assure you that we will compete effectively against other trade center operators.

In addition, we expect to increase the proportion of residential properties in our properties under development or planned for future development in Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing. As a result, we will face increasing competition in the future from residential and other property developers. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers. The increasing number of property developers and the intensity of competition among property developers for land, financing, raw materials, skilled management and labor resources may result in increased costs for land acquisition, an over-supply of properties for sale, a decrease in property prices and a slowdown in the rate at which new property developments are approved by governmental authorities. Our inability to compete effectively could materially and adversely affect our business, prospects, cash flows, financial condition and results of operations.

Our business may be sensitive to global economic conditions.

The global financial markets are highly turbulent recently. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the world's leading economies, including China's. There have also been concerns over unrest in the Middle East and Africa, which have resulted in significant market volatility. In addition, on June 23, 2016, the United Kingdom voted to exit the European Union. On January 31, 2020, the United Kingdom ceased to be a member state of the European Union. From 2018, China and the United States have started the trade war. These have caused significant volatility in the global financial markets, which would negatively affect financial conditions and global economy. A decline in the economic prospects of our current and potential clients and occupants and the economy in general could reduce the demand for our trade centers and residential properties and the needs for our services to the occupants. Therefore, any prolonged slowdown in the global 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 and currency exchange rates may significantly restrict the ability of our clients to obtain mortgages to finance the purchase of our trade centers and residential properties, which could materially and adversely affect the demand of our properties, as well as 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 be able to obtain qualification certificates, or extend or renew qualification certificates, for real estate development.

Because our subsidiary, China South International, is not treated as a domestic real estate developer, it does not require a long-term (two or more years) qualification certificate, which is normally granted to domestic real estate developers. The Shenzhen Municipal Bureau of Land Resources and Housing Management has, in the past, granted a short-term qualification certificate to China South International confirming that China South International is allowed to undertake the development of properties necessary for its integrated logistics and trade center operations, provided that such property development operations occur within the site area of China South City Shenzhen. In June 2018, China South International obtained a new short-term qualification certificate which allows China South International to undertake development of properties within the whole area of Shenzhen.

Although we have successfully renewed this qualification certificate in the past, the final decision with respect to future applications is at the discretion of the local authorities. As a result, we cannot assure you that China South International will be able to renew the qualification certificate in a timely manner, or at all. If our project companies are unable to obtain or renew qualification certificates, they may not be permitted by the PRC government to continue to engage in property development activities associated with the development of their integrated logistics and trade center businesses, which would materially and adversely affect our business, prospects, cash flows, results of operations and financial condition.

We face risks associated with the use of debt to fund developments and working capital, including refinancing risk and foreclosure risk, which may impact our cash flow and liquidity position.

We rely on debt financing, including bank and other borrowings secured by buildings, investment properties, properties under development and rental properties to finance our development activities and for general working capital purposes. We are subject to the risks normally associated with debt financing. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity or debt capital, our cash flows may not be sufficient to repay all maturing debt. If prevailing interest rates or other factors at the time of any refinancing result in higher interest rates, increased interest expense would adversely affect our ability to service our debt and our financial condition and results of operations. As of September 30, 2019, our cash and cash equivalents and restricted cash amounted to HK\$9,279.7 million while our consolidated interest-bearing short-term debt amounted to HK\$14,514.9 million, representing 44.7% of our total interest-bearing debts of HK\$32,500.1 million. There is no reassurance that we can obtain or refinance our debt. If we are unable to obtain or refinance our debt, our business, prospects, cash flows, financial condition and results of operations could be adversely affected.

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

We rely on borrowings, in the form of bank loans and bond and note offerings, to finance a substantial part of our project developments. Many of our customers also finance their purchases of trade center units and residential properties through loans. Increases in bank reserve requirement ratios may reduce the amount of funds available to commercial banks in the PRC to lend to businesses, including us, or to consumers to finance property purchases. Increases in interest rates increase our finance costs. Moreover, interest rate volatility can make it difficult for us to make plans and implement our strategies and can deter potential trade center unit buyers. Any of these factors may have a material and adverse effect on our business, prospects, cash flows, financial condition and results of operations.

The increasing popularity of E-commerce may have a competitive impact on our occupants.

As E-commerce has become increasingly popular in recent years, many retailers and wholesalers have started to launch online shopping and online-to-offline (“O2O”) functions. Our occupants may face increasing competition from operators of E-commerce businesses as well as other online retail businesses. Manufacturers and distributors may choose to focus increasingly on Internet sales instead of

traditional distribution channels. Competition may also intensify if the competitors of our occupants set up their own Internet platforms and begin to sell products via the Internet. As a result, traffic to our projects and our occupancy rates may be affected. If our occupants are unable to compete effectively against operators of these types of retail channels, our business, financial condition, results of operation and prospects may be materially and adversely affected.

Historical increases in our other income and gain attributable to government grants may not be sustainable.

For the fiscal years ended March 31, 2017, 2018 and 2019 and for the six months ended September 30, 2018 and 2019 we had other income and gain attributable to government grants in the aggregate amount of HK\$841.4 million, HK\$783.9 million, HK\$540.9 million, HK\$240.1 million and HK\$30.1 million, respectively, which were provided by local government authorities to foster and support the development of our projects. We cannot assure you that the relevant local government authorities will continue to give us government grants in connection with the development of our projects. If such government grants are withdrawn or no longer given, our income may decrease and our net profit may be adversely affected.

Our profit margin varies with each property development and changes in product mix, and we may not be able to sustain our existing profit margin.

Factors that may affect our gross profit margin, or gross profit as a percentage of total revenue, include: (i) product mix, (ii) selling price, and (iii) cost of development. The prices and gross profit margins of our products vary by location, classification and the end use of certain facilities on the properties that we develop to sell or rent. Our trade centers usually afford us higher profit margins than residential and commercial facilities because they typically have higher sales prices per sq.m. Our gross profit margin remains flat at 43% for the fiscal years ended March 31, 2018 and March 31, 2019. Further, our gross profit margin decreased from 40.6% for the six months ended September 30, 2018 to 38.6% for the six months ended September 30, 2019, mainly due to a higher portion of residential and multi-purpose properties project with relatively low gross profit margin.

In addition, properties in larger-scale projects will typically command a higher selling price as the overall development approaches completion due to the attractiveness of a more established development, thereby increasing our sales profit margin during the relevant period. Our product mix varies from period to period due to a number of factors, including project locations, land cost, market conditions and our development planning. While trade centers remain our primary focus, we expect our other projects will include more residential and multi-purpose properties. Therefore, we cannot assure you that we can always maintain or increase our gross profit margin. If we are unable to maintain our gross profit margin, our profitability may be materially and adversely affected.

Our founding shareholders have substantial influence over us and their interests may not be aligned with the interests of our creditors, including the holders of the Notes.

Our founding shareholders have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. The interests of our founding shareholders may not be consistent with our interests or those of our creditors, including the holders of the Notes, and our founding shareholders may cause us to enter into transactions or take, or fail to take, other actions or make decisions that conflict with the best interests of our creditors, including holders of the Notes.

We depend on our senior management and other important staff members, as well as on our ability to attract and retain qualified management personnel.

We depend on the efforts and skill of our senior management and other important staff members. For a description of our senior management and other important staff members, see “Management.” As a result, our future success depends to a significant extent on the continuing service and coordination of these individuals, who are not obligated to remain employed with us.

Our success also depends on our ability to identify, hire, train and retain suitably skilled and qualified employees with requisite industry expertise. The loss of any member of our senior management team or our other key employees could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. Competition for such personnel is intense, and any failure to recruit and retain the necessary personnel or the loss of a significant number of employees at any time could harm our business and prospects.

We may suffer losses caused by natural disasters, acts of war or terrorist attacks, and these losses may not be fully covered by insurance.

Our business may be adversely affected due to the occurrence of typhoons, severe storms, earthquakes, floods, wildfires or other natural disasters or similar events in the areas where we develop and operate our trade centers. Although we carry insurance on our properties with respect to specified catastrophic events of types and in amounts and with deductibles that we believe are in line with coverage customarily obtained by owners of similar properties, we cannot guarantee you that our insurance coverage is sufficient to cover potential losses, and there are other types of losses, such as from war, nuclear contamination, tsunamis, pollution and acts of terrorism, for which we cannot obtain insurance at a reasonable cost or at all. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital invested in a property, as well as the anticipated future revenues from the property. Nevertheless, we would remain obligated for any bank borrowings or other financial obligations related to the property. It is also possible that third-party insurance carriers will not be able to maintain reinsurance sufficient to cover any losses that may be incurred. Any material uninsured loss could materially and adversely affect our business, prospects, cash flows, financial condition and results of operations.

In addition, we usually have to renew our insurance policies every year and negotiate acceptable terms for coverage, exposing us to the volatility of the insurance markets, including the possibility of rate increases. We regularly monitor the state of the insurance market, but we cannot anticipate what coverage will be available on commercially reasonable terms in future policy years. Any material increase in insurance premiums or decrease in available coverage in the future could adversely affect our business, prospects, cash flows, financial condition and results of operations.

Potential liability for environmental problems could result in substantial costs.

We are subject to a variety of environmental laws and regulations during the construction of our development projects. The particular environmental laws and regulations which apply to any given project development site vary greatly according to the site’s location, the site’s environmental condition, the present and former uses of the site, as well as adjoining properties. Environmental laws and conditions may result in project delays, may cause us to incur substantial compliance and other costs and can prohibit or severely restrict project development activity in environmentally sensitive regions or areas. In addition, we cannot predict the impact that unforeseeable environmental contingencies or new or changed laws or regulations may have on us or our trade center projects.

As required by PRC law, independent environmental consultants have conducted environmental impact assessments at all of our construction projects. Although the environmental investigations conducted to date have not revealed any material environmental liability, it is possible that these investigations did not reveal all environmental liabilities or their extent, and there may be material environmental liabilities of which we are unaware. Upon completion of each project, the relevant

environmental authorities will inspect the site to ensure compliance with all applicable environmental standards and prepare a report to confirm such compliance. In the past, we experienced delays in completing environmental inspections for our hotel and restaurant at China South City Shenzhen. For further information, see “Business — Environmental Matters.” In order to comply with applicable environmental laws, rules and regulations, we have adopted certain measures to improve our internal control procedures. However, we cannot assure you that such internal control procedures will be effective in preventing noncompliance. If any portion of our projects is found to be non-compliant with relevant environmental standards or if we are unable to obtain necessary licenses for releasing contaminants, we may be subject to suspension of a portion of our operations as well as fines and penalties.

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

We have registered the trademark, , “华南城” (China South City) and its logo  with the Trade Marks Registry in Hong Kong and the PRC Trademark Office under various categories relating to metals, textiles, machines, electronics and many other categories. Any unauthorized use of our brands, trademarks, trade names and other intellectual property rights could harm our business. We cannot assure you that our trade names or trademarks will not be subject to infringement in the future. Any unauthorized or inappropriate use of our trade names or trademarks could harm our market image and reputation. If we are unable to adequately protect our brand, trademarks, trade names and other intellectual property rights, we may lose these rights and our business, prospects, cash flows, financial condition and results of operations may be materially and adversely affected.

The discovery of cultural relics at a construction site could result in the delay or abandonment of a property development project.

Xi'an and Zhengzhou were ancient, political, economic and cultural centers in China, and Xi'an and Zhengzhou are home to a large quantity of valuable cultural relics and historic sites. Under PRC law, if any cultural relics are discovered beneath our development sites during our construction process, such discovery must be immediately reported to the local department of cultural relics administration and construction must be immediately suspended or partly suspended for archaeological surveying. If an underground discovery is classified as “highly valuable” by archaeologists and a parcel of land is considered to be of public interest by reason of its historical or archaeological significance, the parcel of land has to be returned to the government and the entire project has to be relocated. Although the government is required to compensate a property developer for a parcel of land returned to it for archaeological purposes, we cannot assure you that such compensation will be sufficient to cover the full amount of the land grant fees paid, any other expenses incurred by the developer in connection with the relevant site or consequential damages. If any historic relics are discovered under any of the construction sites in the future at the Xi'an project or Zhengzhou project, the completion of the projects may be delayed or we may even be required to return the relevant parcels of land to the government, which may materially and adversely affect our business, prospects, cash flows, financial condition and results of operations.

Sales of our properties are subject to land appreciation tax and income tax.

Our sales of trade center units and residential properties are subject to land appreciation tax in the PRC. Land appreciation tax is payable on the gain, representing the balance of the proceeds received on such sale, after deducting various prescribed items, including sums paid for acquisition of land use rights, the direct costs and expenses of the development of the land and construction of buildings and supplementary facilities or the appraised price of any previous buildings and structures existing on the land and taxes related to the assignment of the real property. Under applicable PRC laws and regulations, land appreciation tax is chargeable on the gain at progressive rates ranging from 30% to 60%. Property developers enjoy a deduction which is equal to 20% of the sums paid for acquisition of land use rights and the direct costs of land development and construction of new buildings and supplementary facilities. On May 25, 2010, Notice of the State Administration of Taxation on Strengthening the Collection of Land Appreciation Tax (關於加強土地增值稅徵管工作的通知) was issued by the State Administration of Taxation. The notice requires that, except for affordable residential housing, the land appreciation

prepayment tax rate in the eastern provinces shall not be lower than 2%, while such prepayment tax rate shall not be lower than 1.5% in central and northeast provinces and 1% in western provinces.

The Shenzhen municipal tax authority started to impose the land appreciation tax in November 2005. The land appreciation prepayment tax rate in Shenzhen has been adjusted several times by the Shenzhen municipal tax authority. On August 1, 2010, according to the most recent adjustment, the land appreciation prepayment tax rates in Shenzhen have been raised to 2%, 4% and 3% for each of “ordinary standard housing facilities,” “villas” and “other types of property,” respectively. For the fiscal year ended March 31, 2017, 2018 and 2019, we made provisions for land appreciation tax in the amount of HK\$499.5 million, HK\$687.5 million and HK\$611.7 million, respectively. For the six months ended September 30, 2018 and 2019, we made provisions in the amount of HK\$348.7 million and HK\$429.9 million, respectively. Likewise, we are required under local regulations to pay provisional land appreciation tax in other regions or cities when we start to pre-sell or sell our property developments in these regions or cities. Generally, the provisional land appreciation tax rates in these cities range from 1.0% to 5.0% of the pre-sale proceeds, depending on the type and location of the pre-sold properties. Our cash flows and financial condition will be affected if the PRC tax authorities proceed to collect the land appreciation tax for which we have made provisions. In addition, provisioning for land appreciation tax requires our management to use a significant amount of judgment with respect to the appreciation of land value and the allowability of deductible items for income tax purposes. If the land appreciation tax provisions we have made are substantially lower than the actual land appreciation tax amounts assessed by the tax authorities, our results of operations, financial condition and cash flows will be materially and adversely affected.

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 regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, 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.

As of the date of this offering memorandum, over 70,000 cases have been confirmed in China and over 1,000 people have died from the COVID-19. Several cities in China where we have significant land bank and operations have been under a lockdown and have imposed travel restrictions in an effort to curb the spread of the highly infectious COVID-19. As a result, sales offices and construction of our development projects may be temporarily shut down. Moreover, supply of our raw materials and productivity of our employees may be adversely affected. As a result, the completion of our projects may be delayed and sales might be lower than expected, which might in turn result in substantial increase in our development costs, late delivery of properties and/or otherwise adversely affect our profitability and cash flows. Further, customers who have previously entered into contracts to purchase properties may default on their purchase contracts if the economic situation further deteriorates as a result of the epidemic. In addition, the COVID-19 outbreak poses risks to the wellbeing of our employees and the safety of our workplace, which may materially and adversely affect our business operation.

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

change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations.

We may be subject to delays, fines or forfeitures of land if we do not develop such land in compliance with the terms of the underlying land grant contract.

Under PRC law, if a developer fails to develop land according to the terms of the underlying land grant contract (including terms relating to land use, payment of fees or the time for commencement and completion of development), the relevant land administration authorities may issue a warning to or impose a penalty on the developer or require the developer to forfeit the land. In addition, development not in accordance with land grant contracts may result in the breach of applicable PRC laws or regulations, orders to cease work, delays in completion, delays in the commencement of pre-sales or sales or orders to demolish non-conforming structures, among other consequences. Furthermore, the amendment of land grant contracts may result in payments of additional land grant fees. We cannot assure you that circumstances leading to delays, fines or possible forfeiture of land will not occur in the future.

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

Under the relevant regulation of construction quality in PRC, all property development companies in the PRC must provide certain quality warranties for the properties they develop or sell. We are required to provide these warranties to our customers. We may sometimes receive quality warranties from our third-party contractors with respect to our development projects. If a significant number of claims are brought against us under our warranties and if we are unable to obtain indemnities for such claims from third-party contractors in a timely manner or at all, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and have a material and adverse effect on our business, prospects, financial condition and results of operations.

We may face certain risks of accidents or injuries in our Investment Properties and be involved in disputes arising out of our operations and may face significant liability as a result.

There are inherent risks of accidents or injuries taking place in our Investment Property. The occurrence of one or more accidents or injuries at any of our Investment Properties could affect our reputation and subject us to liability.

We may be involved in disputes with various parties in connection with our operations including contractors, suppliers, construction workers, occupants of our projects, business partners and purchasers.

These disputes may lead to protests and legal or other proceedings and may result in damage to our reputation, substantial costs, delay in our development schedule and diversion of resources and management's attention. These disputes may have a material adverse effect on our business, financial position and operating results. See the section entitled "Business — Legal Proceedings" in this offering memorandum for further details.

Risks Relating to Doing Business in the PRC

Economic, political and social conditions, as well as government policies in China could have a material adverse effect on our business, prospects, cash flows, results of operations and financial condition.

All of our business is conducted in, and all of our revenues are derived from, China. Accordingly, our business, prospects, cash flows, financial condition and results of operations are, to a significant degree, subject to economic, political and social developments in China.

The economy of China differs from the economies of most developed countries in many respects, including, but not limited to: structure; governmental involvement; level of development; growth rate of GDP; capital re-investment; allocation of resources; control of foreign currency; and rate of inflation.

The economy of China has been transitioning from a planned economy to a market-oriented economy. Although in recent years the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industries by imposing industrial policies. It also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Policies and measures taken by the PRC government to regulate the economy and guide the allocation of resources may benefit the overall economy of China but could have a significant negative impact on our business. For example, our business, prospects, cash flows, results of operations and financial condition may be materially and adversely affected by:

- government control over capital investment;
- new laws and regulations and the interpretations of those laws and regulations;
- the introduction of measures to control inflation or regulate growth;
- changes in interest rates and statutory reserve rates for banks and government control of bank lending activities;
- changes in the rate or method of taxation and tax regulations that are applicable to us; and
- the imposition of additional restrictions on currency conversions and remittances abroad.

The PRC legal system has inherent uncertainties that could negatively impact our business.

Our business is operated through, and our revenues are generated by, our operating subsidiaries in the PRC. Substantially all of our assets are located in the PRC. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC government has issued laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the limited volume of published cases and their nonbinding nature, the interpretation and enforcement of these laws and regulations may involve uncertainties and may not be as consistent or predictable as in other more developed jurisdictions. Furthermore, the legal protections available to us under these laws and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on us and on your investment.

The exchange rates between the Renminbi, the U.S. dollar and other foreign currencies is affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar. Under the new policy, the Renminbi is pegged against a basket of currencies, determined by the PBOC, against which it can fluctuate within a narrow and managed band based on market supply and demand and by reference to a basket of currencies. On May 21, 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar from 0.3 per cent. to 1.5 per cent. around the central parity rate. This allowed the Renminbi to fluctuate against the U.S. dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. The floating band was further widened to 1.0 per cent. on April 16, 2012. These changes in currency policy resulted in the Renminbi appreciating against the U.S. dollar by approximately 26.9 per cent. from July 21, 2005 to December 31, 2013. On March 14, 2014, the PBOC further widened the floating band against the U.S.

dollar to 2.0 per cent. On August 11, 2015, to improve the central parity quotations of Renminbi against the U.S. dollar, the PBOC authorized market-makers to provide central parity quotations to the China Foreign Exchange Trading Centre daily before the opening of the interbank foreign exchange market with reference to the interbank foreign exchange market closing rate of the previous day, the supply and demand for foreign exchange as well as changes in major international currency exchange rates. Following the announcement by the PBOC on August 11, 2015, Renminbi depreciated significantly against the U.S. dollar. In January and February 2016, Renminbi experienced further fluctuation in value against the U.S. dollar. The PRC Government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. These changes in policy have resulted in fluctuations of the Renminbi against the U.S. dollar. There can be no assurance that the RMB exchange rate will remain stable against the U.S. dollar or other foreign currencies in the market. While the international reaction of the Renminbi revaluation has generally been positive, there remains significant international pressure on the PRC Government to adopt an even more flexible currency policy, which could result in a further and more significant appreciation of the Renminbi against the U.S. dollar or other foreign currencies.

Substantially all of our revenues are generated by our PRC operating subsidiaries and are denominated in Renminbi. We rely on dividends paid by our operating subsidiaries, which in turn will be used by us to pay interest on the Notes. To the extent that we need to convert the proceeds from this offering and future financing into the Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would reduce the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments of interest and certain other amounts on the Notes or for other business purposes, appreciation of the U.S. dollar against the Renminbi would reduce the U.S. dollar amount available to us. Fluctuations in exchange rates may also adversely affect the value, translated or converted into Hong Kong dollars, of our net assets, earnings and any declared dividends.

Governmental control over currency conversion may limit our ability to utilize our cash effectively and potentially affect our ability to pay interest to Noteholders.

We currently receive substantially all of our revenues in Renminbi through our ownership and operation of China South City Shenzhen. However, certain of our expenses, including labor costs for our employees in Hong Kong, rental expenses for our office space in Hong Kong and advertising expenses for advertising in Hong Kong and overseas media are denominated in foreign currencies, mostly Hong Kong dollars and U.S. dollars. The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions.

Under our current corporate structure, our Company's income is derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay interest to Noteholders. In addition, because a significant amount of our future cash flows 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.

We may be deemed a PRC resident enterprise under the Enterprise Income Tax Law and thus be subject to PRC taxation on our worldwide income and be obligated to withhold PRC income tax on payment of interest and certain other amounts on Notes and gains on sale of the Notes may be subject to PRC tax.

Under the EIT Law enacted by the National People's Congress in March 2007, enterprises established under the laws of foreign countries or regions whose "de facto management bodies" are located within the PRC are considered "resident enterprises" for PRC tax purposes and will generally be subject to the EIT at the rate of 25% on their global income. The implementation rules of the EIT Law define the term "de facto management body" as a management body that exercises full and substantial control and management over the business, personnel, accounts and properties of an enterprise. The State Administration of Taxation promulgated a circular in April 2009 which specifies certain criteria for the determination of the "de facto management bodies" for foreign enterprises that are controlled by PRC enterprises or PRC enterprise groups. However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for enterprises established offshore by private individuals or foreign enterprises like us. Substantially all of our management is currently located in the PRC. If we are treated as a PRC resident enterprise for income tax purposes, we will be subject to income tax at the rate of 25% on our global income. Furthermore, we would be obligated to withhold PRC income tax of 10% on payments of interest and any redemption premium on the Notes to holders that are non-resident enterprises (and possibly 20% in the case of payments to non-resident individuals), because the interest and redemption premium could be regarded as being derived from sources within the PRC. If we fail to make proper withholdings, we may be subject to fines and other penalties. Any gain realized by such non-resident enterprise investor from the transfer of the Notes would be regarded as being derived from sources within the PRC and accordingly would be subject to a 10% PRC tax (and possibly 20% in the case of gains to non-resident individuals). These rates may be reduced by applicable tax treaties (including a reduction to 7%, subject to approval by the relevant tax authorities, on payments of interest and redemption premium on the Notes to holders that are qualifying non-resident enterprises located in Hong Kong). However, it is unclear whether in practice non-resident holders might be able to obtain the benefits of income tax treaties entered into between PRC and their countries.

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

Effective from May 1, 2016, PRC tax authorities have started imposing value added tax ("VAT") on revenues from various service sectors, including real estate, construction, financial services and insurance, as well as other lifestyle service sectors, replacing the business tax ("BT") that co-existed with VAT for over 20 years. Since the issuance of Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (Circular Caishui [2016] No.36) ("Circular 36") on March 23, 2016, the PRC Ministry of Finance and State Administration of Taxation have subsequently issued a series of tax circulars in March and April 2016 to implement the collection of VAT on revenues from construction, real estate, financial services and other lifestyle services. The VAT rates applicable to us may be generally higher than the BT rates we were subject to prior to the implementation of Circular 36. For example, the VAT rate for construction services will generally be increased from 3% (current BT rate) to 11%; the VAT rate for real estate services will be increased from 5% (current BT rate) to 11%. According to the Decision of the State Council on Abolishing the Interim Regulations of the People's Republic of China on Business Tax and Amending the Interim Value-Added Tax Regulations of the People's Republic of China (Order of the State Council of the People's Republic of China No.691) issued by the State Council which became effective on November 19, 2017, entities selling real property in the PRC shall be identified as taxpayers of value-added tax, and the tax rate for construction services, or real estate leasing services, or real estate sales, or transfer of the land use right is 11%. Unlike the BT, the VAT will only be imposed on added value, which means certain input VAT incurred from our construction, real estate, and financial services will be able to be offset the output VAT to reach the amount of VAT payable. However, details of concrete measures are still being formulated in accordance with Circular 36. We are still in the process of assessing the comprehensive impact of the new VAT regime on our tax burden, our revenues and results of operations, which remains uncertain.

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

We may face PRC regulatory risks relating to our Share Option Scheme.

On February 15, 2012, SAFE issued the Circular on Relevant Issues Regarding the Foreign Exchange Administration for Domestic Individuals Participating in Stock Option Plan of Overseas-Listed Company, or the Stock Option Rules.

Under the Stock Option Rules, PRC domestic individuals who are granted stock options and other types of stock-based awards by an overseas publicly listed company are required, through an agent of the overseas publicly listed company, generally its PRC subsidiary or a financial institution, to obtain approval from the local SAFE branch.

If we are unable to comply with these rules, we may be subject to the relevant penalties and may become subject to more stringent review and approval processes with respect to our foreign exchange activities, such as our PRC subsidiaries’ payment of dividends to us or borrowing of foreign currency loans, which would adversely affect our business and financial condition. We may face regulatory risks relating to our Share Option Scheme, however, if we grant share options to PRC domestic individuals in the future.

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

A significant portion of our assets and our subsidiaries are located in the PRC. In addition, most of our directors and officers reside in the PRC, and the assets of our directors and officers may also be located in the PRC. As a result, it may not be possible to effect service of process outside the PRC upon most of our directors and officers, including with respect to matters arising under applicable securities laws. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC if that jurisdiction has a treaty with the PRC or if judgments of the PRC courts have been recognized before in that jurisdiction, subject to the satisfaction of any other requirements. Our PRC legal advisor has advised us that the PRC does not have treaties providing for the reciprocal acknowledgement and enforcement of judgments of courts with the United States and most other western countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in any of these jurisdictions may be difficult.

We may be subject to additional regulations and requirements by the PRC governmental authorities.

Our business activities, including our financing activities, are subject to regulations promulgated by the PRC governmental authorities including the NDRC Circular. Following a notice published by the NDRC on June 12, 2017 in relation to foreign debt filing requirements to us, we had engaged in active discussion with NDRC and provided such information as requested by NDRC. Even though we believe that we have disclosed all necessary information to the applicable government authorities, and we have

not as of the date of this offering memorandum received any written requirement to take any further action in relation to our outstanding bonds, the NDRC Circular is a new regulation and there are still uncertainties regarding its interpretation, implementation and enforcement by applicable government authorities. PRC government may promulgate new regulations in the future. If we fail to comply with the relevant requirements, due to any change in the relevant regulation, we may be subject to penalties or other enforcement actions by relevant PRC government authorities.

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 as well as our joint ventures and associates in the PRC. The Notes will not be guaranteed by any current or future PRC subsidiaries. Moreover, the Notes will not be guaranteed by certain existing offshore subsidiaries and under the terms of the Indenture, subject to certain conditions, we may designate any such subsidiary (including a Subsidiary Guarantor) as a Designated Non-Guarantor Subsidiary which would allow, in the case of a Subsidiary Guarantor, for the Subsidiary Guarantee to be released, or in the case of a new offshore Restricted Subsidiary, such Restricted Subsidiary not to provide a Subsidiary Guarantee or JV Subsidiary Guarantee. Our primary assets are loans to and our direct and indirect ownership interests in our PRC subsidiaries. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have material operations. Accordingly, our ability to pay principal and interest on the Notes and the ability of the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) to satisfy their obligations under the Subsidiary Guarantees or the JV Subsidiary Guarantees (as the case may be) will depend upon our receipt of principal and interest payments on the intercompany loans and distributions of dividends from our subsidiaries.

Creditors, including trade creditors of our Non-Guarantor Subsidiaries and any holders of preferred shares in such entities, would have a claim on our Non-Guarantor Subsidiaries' assets that would rank higher than 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 issued in connection with our business), 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. The Notes and the Indenture do not restrict the ability of our subsidiaries to incur certain categories of indebtedness. 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 required to be provided by a subsidiary of the Company under the terms of the Notes may be replaced by a limited-recourse guarantee, or JV Subsidiary Guarantee, following the sale or issuance to a third party of a 20% to 49.9% equity interest in such subsidiary by its direct or indirect majority shareholders (subject to the satisfaction of certain conditions, including a cap on the non-guaranteed portion of the assets of all JV Subsidiary Guarantors in aggregate). 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.

Our obligations under the Notes are subordinated to our secured indebtedness, including the Existing Secured Notes.

Our obligations under the Notes are not secured by any liens over assets of the Company or any subsidiaries of the Company. However, the Existing Secured Notes are secured by assets, which are the capital stock of the Subsidiary Guarantors, constituting collateral under the Existing Secured Notes.

Although the Notes rank pari passu with the Existing Secured Notes, the Notes will be effectively subordinated to all of our existing and future secured debt, including any borrowings under the Existing Secured Notes, to the extent of the value of the assets securing such debt, including the value of the collateral provided in respect of the Existing Secured Notes. As a result, the holders of the Existing Secured Notes would have priority as to the assets securing the payment obligations under the Existing Secured Notes over the claims of holders of the Notes. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of our secured debt, including the holders of the Existing Secured Notes, may assert rights against the secured assets in order to receive full payment of their debt before the assets may be used to satisfy any payment obligations to the holders of the Notes, and a holder of the Notes may not be able to recover any principal or interest due to it under the Notes if the value of any remaining assets, after satisfying the Company's and its Subsidiaries' obligations under any secured debt, is not sufficient to satisfy the obligations under the Notes.

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

We have significant indebtedness outstanding. As of September 30, 2019, our consolidated current interest-bearing bank and other borrowings and our consolidated non-current interest-bearing bank and other borrowings amounted to HK\$8,748.4 million and HK\$8,971.0 million, respectively, compared to HK\$8,778.9 million and HK\$8,959.8 million, respectively, as of March 31, 2019. As of September 30, 2019, we had a principal amount of RMB600 million of medium-term notes and RMB1.4 billion domestic company bonds outstanding. For further information, please see "Description of Other Material Indebtedness." Our total interest-bearing debt had decreased from HK\$34.3 billion as of March 31, 2019 to HK\$32.5 billion as of September 30, 2019. As of September 30, 2019, we had cash and cash equivalents and restricted cash of HK\$9,279.7 million. In addition, as of September 30, 2019, we had consolidated capital commitments of HK\$13,970.7 million and contingent liabilities arising from guarantees of HK\$14,516.3 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Indebtedness and Contingent Liabilities — Commitments and Contingent Liabilities — Capital Commitments."

In addition, we and our subsidiaries may from time to time incur substantial additional indebtedness and contingent liabilities. Although the indentures governing the Notes and the Existing Notes restrict us and our Restricted Subsidiaries from incurring additional debt and contingent liabilities, these restrictions are subject to important exceptions and qualifications. If we or our subsidiaries incur additional debt, the risks that we face as a result of such indebtedness and leverage could intensify. The amount of our indebtedness could have important consequences to the Noteholders. For example, it could:

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

Our ability to generate sufficient cash to satisfy our outstanding and future debt obligations will depend upon our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. If we are unable to service our indebtedness, we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying capital expenditures, selling assets, restructuring or refinancing existing indebtedness or seeking equity capital. These strategies may not be instituted on satisfactory terms.

In addition, the terms of the indentures governing the Notes and the Existing Notes 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 ratios requirements, and meet any other applicable restrictions. Our ability to meet our financial ratios may be affected by events beyond our control. We cannot assure you that we will be able to meet these ratios during the life of the Notes and the Existing Notes. Certain of our other financing arrangements also impose operating and financial restrictions on our business. See “Description of Other Material Indebtedness.” Such restrictions in the Indenture, the indentures governing the Existing Notes and our other financing arrangements may negatively affect our ability to react to changes in market conditions, take advantage of business opportunities, obtain future financing, fund required capital expenditures, or withstand a continuing or future downturn in our business. Any of these factors could materially and adversely affect our ability to satisfy our obligations under the Notes and other debt.

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

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

- incur or guarantee additional indebtedness and issue disqualified or preferred stock;
- declare dividends on capital stock or purchase or redeem capital stock;
- make investments or other specified restricted payments;
- issue or sell capital stock of Restricted Subsidiaries;
- guarantee indebtedness of Restricted Subsidiaries;
- sell assets;
- create liens;
- enter into sale and leaseback transactions;
- 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.

If we are unable to comply with the restrictions and covenants in our current or future debt agreements or the indentures governing the Notes or any series of the Existing Notes, there could be an event of default under the terms of these agreements or such indentures, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in the indentures governing the Notes or any series of the Existing Notes or our current or future debt obligations and other agreements, there could be an event of 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 indentures governing the Notes and the Existing Notes, 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 and the Existing Notes, or result in a default under our other debt agreements, including the indentures governing the Notes and the Existing Notes. If any of these events occur, we cannot assure you that our assets and cash flows would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

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

As a holding company, we depend on the receipt of dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries, including our PRC subsidiaries and associates in the PRC, to satisfy our obligations, including our obligations under the Notes and the Existing 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. For example, certain loan agreements of our subsidiaries contain covenants that limit their ability to pay dividends to us until the loans are repaid, or unless certain profit thresholds are satisfied, or, in certain cases, limit their ability to pay dividends to us if the amount of the dividends exceed 30% of their after-tax profits. 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).

The ability of our subsidiaries in the PRC to pay dividends to their shareholders is also subject to the requirements of PRC law. PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. 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, starting from January 1, 2008, dividends paid by our PRC subsidiaries to their non-PRC parent companies have been subject to a 10% withholding tax, unless there is an avoidance of double taxation arrangement 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 tax rate may be lowered to 5%. However, according to a circular issued by the State Administration of Taxation in October 2009, tax treaty benefits will be denied to “conduit” or shell companies without business substance. As a result of such restrictions, there could be 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.

At present, our PRC subsidiaries are also required to pay a 10% withholding tax (which, subject to certain conditions being met, may be reduced to 5% under the China-Hong Kong Arrangement) on the interest paid under any shareholder loans and to provide evidence of this and other documents before they can make payments of interest and principal on shareholder loans in foreign currency. See “— Risks Relating to Doing Business in the PRC — Governmental control over currency conversion may limit our ability to utilize our cash effectively and potentially affect our ability to pay interest to Noteholders.”

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

The terms of the Notes permit us to make investments in Unrestricted Subsidiaries and minority investments; heightened ability to designate Unrestricted Subsidiaries.

We have heightened ability to make investments in Unrestricted Subsidiaries and minority investments. Although the indenture governing the Notes restricts us and our Restricted Subsidiaries from making investments in Unrestricted Subsidiaries or minority investments, these restrictions are subject to important exceptions and qualifications. See the definition of “Permitted Investment” in “Description of the Notes.”

We may be able to amend certain commercial terms of the Notes, including those relating to payment, with the consent of holders of not less than 75% in aggregate principal amount of the outstanding Notes.

Under the terms of the Notes, we may amend certain commercial terms of the Notes with the consent of holders of not less than 75% in aggregate principal amount of the outstanding Notes. These amendments include, among other things, changes in the maturity date of the Notes, reductions in the principal amount of, or premium, if any or interest on the Notes, waiver of a default in the payment obligations under the Notes, and release of any Subsidiary Guarantee or JV Subsidiary Guarantee. The 75% consent threshold is lower than the threshold for consent under certain of our Existing Notes. Under the terms of certain of the Existing Notes, such amendments may not be made without the consent of all holders of the outstanding Existing Notes, as the case may be. If we obtain consent from holders of 75% or more in aggregate principal amount of the outstanding Notes and make such amendments, they will be binding on all holders of the Notes.

We may not be able to repurchase the Notes or any series of the Existing Notes upon a Change of Control Triggering Event.

We must offer to purchase the Notes and the Existing 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 “Description of the Notes” and “Description of Other Material Indebtedness.”

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 or outstanding Existing Notes. For example, a Change of Control Triggering Event may occur under the indentures governing the Existing Notes, if Mr. Cheng ceases to be an Affiliate of Best Wisdom and a Rating Decline has occurred. Under such circumstances, holders of the Existing Notes have an option to require the Company to redeem the Existing Notes (as the case may be), for which the Company may not have sufficient available funds to make the purchases. Our failure to make the offer to purchase or to purchase the outstanding Notes or any series of the outstanding Existing Notes would constitute an Event of Default under the indentures governing the Notes and the Existing Notes. Such an 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 or the Existing Notes and repay the debt.

In addition, the definitions of Change of Control Triggering Event for purposes of the indentures governing the Notes and the Existing Notes do not necessarily afford protection for the holders of the Notes in the event of some highly leveraged transactions, including certain acquisitions, mergers, refinancing, restructurings or other recapitalizations. These types of transactions could, however, increase our indebtedness or otherwise affect our capital structure or credit ratings. The definitions of Change of Control Triggering Event for purposes of the indentures governing the Notes and the Existing Notes also include 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 any series of the Existing Notes, as a result of a highly-leveraged transaction or a sale of less than all of our assets may be uncertain.

The insolvency laws of Hong Kong, the British Virgin Islands and the Cayman Islands differ from U.S. bankruptcy law and the laws of other jurisdictions with which holders of the Notes are familiar.

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

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

There may not be a trading market for the Notes, and there are restrictions on resale of the Notes.

Although application will be made to the SGX-ST for listing of and quotation for the Notes, we cannot assure you that we will obtain or be able to maintain a listing and quotation of the Notes on the SGX-ST, or that, if listed, a liquid trading market will develop. We have been advised that the Initial Purchasers intend to make a market in the Notes, but the Initial Purchasers are not obligated to do so and may discontinue such market making activity at any time without notice. In addition, the Notes are being offered pursuant to exemptions from registration under the Securities Act and, as a result, you will only be able to resell your Notes in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. See “Plan of Distribution.” We cannot predict whether there will be an active trading market for the Notes.

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

The Notes are expected to be rated “B” by Fitch Inc. 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. 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 a rating will remain unchanged for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no

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

The “Limitation on Transactions with Shareholders and Affiliates” covenant in the Notes only applies to transactions between the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10.0% 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 may be connected transactions under the Listing Rules and subject to any requirements under the Listing Rules to obtain approval from independent shareholders. As a result, we are not required by the terms of the Notes to ensure that any such transactions are on terms that are fair and reasonable, and we will not need to deliver officer’s certificates or procure the delivery of fairness opinions of accounting, appraisal or investment banking firms to the trustee of the Notes for any such transactions.

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

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

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

There may be less publicly available information about companies listed in Hong Kong than is regularly made available by public companies in certain other countries. In addition, our financial statements and the financial information in this offering memorandum are prepared and presented in accordance with HKFRS, which differ in certain significant respects from generally accepted accounting principles in other jurisdictions.

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

We are subject to reporting obligations in respect of the Notes listed on the Official List of the SGX-ST. The disclosure standards imposed by the SGX-ST may be different than those imposed by

securities exchanges in other countries or regions such as the United States or Hong Kong. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

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

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

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

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

Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees

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

We conduct substantially all of our business operations through our PRC subsidiaries, but none of our current PRC subsidiaries will at any time provide a Subsidiary Guarantee or a JV Subsidiary Guarantee. No future subsidiaries that are organized under the laws of the PRC will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee at any time in the future. Moreover, the Notes are not guaranteed by certain existing offshore subsidiaries and under the terms of the Indenture, subject to certain conditions, we may designate any offshore subsidiary (including a Subsidiary Guarantor) as a Designated Non-Guarantor Subsidiary, which would allow, in the case of a Subsidiary Guarantor, for the Subsidiary Guarantee to be released, or in the case of a new offshore Restricted Subsidiary, for such Restricted Subsidiary not to provide a Subsidiary Guarantee or JV Subsidiary Guarantee, subject to certain conditions. As a result, the Notes will be effectively subordinated to all the debt and other obligations, including contingent obligations and trade payables, of our PRC subsidiaries and all Non-Guarantor Subsidiaries.

The Subsidiary Guarantors that have guaranteed the Notes do not have significant operations. In addition, the Subsidiary Guarantors also guarantee our obligations under the Notes and the Existing

Notes. We cannot assure you that the Subsidiary Guarantors or any subsidiaries that may become Subsidiary Guarantors or JV Subsidiary Guarantors in the future will have the funds necessary to satisfy our financial obligations under the Notes or any series of the Existing Notes if we are unable to do so. See “— Risks Relating to the Notes — We are a holding company and payments with respect to the Notes are structurally subordinated to liabilities, contingent liabilities and obligations of our subsidiaries.”

Under the terms of the Notes, we may designate any offshore subsidiary (including a Subsidiary Guarantor) as a Designated Non-Guarantor Subsidiary which would allow, in the case of a Subsidiary Guarantor, for the Subsidiary Guarantee to be released, or in the case of a new offshore Restricted Subsidiary, such Restricted Subsidiary not to provide a Subsidiary Guarantee or JV Subsidiary Guarantee, if at any time of determination, the total consolidated assets of all offshore Non-Guarantor Subsidiaries (other than Exempted Subsidiaries and any Listed Subsidiary) would not exceed 20.0% of Total Assets.

Moreover, under the terms of the Notes, a Subsidiary Guarantee required to be provided by one of our subsidiaries may be replaced by a limited recourse JV Subsidiary Guarantee following the sale or issuance to a third party of a 20% to 49.9% equity interest in such subsidiary or its direct or indirect majority shareholders (subject to the satisfaction of certain conditions). Recovery under a JV Subsidiary Guarantee is limited to an amount equal to our proportional interest in the issued share capital of such Subsidiary Guarantor multiplied by the fair market value of the total assets in such JV Subsidiary Guarantor and its subsidiaries, on a consolidated basis, as of the date of our last fiscal year end. 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.

The Subsidiary Guarantees or JV Subsidiary Guarantees (if any) may be challenged under applicable insolvency or fraudulent transfer laws or similar laws, which could impair the enforceability of the Subsidiary Guarantees or any JV Subsidiary Guarantees.

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the British Virgin Islands, the Cayman Islands, Hong Kong and other jurisdictions where existing and future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) are or 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 Guarantees (as the case may be), 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, and would solely be creditors of us and any Subsidiary Guarantors or JV Subsidiary Guarantors (if any) 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 net proceeds from this offering, after deducting the underwriting discount and other estimated expenses payable in connection with this offering, will be approximately US\$216.42 million. We intend to use the net proceeds from this offering primarily to refinance existing indebtedness and for general corporate purposes.

We may adjust the foregoing plans in response to changing market conditions, change in government policies and other factors, and thus, we may reallocate the use of the proceeds for different uses.

EXCHANGE RATE INFORMATION

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 generally linked to the U.S. dollar at the rate of HK\$7.80 to US\$1.00. The Basic Law of Hong Kong, or 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 supply and demand in the foreign exchange market. However, against the background of the fixed rate system which applies to the issuance and withdrawal of Hong Kong currency in circulation, the market exchange rate has not deviated significantly from the level of HK\$7.80 to US\$1.00. The Hong Kong government has indicated its intention to maintain the link at that rate. Under the Basic Law, the 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.

On May 18, 2005, the Hong Kong Monetary Authority announced the introduction of certain refinements to the operation of the linked exchange rate system. These refinements effectively set the market exchange rate of the Hong Kong dollar against the U.S. dollar within a fixed trading range from HK\$7.75 to HK\$7.85 against US\$1.00. However, we cannot assure you that the Hong Kong government will maintain the link within the range of HK\$7.75 to HK\$7.85, or at all.

The following table sets forth information concerning exchange rates between the Hong Kong dollar and the U.S. dollar for the periods indicated.

Exchange Rate

	Period End	Low	Average ⁽¹⁾	High
		(HK\$ per US\$)		
2014.....	7.7531	7.7495	7.7554	7.7669
2015.....	7.7507	7.7495	7.7520	7.7686
2016.....	7.7534	7.7505	7.7618	7.8270
2017.....	7.8128	7.7540	7.7950	7.8267
2018.....	7.8305	7.8043	7.8376	7.8499
2019				
June	7.8103	7.8080	7.8260	7.8430
July	7.8275	7.7956	7.8133	7.8275
August.....	7.8403	7.8266	7.8420	7.8469
September	7.8401	7.8177	7.8350	7.8425
October	7.8376	7.8371	7.8421	7.8454
November	7.8267	7.8208	7.8279	7.8365
December.....	7.7894	7.7850	7.8045	7.8289
2020				
January	7.7665	7.7661	7.7725	7.7889

Source: Federal Reserve H. 10 Statistical Release

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the average rate of the relevant periods in 2019 and 2020, which is determined by averaging the daily rates during the period.

China

Since January 1, 1994, the PBOC has set and published daily a base exchange rate with reference primarily to the supply and demand of Renminbi against the U.S. dollar in the market during the prior day. On July 21, 2005, the PBOC announced a reform of its exchange rate system and revalued the Renminbi to RMB8.11 to US\$1.00. Under the reform, the Renminbi is no longer effectively linked to the dollar but instead is allowed to fluctuate within a narrow and managed band against a basket of foreign currencies, according to market demand and supply conditions. The PBOC announces the Renminbi's closing price each day, and that rate serves as the midpoint of the next day's trading band. On May 18, 2007, the PBOC enlarged, effective on May 21, 2007, the floating band for the trading prices in the interbank spot exchange market of Renminbi against the U.S. dollar from 0.3% to 0.5% around the central parity rate. On June 19, 2010, the PBOC announced that in view of the recent economic situation and financial market developments in China and abroad, and the balance of payments situation in China, it has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility. On April 12, 2012, the PBOC announced that effective on April 16, 2012, the floating band for the trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar is enlarged from 0.5 per cent. to 1.0 per cent. around the central parity rate, which allows the Renminbi to fluctuate against the U.S. dollar by up to 1.0 per cent. above or below the central parity rate published by the PBOC. On August 11, 2015, the PBOC adopted a more market-oriented approach and announced that the midpoint for the value of the Renminbi against the U.S. dollar would be quoted by the market makers with reference to the closing rate of the previous trading session. More adjustments may be made to the exchange rate system by the PRC government in the future. Currently, the PBOC announces the closing price of a foreign currency traded against Renminbi in the inter-bank foreign exchange spot market after the closing of the market on each business day, and makes it the central parity for the following business day. The PRC government may in the future make further adjustments to the exchange rate system.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for each of the periods indicated.

Exchange Rate

	Period End	Low	Average ⁽¹⁾	High
		(RMB per US\$)		
2014.....	6.2046	6.0402	6.1705	6.2591
2015.....	6.4778	6.1870	6.2869	6.4896
2016.....	6.9430	6.4480	6.6549	6.9580
2017.....	6.5063	6.4773	6.7350	6.9575
2018.....	6.8755	6.2649	6.6292	6.9737
2019				
June	6.8650	6.8510	6.8977	6.9298
July	6.8833	6.8487	6.8775	6.8927
August.....	7.1543	6.8972	7.0629	7.1628
September	7.1477	7.0659	7.1137	7.1786
October	7.0379	7.0379	7.0961	7.1473
November	7.0308	6.9766	7.0199	7.0389
December.....	6.9618	6.9618	7.0137	7.0609
2020				
January	6.9161	6.8589	6.9184	6.9749

Source: Federal Reserve H. 10 Statistical Release

Note:

- (1) Determined by averaging the rates on the last business day of each month during the relevant year, except for the average rate of the relevant periods in 2019 and 2020, which is determined by averaging the daily rates during the period.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth on an actual basis our consolidated capitalization and indebtedness as of September 30, 2019, as adjusted to give effect to the issuance of the Notes and receipt of the net proceeds from this offering by us. The following table should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this offering memorandum.

	As of September 30, 2019			
	Actual		As adjusted ⁽¹⁾	
	HK\$	U.S.\$ ⁽⁶⁾	HK\$	U.S.\$ ⁽⁶⁾
	(in thousands)			
Cash and cash equivalents and restricted cash	9,279,660	1,183,615	10,976,414	1,400,035
Short-term debt⁽²⁾				
Interest-bearing bank and other borrowings	8,748,435	1,115,858	8,748,435	1,115,858
Senior notes	4,210,442	537,039	4,210,442	537,039
Domestic company bonds	1,556,063	198,475	1,556,063	198,475
Total short-term debt	14,514,940	1,851,372	14,514,940	1,851,372
Long-term debt⁽³⁾				
Interest-bearing bank and other borrowings	8,970,975	1,144,242	8,970,975	1,144,242
Senior notes	8,327,117	1,062,119	8,327,117	1,062,119
Medium-term notes	687,064	87,635	687,064	87,635
2019 December Notes ⁽⁴⁾	—	—	—	—
Notes to be issued	—	—	1,764,023	225,000
Total long-term debt	17,985,156	2,293,996	19,749,179	2,518,996
Equity				
Equity attributable to owners of the parent				
Share capital	7,222,312	921,202	7,222,312	921,202
Other reserves	26,525,287	3,383,284	26,525,287	3,383,284
	33,747,599	4,304,486	33,747,599	4,304,486
Non-controlling interests	71,330	9,098	71,330	9,098
Total equity	33,818,929	4,313,584	33,818,929	4,313,584
Total capitalization⁽⁵⁾	51,804,085	6,607,580	53,568,108	6,832,580

Notes:

- (1) “As adjusted” refers to adjustments which give effect to the issuance of the Notes and receipt of the net proceeds from this offering by the Company.
- (2) Includes the current portion of long-term debt.
- (3) Excludes the current portion of long-term debt.
- (4) In December 2019 and January 2020, we issued the 2019 December Notes. The issuance of the 2019 December Notes is not reflected in the capitalization table above.
- (5) Total long-term debt plus total equity.
- (6) Translated at the rate of US\$1.00 = HK\$7.8401, which is the noon buying rate for U.S. dollars in New York City on September 30, 2019 for cable transfers in Hong Kong dollars as certified for customs purposes by the Federal Reserve Bank of New York.

Subsequent to September 30, 2019, we have obtained approximately HK\$2,240 million of new banking facilities and repaid approximately HK\$4,462 million of our existing debts.

Except as disclosed above, there has been no material change in our consolidated capitalization or indebtedness since September 30, 2019.

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

The following discussion should be read in conjunction with our consolidated financial statements, including the notes thereto, included elsewhere in this offering memorandum. Our consolidated financial statements were prepared in accordance with HKFRS. This discussion contains forward-looking statements. There may be future events that we are unable to accurately predict or control and that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements.

Overview

We are a leading developer and operator of large-scale, integrated logistics and trade centers in the PRC, based on GFA, industry coverage and range of ancillary services and facilities offered. Leveraging our successful experience and brand reputation, we currently have eight projects in different stages of development located in regional economic hubs in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing, China, with a total planned GFA of approximately 80.99 million sq.m., out of which we have acquired land use rights of approximately 42.93 million sq.m. attributable GFA as of September 30, 2019, of which approximately 18.45 million sq.m. has been completed and approximately 6.76 million sq.m. is under development as of September 30, 2019.

We operate on the premise of a flexible business model, with a portfolio of projects occupying strategic locations in major provincial capitals and municipalities in China. Our large-scale integrated logistics and trade centers are designed to serve as key commercial hubs to satisfy the economic and industrial needs of the regions in which we operate, and the ancillary residential and commercial facilities are designed to facilitate the operations of our trade center occupants and their customers. We serve wholesale markets for multiple industries at our trade centers, which are complemented by residential developments and comprehensive ancillary commercial facilities including logistics and warehouse, hotel, office, as well as exhibition and conference facilities. Our residential facilities further complement our trade center operations by providing convenient, high-quality accommodations for our trade center occupants, as well as generating cash flows to cover a portion of project-related capital expenditures. Our business model is further augmented by the on-site presence of PRC government agencies, banks and securities firms, which offer a diverse range of services to trade center occupants and other customers.

Our flexible business model is supported by various ancillary services, namely logistics and warehousing services, outlet and furnishing center, property management services and exhibition and conference facilities, that complement our core business of developing and operating an integrated trade and logistics platform. We provide one-stop logistics services such as warehousing, integrated inbound/outbound services, on-site delivery and freight forwarding to our customers. We provide an E-commerce platform, namely CSC86.com, which combines the advantages of physical and online stores, through which our clients can promote their businesses and products online. Following the success of trade fairs at our various projects, we established a one-stop exhibition platform for organizing convention and exhibition at our projects, through which we have hosted a number of significant events which has enhanced our reputation and facilitated traffic through our trade centers. In addition, our outlet and furnishing center operations have also boosted overall traffic at our related projects and expanded our operations. We plan to further boost overall traffic by building upon our successful outlets, expanding and replicating this further at our other projects. Our property management services help maintain a safe and comfortable business environment at our trade centers and ancillary facilities. We believe that this expansion of the scope of services provided will enable us to build a self-sustaining business strategy that will strengthen our overall business model.

We generate revenue at our trade centers and other properties primarily from sales, rental and other operating income from our trade center units and ancillary facilities. We generally sell a portion of our trade center units and ancillary facilities, and thereby generate revenues and cash flows, following completion of such properties' development to finance the development of our projects.

The amount of revenue from recurring income has increased historically in line with the development of our projects, and we expect the amount and proportion of our revenues from recurring income to increase in the future as we gradually complete our existing projects.

Factors Affecting Our Results of Operations

We have identified the following important factors (as well as uncertainties associated with such factors) that could impact our future results of operations and financial condition.

Stages of development of our projects

The GFA of the properties we sell or lease depends on the progress we make on the construction of our development projects. We tend to experience sharp increases in revenues during periods when we complete a significant project or project phase and offer it for sale, followed by declines in revenue during periods when we have less new GFA available for sale. For example, historically, periods in which we had a larger percentage of trade center units sold to buyers generated greater revenues and cash flows than periods in which we had a larger percentage of trade center units completed and retained for investment and rented out to occupants. Such sale revenues also vary significantly based upon the GFA and quality of new saleable GFA, the proportion of GFA we allocate to sales versus rental properties, prevailing sales prices, market demand, interest rates, inflation, the availability of attractive mortgage terms to our buyers, the prevailing regulatory environment for property sales, regional economic growth, competition and other factors.

Changes in Product Mix

Our policy is to maintain a balanced mix between properties for sale and properties held as investment properties. The prices and gross profit margins of our products vary by the location and the classification and end use of certain facilities on the properties that we develop and sell or rent. Our trade center facilities usually afford us higher sales profit margins than residential and commercial facilities, because they typically have higher sales prices per sq.m. As a result, our gross profit margin is affected by the proportion of sales revenue attributable to trade centers, which have higher gross margins compared to sales revenue attributable to residential and commercial properties, which have lower gross margins. In addition, properties in larger-scale projects will typically command a higher selling price as the overall development approaches completion due to the attractiveness of a more established development, thereby increasing our sales profit margin during the relevant period. Our product mix varies from period to period due to a number of reasons, including project locations, land cost, market conditions and our development planning. While trade centers remain our primary focus, we expect our projects will include an increasing proportion of residential units in the near future to capitalize on recent positive developments in the residential property market due to measures implemented by the PRC government to reduce the housing inventory and promote rational consumption.

Growth in recurring income

As a project matures, our strategy is to increase revenue contribution from recurring income, which consists of rental income, property management services income and income from the provision of logistics and warehousing services, outlet operations and other services. For the fiscal years ended March 31, 2017, 2018 and 2019 and the six months ended September 30, 2018 and 2019, our recurring income was approximately HK\$1,598.0 million, HK\$2,020.0 million, HK\$2,314.9 million, HK\$1,036.5 million and HK\$1,197.1 million, respectively. As a percentage of revenue, our recurring income for the fiscal years ended March 31, 2017, 2018 and 2019 and the six months ended September 30, 2018 and 2019 was 20.4%, 21.5%, 22.5%, 19.9% and 20.5%, respectively. The increase of recurring income is mainly attributable to (1) the competitive advantages of our fourth generation integrated logistics and trading platform, (2) the brand reputation and local awareness of our outlets, (3) the positioning of our projects as the potential logistics and distribution hubs in their respective regions, which enables the small and medium enterprises (“SME”) operating within our projects to reduce their logistics and distribution costs and create key cost advantages and (4) increasing area managed by our property management companies. We expect the revenue contribution from our sales of properties and recurring income may change as our projects mature.

Valuation of Our Investment Properties

Our investment properties consist of trade centers, commercial and other ancillary facilities that are held for rental income and capital appreciation. We state our investment properties at their fair value on our consolidated statement of financial position as non-current assets as at the end of each reporting period based on valuations by Savills Valuation and Professional Services Limited, a qualified independent professional valuer. With respect to properties newly classified as investment properties, the properties are measured initially at cost and, subsequently, at fair value. The change in fair value of a new investment property is calculated as the difference between the property's fair market value and its construction costs. Thereafter, the fair market value of the property for the most recent reporting period end is compared to the fair market value as of the previous reporting period end. As we have new investment properties in the future, we expect the addition of these new properties will positively contribute to changes in fair values of investment properties, especially in the years in which properties are newly classified as investment properties.

Net increases or decreases in the fair market value of investment properties are reflected as an income or expense item, as appropriate, in the consolidated statement of profit or loss as "change in fair value of investment properties." In addition, the fair value gains on our investment properties include gains recognized when the fair value of applicable investment properties under development can be reliably measured. Revaluation of completed investment properties has in the past resulted in, and may in the future result in, significant fluctuations in our results of operations.

Costs Associated with Land Acquisition and Construction

Land acquisition costs, construction costs and capitalized finance costs are the principal components of our cost of properties sold. Land acquisition costs, which primarily consist of land grant fees, have increased in recent years due to a greater demand for properties as a result of the PRC's economic growth. PRC governmental land supply policies and implementation measures may further intensify competition among developers for available land.

Construction costs, which comprise all costs related to the design and construction of a project, can vary widely based on GFA, type of development, building design, types of construction materials, height of the buildings, and geology of the construction site. Changes in the market price for construction materials can cause fluctuations in construction costs. The changes in construction costs during each of the fiscal years ended March 31, 2017, 2018 and 2019 was primarily due to the quantity and variances in the design and architecture of the properties to be built and a general increase in the cost of construction materials and labor. Each of our projects is a large-scale project consisting of multiple phases that: (1) will take several years to complete; (2) do not require full completion of all phases to be operational; (3) will be completed on a phase-by-phase basis; and (4) can be financed from a variety of funding sources, including project financing, other bank borrowings, pre-sales, recurring income and other cash flow from operations. In this regard, as a result of the continued growth and development of the PRC economy and the property development industry, wages for construction workers and the prices of construction materials and building equipment, we have experienced an increase in construction costs in recent years, and we expect continued increases in the future.

Our capitalized expenses include all costs relating to the acquisition of land parcels, construction and development of our projects, including interest expense, to the extent that such costs are directly attributable to the costs of the construction and development of the projects. Finance costs we incur after we complete construction are not capitalized.

Land use rights costs and construction costs may fluctuate from period to period depending upon the timing of our acquisitions of land, our ability to fix our construction costs and the construction schedules of our properties under development.

Land Appreciation Tax

Under PRC laws and regulations, our PRC subsidiaries that engage in integrated logistics and trade center development activities are subject to land appreciation tax (“LAT”) which is levied on us by the relevant local tax authorities.

We are required under local regulations to pay provisional land appreciation tax in cities when we start to pre-sell or sell our property developments. Generally, the provisional land appreciation tax rates in these cities range from 1.0% to 5.0% of the pre-sale or sale proceeds, depending on the type and location of the pre-sold or sold properties. For the fiscal year ended March 31, 2017, we made provisions for land appreciation tax in the amount of HK\$499.5 million. For the fiscal year ended March 31, 2018, we made provisions for land appreciation tax in the amount of HK\$687.5 million. For the fiscal year ended March 31, 2019, we made provision for land appreciation tax in the amount of HK\$611.7 million. For the six months ended September 30, 2018 and 2019, we made provisions in the amount of HK\$348.7 million and HK\$429.9 million, respectively.

The method of calculating LAT liability may differ for a subsidiary from year to year depending on the application made by such subsidiary and approvals granted by the relevant government authorities. See “Risk Factors — Risks Relating to Our Business and Our Industry — Sales of our properties are subject to land appreciation tax and income tax.”

Economic and Other Conditions in the PRC

The trade center market is sensitive to broader economic developments. The economic growth China has experienced over the past two decades has led to growth in both wholesale trade aimed at large-scale industrial and commercial purchasers and retail trade aimed at individual consumers, which has facilitated the development of trade centers where merchant wholesalers and retailers can sell goods to purchasers. Over the last two years, China’s economy experienced a slowdown in GDP growth rate, affecting consumer and business spending generally, including trade among domestic and international suppliers, manufacturers and distributors of raw materials and finished goods, which form our primary customer base, as well as the demand for, and prices of, residential properties. In previous years, the PRC government introduced measures to reduce the housing inventory and promote rational consumption, along with easing monetary policies. These measures have led to positive development in the residential property market.

Our continued growth will, to a certain extent, depend on the continued development of trade among industrial and commercial purchasers and the growth in size and purchasing power of the middle class in China. China South City Shenzhen is located in Guangdong Province and our other trade centers under development are located in the provinces of Jiangxi, Shaanxi, Heilongjiang, Henan and Anhui, the Guangxi Zhuang Autonomous Region and Chongqing municipality. The real estate and logistics markets in these regions are also affected by a number of other macroeconomic factors, including the level of interest rates, the exchange rate of the Renminbi and the PRC political, economic and regulatory environment.

Regulatory Environment

Our results of operations have been, and will continue to be, affected by the regulatory environment in the PRC, including:

- any changes in the PRC with respect to land acquisition, property development and property developer policies, tax policies, planning, zoning and land use rights policies and building design and construction regulations; and
- the availability of project and mortgage financing, interest rates and regulations affecting the transfer of completed properties.

For further information on the regulatory environment in the PRC, see “Regulation.”

In response to concerns over the increase in property investment and the overheating of the property sector in the PRC, the PRC government has introduced policies to restrict development in the property sector. From time to time, the PRC government adjusts or introduces macroeconomic control policies to encourage or restrict development in the private property sector by regulating land grants, land utilization, pre-sales of properties, bank financing and taxation. Measures taken by the PRC government to control money supply and credit availability also have a direct impact on our business and results of operations. The PRC government may introduce initiatives which may affect our and our customers' access to capital and the means by which we may finance property development. See "Risk Factors — Risks Relating to Our Business and Our Industry — Our operations are subject to extensive governmental regulation, and we are susceptible to changes in policies related to the real estate and logistics markets in China."

Pre-sales

Proceeds from pre-sales of properties under development constitute a source of our operating cash inflow during our project development process. PRC law allows us to pre-sell properties before their completion upon satisfaction of certain conditions and requires us to use the specific pre-sale proceeds to develop the project that has been pre-sold. The amount and timing of cash received from pre-sales are affected by a number of factors, including any restrictions and conditions in our pre-sale permits issued by, and land use contracts entered into with, local government authorities. Pursuant to certain project and land related contracts and documents, some of the land we have acquired or may acquire in the future has or may have sales restrictions on properties built on it. For example, the saleable area of trade centers of China South City Shenzhen is limited to 30% of the total buildable GFA of properties built on the relevant parcels of land. The saleable area of trade centers and logistics facilities built on certain parcels of land acquired by China South City Nanchang and China South City Nanning in 2010 are limited to 60% of the relevant total buildable GFA. The saleable area of trade centers built by China South City Hefei and China South City Chongqing are limited to 50% of their relevant total buildable GFA. The saleable area of trade centers of Phase One and future phases of China South City Zhengzhou are limited to 60% and 50% respectively of its relevant total buildable GFA. According to our business plan, we intend to hold not less than 50% of trade centers and commercial facilities for leasing and self-use, therefore we do not believe the relevant sales restrictions will have a significant impact to the Group. Other factors include the permitted timing and other restrictions on pre-sales imposed by relevant PRC laws and regulations, market demand, and the number of our properties that are available for pre-sale. Any modification of the relevant pre-sale permits and land use contracts, or any restriction on our ability to engage in the pre-sales of our properties, could result in a reduced cash inflow, which could increase our reliance on external financing and increase our finance costs, and accordingly, could have an adverse effect on our ability to finance our continuing property developments and our results of operations. See "Risk Factors — Risks Relating to Our Business and Our Industry — Our revenues and revenue mix vary significantly based upon the completion dates of our projects and prevailing market conditions."

Demand for Properties in China

Our results of operations and cash flows also vary depending on the market demand at the time we sell or rent our completed properties, the rental and occupancy rates of our investment properties and the sales prices for sold properties. The rental rates, sales prices and occupancy levels of our property developments are dependent on market prices in the local market, which depend on local demand and supply conditions, competitive conditions and general macroeconomic conditions in the PRC, including GDP growth rates, interest rates, inflation rates and unemployment rates.

Critical Accounting Policies

We have identified accounting policies which involve subjective assumptions and estimates as well as complex judgments relating to certain accounting items. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in the preparation of our financial statements.

Our significant accounting policies, which are important for an understanding of our financial condition and results of operations, are set forth in detail in our audited consolidated financial statements included in this offering memorandum.

Revenue Recognition

We have adopted HKFRS 15 using the modified retrospective method of adoption since April 1, 2018. We elected to apply the practical expedient for completed contracts and did not restate the contracts completed before April 1, 2018, thus the comparative figures have not been restated.

For the years ended March 31, 2017, 2018, we recognize revenue from the sale of properties in our consolidated statement of profit or loss and interim condensed consolidated statement of profit or loss, respectively, when the significant risks and rewards of ownership have been transferred to the buyer. We consider the significant risks and rewards of ownership to have been transferred when the construction of properties is completed, the properties are delivered to the buyers pursuant to the sales agreement and the collectability of the related receivables is reasonably assured. We include deposits received on properties sold prior to the date of revenue recognition, including pre-sale proceeds, in the consolidated statement of financial position and interim condensed consolidated statement of financial position, respectively, as trade and other payables.

For the year ended March 31, 2019 and six months ended 30 September 2018 and 2019, we recognize revenue from the sale of properties in our interim condensed consolidated statement of profit or loss at the point in time when control of the asset is transferred to the buyer. We consider the control to have been transferred when the construction of properties is completed, the properties are delivered to the buyers pursuant to the sales agreement and the collectability of the related receivables is reasonably assured. We include deposits received on properties sold prior to the date of revenue recognition, including pre-sale proceeds, in the interim condensed consolidated statement of financial position as contract liabilities.

We recognize rental income in the period in which the properties are leased on a straight-line basis over the lease term. Any rent-free period offered as an incentive to our trade center occupants is amortized over the term of the related lease agreements.

Because the building ownership certificates granted to us for certain residential and office buildings in China South City Shenzhen restrict the transfer of the underlying property, we have entered into lease agreements with occupants of these units. However, because the lease terms will last in duration for the major part of the economic life of the units and the lease agreements with occupants of these units transfer to the occupants substantially all the risks and rewards incidental to ownership, we treat the leases for accounting purposes as finance leases in accordance with the current accounting standards in Hong Kong. We recognize revenue from these units once the following criteria are satisfied: (1) construction is completed; (2) construction completion registration procedures are completed; (3) delivery is made to the occupants pursuant to the finance lease agreement; and (4) the collectability of the related receivables is reasonably assured. See “Business — Purchaser and Tenant Financing.”

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that taxable profit will be available against which these deductible temporary differences can be utilized. Deferred tax assets and liabilities are determined at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Land Appreciation Tax

Under PRC tax laws and regulations, our properties developed for sale are subject to LAT. We have calculated and accrued all LAT payable on our property sales in accordance with the progressive rates specified in relevant tax laws, including the LAT Notice. All income from the sale or transfer of state-owned land use rights, buildings and their attached facilities in the PRC is subject to land appreciation tax at progressive rates ranging from 30% to 60% of the appreciation value as defined in the relevant tax laws. LAT provisions represent provisions for the estimated LAT payable in relation to our properties sold during a period. We estimate and make provisions for the amount of LAT payable based on our own calculations in accordance with our understanding of the relevant laws and regulations. Our estimate of LAT provisions requires us to exercise significant judgment with respect to the appreciation of land value, total proceeds derived from the sale of projects and the allowability of deductible items for income tax purposes. Our profit in the relevant periods will be affected if the ultimate tax determination differs from the amounts that were initially recorded. In addition, any disagreements with the tax authorities could result in additional taxes, and possibly, penalties.

Valuation of Properties

In accordance with Hong Kong Accounting Standard 40 “Investment Properties” issued by the Hong Kong Institute of Certified Public Accountants, investment properties may be recognized by using either the fair value model or the cost model. We state our investment properties at their fair value as non-current assets in our consolidated statement of financial position on the basis of valuations by a qualified independent professional valuer. We provide the independent professional valuer with various information including relevant data pertaining to the leases existing on our investment properties for the valuer to use as a basis for valuation purposes. See “— Factors Affecting Our Results of Operations — Valuation of Our Investment Properties” for more information on the valuation of our investment properties.

Properties held for sale and held for finance lease

Properties held for sale includes completed properties held for sale and properties under development expected to be completed within normal operating cycle. Properties held for sale and held for finance lease are stated at the lower of cost and net realizable value. Cost includes land cost, all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realizable value is determined by reference to the prevailing market prices, on an individual property basis.

Properties under development are stated at the lower of cost and net realizable value. Cost comprises the land costs, construction costs, capitalized borrowing costs and other cost directly attributed to such properties during the period of construction.

Properties under development are initially classified as non-current assets and transferred to current assets under the category of properties held for sale when the construction of the relevant properties commences and the construction period of the relevant property development project is expected to complete within normal operating cycle.

Description of Components of Results of Operations

Revenue

We generate revenue from: (1) sales of our trade center units, residential properties and office units; (2) leasing of residential units and office units, which we characterize as finance lease income; and (3) recurring income which consists of (a) rental income from leases of trade center units, commercial and other facilities; (b) property management services; (c) E-commerce services; and (d) other revenue which consist of income from the provision of logistics and warehousing services, outlet operations and other services.

The following table sets forth a breakdown of our revenue for the periods indicated.

	Fiscal Year Ended March 31,						Six Months Ended September 30,			
	2017		2018		2019		2018		2019	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%
(in thousands, except for percentages)										
Sales of properties	5,794,215	73.9	7,229,545	76.8	7,462,802	72.6	4,139,698	79.4	4,603,754	79.0
Sales of trade center units . . .	2,006,196	25.6	1,949,598	20.7	1,600,693	15.6	820,744	15.7	407,287	7.0
Sales of residential properties	3,788,019	48.3	5,213,890	55.4	5,716,184	55.6	3,304,202	63.4	4,137,825	71.0
Sales of office units	–	–	66,057	0.7	31,140	0.3	14,752	0.3	58,642	1.0
Other sales of properties	–	–	–	–	114,785	1.1	–	–	–	–
Finance lease income	446,338	5.7	155,849	1.7	496,569	4.8	36,235	0.7	26,345	0.5
Rental income	699,716	8.9	731,716	7.8	776,844	7.6	377,609	7.3	389,268	6.7
Property management service income	288,822	3.7	375,520	4.0	575,327	5.6	204,768	3.9	324,566	5.5
E-commerce income*	213,674	2.7	245,241	2.6	145,595	1.4	–	–	–	–
Other revenue*	395,745	5.1	667,499	7.1	817,118	8.0	454,137	8.7	483,225	8.3
Total	<u>7,838,510</u>	<u>100.0</u>	<u>9,405,370</u>	<u>100.0</u>	<u>10,274,255</u>	<u>100.0</u>	<u>5,212,447</u>	<u>100.0</u>	<u>5,827,158</u>	<u>100.0</u>

* For the six months ended September 30, 2018 and 2019, other revenue included revenue generated from E-commerce business.

Sale of Properties

Sale of properties represents revenue from the sales of our trade center units in China South City Shenzhen, Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing and sales of residential properties in China South City Nanchang, Nanning, Harbin, Zhengzhou, Hefei and Chongqing.

The following tables set forth a breakdown of our revenues from sale of properties by project for the periods indicated.

	Average Selling Price ⁽¹⁾				GFA sold				Sales Revenue ⁽²⁾			
	Fiscal Year Ended		Six Months Ended		Fiscal Year Ended		Six Months Ended		Fiscal Year Ended		Six Months Ended	
	2017	2018	2019	2018	2019	2017	2018	2019	2017	2018	2019	2019
		March 31,		September 30,		March 31,		September 30,	March 31,		September 30,	
		(HK\$/sq.m.)		(sq.m.)		(HK\$ in millions)						
China South City Shenzhen	32,400	-	-	-	200	-	-	-	7.6	-	-	-
China South City Nanchang												
Trade center units	8,000	19,900	15,000	21,700	5,000	79,300	7,100	4,500	582.5	135.0	64.9	23.8
Residential properties	8,100	10,000	17,900	11,700	22,000	174,500	349,900	5,900	1,336.0	3,326.8	100.7	56.6
China South City Nanning												
Trade center units	18,000	10,700	12,800	13,800	13,700	300	1,800	12,600	4.1	18.1	152.2	54.5
Residential properties	6,700	8,500	9,900	10,500	9,900	142,700	127,100	37,300	905.9	1,010.2	360.1	231.6
Office units	-	9,200	10,200	9,000	15,900	-	7,300	3,200	-	66.1	31.1	14.8
China South City Xi'an	5,700	6,100	6,900	8,100	9,500	69,000	50,800	71,100	356.3	284.8	449.8	97.2
China South City Harbin												
Trade center units	9,300	7,600	8,000	8,400	7,600	6,200	52,900	24,100	53.3	383.6	182.5	81.8
Residential properties	4,400	5,100	5,800	5,800	4,000	182,800	50,800	10,800	763.1	241.9	58.6	60.1
China South City Zhengzhou												
Trade center units	10,800	11,100	8,600	8,500	10,300	65,000	84,600	73,600	663.3	864.2	580.7	513.9
Residential properties	-	-	10,100	-	10,600	-	-	101,400	-	-	917.7	-
China South City Hefei												
Trade center units	8,900	8,700	-	-	-	24,000	13,100	-	195.2	103.6	-	-
Residential properties	5,700	7,400	9,600	9,700	10,500	142,700	94,500	284,100	783.0	635.0	2,448.6	1,864.2
China South City Chongqing												
Trade center units	7,200	7,900	10,600	15,300	11,400	21,100	21,000	17,400	143.9	160.2	170.6	49.5
Residential properties	-	-	6,900	6,700	8,100	-	-	294,000	-	-	1,830.5	457.9
Total	N/A	N/A	N/A	N/A	N/A	907,800	860,900	940,000	5,794.2	7,229.5	7,348.0	4,139.7
												4,603.8

Notes:

- (1) Prior to deduction of sales tax. Sales tax represents business tax and surcharges on or before April 30, 2016 and value-added-tax and surcharges after April 30, 2016.
- (2) Net of sales tax. Sales tax represents business tax and surcharges on or before April 30, 2016 and value-added-tax and surcharges after April 30, 2016.

Finance Lease Income

Finance lease income represents revenue from the lease arrangements for our residential units and office units. Occupants make their rental payments for the residential units and office units at the beginning of the lease term, either in the form of a lump-sum payment or with an initial deposit followed by payment of the outstanding balance within two months of the payment of the initial deposit. We include the revenue from our residential and office units in the consolidated statement of profit or loss and the related construction costs are accounted for as cost of properties under finance lease in the consolidated statement of profit or loss.

Recurring Income

Rental Income

Rental income mainly represents revenue from the rental of our trade center units and supporting commercial facilities in China South City Shenzhen and HOBAS Furnishing. These properties also include trade center units sold and subsequently leased by us to third parties under agreements with the purchasers of these units. Under these arrangements, we provide purchase price discounts to buyers of trade center units who choose not to occupy their units but, instead, allow us to lease out their units to third parties for an agreed term, while we keep the rental income generated thereby. We calculate rental income based on the effective rental rate multiplied by leased GFA. We amortize rental income on a straight-line basis over the term of the lease. We expect our rental income to gradually increase in the coming years as we launch trial operations for each completed phase of our projects.

Property Management Service Income

Property management service income represents revenue from the provision of property management services, such as security, cleaning, repair and maintenance services, through our wholly owned subsidiary Shenzhen First Asia Pacific Management Company Limited and its corporate partners, to our occupants. We expect our property management income to further increase in coming years as we launch trial operations for each completed phase of our projects.

Other Revenue

Other revenue represents income from the provision of logistics and warehousing services, outlet operations, E-commerce services and other services. Our logistics services and facilities consist of a network of warehouses and one-stop integrated inbound and outbound logistics facilities. We aim to extend our warehouse and freight forward services to online management platforms and supply chain management services in order to build a logistics management platform that spans across our projects. We build and operate outlets featuring global brands and products to attract visitors.

Cost of Sales

Cost of sales primarily represents the costs of properties sold and properties held for finance lease, costs of services provided and unallocated cost of sales, which includes rental expenses. The principal component of cost of sales is the cost of properties sold.

The following table sets forth a breakdown of our cost of sales for the periods indicated.

	Fiscal Year Ended March 31,						Six Months Ended September 30,			
	2017		2018		2019		2018		2019	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%
(in thousands, except for percentages)										
Cost of properties sold ⁽¹⁾	3,107,738	71.8	4,024,550	75.4	4,157,769	71.3	2,494,128	80.6	2,897,055	80.9
Cost of properties held for finance lease	207,671	4.8	59,064	1.1	379,364	6.5	11,835	0.4	9,869	0.3
Cost of services provided and unallocated cost of sales	1,012,956	23.4	1,252,577	23.5	1,297,528	22.2	589,529	19.0	673,146	18.8
Total	4,328,365	100.0	5,336,191	100.0	5,834,661	100.0	3,095,492	100.0	3,580,070	100.0

Note:

- (1) Includes construction costs and related costs, such as land use rights costs and capitalized expenses.

Cost of Properties Sold

Cost of properties sold includes costs we have incurred directly in the course of our property development activities. These consist primarily of: (1) construction costs; and (2) related costs, such as land use rights costs and capitalized expenses.

Construction Costs

We outsource the construction of all of our projects to third party contractors, whom we select through a competitive tender process. Our construction contracts provide for payments which cover substantially all labor, materials, fittings and equipment costs, subject to re-negotiation for design changes requested by our occupants during construction or changes in government-regulated steel prices. Our construction costs consist primarily of payments to our third party contractors, which are paid over the construction period based on specified milestones. Our construction costs also include land leveling expenses, surveying expenses and design fees.

Related Costs

Land use rights costs include the land grant fees we pay to acquire land use rights for our property development site. Land grant fees are the payments to the relevant land bureau or the relevant provincial or local government for the right to occupy, use and develop a particular parcel of land and to market the units or other projects developed on such land. We acquired our land for China South City Shenzhen through negotiations with local government authorities in accordance with local regulations. Our land use rights costs for China South City Shenzhen are fixed under our master agreement and the corresponding supplementary agreements with the local government authorities. We have acquired a portion of the land for our properties under development in Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing. Our master agreements and the corresponding supplementary agreements with local government authorities for these projects require that the land use right costs for these properties be determined through competitive bidding at public tender, auction or listing for sale.

Cost of Properties Held for Finance Lease

Cost of properties held for finance lease includes costs we have incurred directly in the course of our property development activities related to our residential units and office units. These consist of land use rights costs, construction costs and capitalized expenses.

Cost of Services Provided and Unallocated Cost of Sales

Cost of services provided and unallocated cost of sales include costs associated with property management services, logistics and warehousing services, outlet operations, rental costs that we incurred in leasing trade center units and other services.

Other Income and Gains/(Losses)

Other income and gains/(losses) consists primarily of interest income from banks, government development grants, gains or losses on held for trading investments at fair value through profit or loss and derivative financial instruments, and gains or losses on purchase and redemption of senior notes. We have received government development grants from the relevant government authorities to foster and support the development of our projects in China. These government development grants amounted to HK\$841.4 million, HK\$783.9 million and HK\$540.9 million for the fiscal years ended March 31, 2017, 2018 and 2019, respectively, and HK\$240.1 million and HK\$30.1 million for the six months ended September 30, 2018 and 2019, respectively.

Change in Fair Value of Investment Properties

We engage a qualified independent property valuer on an annual basis to conduct a valuation of our investment properties. See “— Factors Affecting Our Results of Operations — Valuation of Our Investment Properties.”

Selling and Distribution Expenses

Our selling and distribution expenses include:

- staff salaries (including commissions), employee benefit expenses and office expenses for sales and marketing personnel;
- advertising fees associated with advertisements placed in various mass media outlets, and design and promotion expenses, which include print advertisement costs, marketing materials, billboard and other display advertising costs;
- depreciation and amortization of facilities used by marketing personnel; and
- miscellaneous expenses, including fees associated with sponsoring conferences, business related travel expenses, referral fees paid to occupants who introduce new occupants to our trade centers and organizational membership fees for our selling and marketing staff.

Administrative Expenses

Administrative expenses principally include:

- staff salaries and employee benefit expenses for our management, administrative, finance and accounting staff, employee share option benefits and director’s fees;
- depreciation of fixed assets, including office buildings and self-use properties, but excluding investment properties and properties under development;
- consultancy fees paid in relation to corporate strategy, marketing and promotion, property management and property development and legal and professional fees;
- office expenses;
- water and electricity fees;

- business development expenses and promotional activities; and
- miscellaneous expenses, such as rental of residential quarters, motor vehicles and shuttle buses for administrative staff, utilities expenses, property insurance expenses and travel expenses.

Other Expenses

Other expenses consist primarily of provisions for trade receivables, impairment on goodwill and loss on redemption of senior notes.

Finance Costs

Our finance costs consist primarily of interest paid on bank and other borrowings. Interest rates on our bank borrowings, most of which are granted by PRC commercial banks and denominated in Renminbi, are typically linked to PBOC rates. Interest rates on our other borrowings, including the issuances of various notes and bonds, are determined by market conditions at the time of such borrowing and issuance.

We capitalize certain of our interest expenses based on the purposes for which the underlying borrowings or proceeds from offerings of debt securities are used. Under HKFRS, we are permitted to capitalize interest expenses related to debt incurred for construction costs directly attributable to the acquisition, construction or production of qualifying assets, and we are required to cease capitalization of such costs when the assets are substantially ready for their intended use or sale. Because all or a portion of our proceeds from the medium-term notes, the corporate bonds, the domestic company bonds, the 2016 Notes, the 2017 March Notes, the 2017 November Notes, the 2018 January Notes, the 2018 May Notes and the 2019 March Notes were used for the development and construction of our properties, we capitalized all related interest expenses. For the fiscal years ended March 31, 2017, 2018 and 2019 and the six months ended September 30, 2018 and 2019, bank borrowings used for general working capital purposes were recorded as interest expenses in our consolidated statement of profit or loss and interim condensed consolidated statement of profit or loss, respectively.

Share of Results of Associates

Share of results of associates primarily includes profit or loss, as applicable, of China South Intimex and Harbin Huayilong Fur Market, which we hold a 30% interest and a 25% interest (up to April 12, 2018) when Harbin Huayilong Fur Market became a subsidiary of the Company, respectively. China South Intimex engages in website development, the maintenance and development of software, the provision of consultancy services and trading of E-commerce hardware and software. Harbin Huayilong Fur Market engages in property leasing.

Taxation

We and our subsidiaries are incorporated in different jurisdictions, with different taxation requirements.

The following table sets forth the major components of income taxes for the periods indicated.

	Fiscal Year Ended March 31,						Six Months Ended September 30,			
	2017		2018		2019		2018		2019	
	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%
(in thousands, except for percentages)										
Enterprise income tax	535,734	23.6	920,093	40.3	1,013,337	47.5	447,058	41.8	360,370	45.5
Land appreciation tax	499,504	22.0	687,487	30.1	611,687	28.7	348,736	32.6	429,874	54.3
Deferred PRC corporate income tax	1,234,054	54.4	673,553	29.6	508,637	23.8	274,408	25.6	992	0.2
Total income tax	<u>2,269,292</u>	<u>100.0</u>	<u>2,281,133</u>	<u>100.0</u>	<u>2,133,661</u>	<u>100.0</u>	<u>1,070,202</u>	<u>100.0</u>	<u>791,236</u>	<u>100.0</u>

Enterprise Income Tax

PRC. Our subsidiaries incorporated in the PRC are subject to PRC Enterprise Income Tax (“EIT”) on their taxable income as reported in the PRC statutory accounts adjusted in accordance with relevant PRC income tax laws. Prior to the effectiveness of the EIT law, on January 1, 2008, domestic companies were generally subject to EIT at a statutory rate of 33%.

The new EIT law imposes a uniform EIT rate of 25% on all domestic enterprises and foreign invested enterprises unless they qualify under certain exceptions. The new EIT law and related regulations provide a five-year transition period for certain entities which were established before March 16, 2007 and enjoyed a preferential EIT rate of less than 25% under the old EIT law to gradually increase their rates to 25%. Enterprises that were entitled to tax holidays for a fixed term may continue to enjoy such treatment until the tax holidays expire.

British Virgin Islands, the Cayman Islands and Hong Kong. We are incorporated in Hong Kong, and we have subsidiaries incorporated in the British Virgin Islands, the Cayman Islands and Hong Kong as investment holding companies, certain of which hold interests in our PRC operating entities. We are not subject to tax in the British Virgin Islands or the Cayman Islands on income or capital gains, and dividend payments are not subject to withholding tax in the British Virgin Islands or the Cayman Islands. Our subsidiaries incorporated in Hong Kong are not subject to Hong Kong corporate income tax because we have no assessable profits in Hong Kong.

Land Appreciation Tax

LAT in the amount of HK\$499.5 million for the fiscal year ended March 31, 2017 was charged to our consolidated statement of profit or loss. LAT in the amount of HK\$687.5 million for the fiscal year ended March 31, 2018 was charged to our consolidated statement of profit or loss. LAT in the amount HK\$611.7 million for the fiscal year ended March 31, 2019 was charged to our consolidated statement of profit or loss. LAT in the amount of HK\$348.7 million and HK\$429.9 million for the six months ended September 30, 2018 and 2019, respectively, were charged to our unaudited interim condensed consolidated statement of profit or loss. See “— Factors Affecting Our Results of Operations — Land Appreciation Tax” and “— Critical Accounting Policies — Land Appreciation Tax.”

Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on 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 temporary differences and deferred tax assets are recognized for deductible temporary differences, carry-forward of unused tax credits and unused tax losses. Deferred tax assets and liabilities are determined at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

A reconciliation of deferred tax liabilities and tax assets to deferred PRC EIT is provided in the table below for the periods indicated.

	Fiscal Year Ended March 31,		
	2017	2018	2019
	(HK\$ in thousands)		
Deferred tax charged/(credited) to the statement of profit or loss during the year ⁽¹⁾			
Deferred tax liabilities	1,518,557	1,241,540	1,145,765
Deferred tax assets	(284,503)	(567,987)	(637,128)
Deferred PRC corporate income tax ⁽¹⁾	1,234,054	673,553	508,637

Note:

- (1) For more information, please refer to notes 35, 35 and 36 to the audited consolidated financial statements for the fiscal years March 31, 2017, 2018 and 2019, respectively included elsewhere in this offering memorandum.

Non-controlling Interests

Non-controlling interests represent our profit or loss after taxation that is attributable to the other shareholders of our non-wholly owned subsidiaries.

Consolidated Results of Operations

The following is a discussion of our consolidated results of operations for the fiscal years ended March 31, 2017, 2018 and 2019 and for the six months ended September 30, 2018 and 2019.

Six Months Ended September 30, 2019 Compared with Six Months Ended September 30, 2018

Revenue. Revenue increased by HK\$614.8 million, or 11.8%, from HK\$5,212.4 million for the six months ended September 30, 2018 to HK\$5,827.2 million for the six months ended September 30, 2019. This increase was mainly attributable to expedited sales of residential property and increase of recurring income.

Sale of properties. Revenue from sale of properties increased by HK\$464.1 million, or 11.2%, from HK\$4,139.7 million for the six months ended September 30, 2018 to HK\$4,603.8 million for the six months ended September 30, 2019. This increase was mainly attributable to the sales and delivery of properties in the project located in Hefei, Chongqing and Zhengzhou.

Finance lease income. Finance lease income decreased by HK\$9.9 million, or 27.3%, from HK\$36.2 million for the six months ended September 30, 2018 to HK\$26.3 million for the six months ended September 30, 2019. This decrease was primarily attributable to less finance lease on office building at CSC Shenzhen being made. We entered into finance lease arrangements with occupants at those properties for approximately 1,800 sq.m. at an average price of HK\$14,800/sq.m., compared to approximately 2,000 sq.m. at an average price of approximately HK\$14,700 per sq.m. for the six months ended September 30, 2018.

Rental income. Rental income increased by HK\$11.7 million, or 3.1%, from HK\$377.6 million for the six months ended September 30, 2018 to HK\$389.3 million for the six months ended September 30, 2019. This increase was primarily due to gradual extension of operations in projects and starting to contribute rental income for the six months ended September 30, 2019.

Property management service income. Property management service income increased by HK\$119.8 million, or 58.5%, from HK\$204.8 million for the six months ended September 30, 2018 to HK\$324.6 million for the six months ended September 30, 2019. This increase was primarily due to the increasing GFA of trade centers, shops and residential properties delivered and put into use.

Other revenue. Other revenue increased by HK\$29.1 million, or 6.4% from HK\$454.1 million for the six months ended September 30, 2018 to HK\$483.2 million for the six months ended September 30, 2019. This increase was mainly attributable to the continuous growth of the outlet operations and logistics and warehousing services. Income from our outlet operations increased by HK\$32.7 million, or 19.4%, from HK\$168.6 million for the six months ended September 30, 2018 to HK\$201.3 million for the six months ended September 30, 2019. Income from our logistics and warehousing services increased by HK\$61.5 million, or 45.6%, from HK\$134.9 million for the six months ended September 30, 2018 to HK\$196.4 million for the six months ended September 30, 2019.

Cost of Sales

Cost of sales increased by HK\$484.6 million, or 15.7%, from HK\$3,095.5 million for the six months ended September 30, 2018 to HK\$3,580.1 million for the six months ended September 30, 2019, in line with the increase in total recognized sales.

Gross Profit

As a result of the foregoing, gross profit increased by HK\$130.1 million, or 6.1%, from HK\$2,117.0 million for the six months ended September 30, 2018 to HK\$2,247.1 million for the six months ended September 30, 2019. Gross profit margin, or gross profit as a percentage of total revenue, decreased from 40.6% for the six months ended September 30, 2018 to 38.6% for the six months ended September 30, 2019, due to a higher portion of residential properties in our product mix of sales, which had a relatively lower profit margin when compared to that of trade centers.

Other Income and Gains

Other income and gains decreased by HK\$220.7 million, or 56.2%, from HK\$393.0 million for the six months ended September 30, 2018 to HK\$172.3 million for the six months ended September 30, 2019. This decrease was mainly due to the decrease in government grants (HK\$30.1 million for the six months ended September 30, 2019 while HK\$240.1 million for the six months ended September 30, 2018) and decrease in gains on repurchase of senior notes (HK\$18.2 million for the six months ended September 30, 2019 while HK\$70.3 million for the six months ended September 30, 2018).

Change in Fair Value of Investment Properties

The fair value gains on investment properties decreased by HK\$597.6 million, or 68.2%, from HK\$876.0 million for the six months ended September 30, 2018 to HK\$278.4 million for the six months ended September 30, 2019. This change in fair value of investment properties was affected by a variety of internal and external factors, such as rental area, rental rate and market prices of comparable properties.

Selling and Distribution Expenses

Selling and distribution expenses decreased by HK\$24.1 million, or 6.9%, from HK\$348.0 million for the six months ended September 30, 2018 to HK\$323.9 million for the six months ended September 30, 2019. This decrease was mainly attributable to successfully implementing effective control measures over marketing activities for promoting the sales of properties.

Administrative Expenses

Administrative expenses decreased by HK\$42.7 million, or 7.1%, from HK\$598.4 million for the six months ended September 30, 2018 to HK\$555.7 million for the six months ended September 30, 2019. This decrease was primarily due to our actions to streamline human resources and effective control of administrative costs.

Other Expenses

Other expenses decreased by HK\$123.8 million, or 56.7%, from HK\$218.2 million for the six months ended September 30, 2018 to HK\$94.4 million for the six months ended September 30, 2019. This decrease was mainly because no impairment of goodwill was recognized during the six months ended September 30, 2019 (while HK\$134.2 million was recognized for the six months ended September 30, 2018).

Finance Costs

Finance costs remained stable at HK\$302.3 million for the six months ended September 30, 2019, as compared to HK\$302.1 million for the six months ended September 30, 2018, primarily due to the change in capital market conditions.

Profit Before Tax

As a result of the foregoing, profit before tax decreased by HK\$497.7 million, or 25.9%, from HK\$1,919.2 million for the six months ended September 30, 2018 to HK\$1,421.5 million for the six months ended September 30, 2019.

Income Tax Expenses

Income tax expenses decreased by HK\$279.0 million, or 26.1%, from HK\$1,070.2 million for the six months ended September 30, 2018 to HK\$791.2 million for the six months ended September 30, 2019. This decrease was due to the tax effect of the decrease in fair value gains of investment properties partly offset by the increase in revenue and operating profits.

Profit for the Period

As a result of the foregoing, profit for the period decreased by HK\$218.8 million, or 25.8%, from HK\$849.0 million for the six months ended September 30, 2018 to HK\$630.2 million for the six months ended September 30, 2019.

Fiscal Year Ended March 31, 2019 Compared with Fiscal Year Ended March 31, 2018

Revenue

Revenue increased by HK\$868.9 million, or 9.2%, from HK\$9,405.4 million for the fiscal year ended March 31, 2018 to HK\$10,274.3 million for the fiscal year ended March 31, 2019. The increase was mainly attributable to more properties being sold and delivered through finance lease in Shenzhen and overall increase in recurring income.

Sale of properties. Revenue from sale of properties increased by HK\$233.3 million, or 3.2%, from HK\$7,229.5 million for the fiscal year ended March 31, 2018 to HK\$7,462.8 million for the fiscal year ended March 31, 2019. This increase was mainly attributable to more sales and delivery of properties in Hefei, Chongqing and Zhengzhou projects.

Finance lease income. Finance lease income increased by HK\$340.8 million, or 218.7%, from HK\$155.8 million for the fiscal year ended March 31, 2018 to HK\$496.6 million for the fiscal year ended March 31, 2019. This increase was primarily due to more finance lease on office building at CSC Shenzhen. We entered into finance lease arrangements with occupants at those properties for approximately 36,600 sq.m. for the fiscal year ended March 31, 2019, compared to approximately 10,300 sq.m. for the fiscal year ended March 31, 2018, at an average price of approximately HK\$14,400 per sq.m. for the fiscal year ended March 31, 2019, compared to approximately HK\$16,000 per sq.m. for the fiscal year ended March 31, 2018.

Rental income. Rental income slightly increased by HK\$45.1 million, or 6.2%, from HK\$731.7 million for the fiscal year ended March 31, 2018 to HK\$776.8 million for the fiscal year ended March 31, 2019. This increase was primarily due to the gradual extension of operations in other projects, these projects, start to contribute rental income and resulted in satisfactory growth in rental income.

Property management service income. Property management service income increased by HK\$199.8 million, or 53.2%, from HK\$375.5 million for the fiscal year ended March 31, 2018 to HK\$575.3 million for the fiscal year ended March 31, 2019. This increase was primarily due to the gradual increase in GFA of trade centers, shops and residential properties delivered and put into use.

E-commerce income. E-commerce income decreased by HK\$99.6 million, or 40.6%, from HK\$245.2 million for the fiscal year ended March 31, 2018 to HK\$145.6 million for the fiscal year ended March 31, 2019. This decrease was due to the internal restructuring of our E-commerce services.

Other revenue. Other revenue increased by HK\$149.6 million, or 22.4%, from HK\$667.5 million for the fiscal year ended March 31, 2018 to HK\$817.1 million for the fiscal year ended March 31, 2019. This increase was mainly attributable to the continued growth of our outlet operations and logistics and warehousing services. As a result, income from our outlet operations increased by HK\$72.9 million, or 20.5%, from HK\$354.9 million for the fiscal year ended March 31, 2018 to HK\$427.8 million for the fiscal year ended March 31, 2019. This increase was mainly due to the growth of our outlet center business and the increase in operating areas in both our established outlets as well as new outlets during the fiscal year ended March 31, 2019. Income from our logistics and warehousing services increased by HK\$71.2 million, or 32.6%, from HK\$218.1 million for the fiscal year ended March 31, 2018 to HK\$289.3 million for the fiscal year ended March 31, 2019. This increase was mainly due to the increase in rent rate and operating areas of warehouse and the increase in third-party logistics service income.

Cost of Sales

Cost of sales increased by HK\$498.5 million, or 9.3%, from HK\$5,336.2 million for the fiscal year ended March 31, 2018 to HK\$5,834.7 million for the fiscal year ended March 31, 2019, in line with the increase in GFA of properties sold.

Gross Profit

As a result of the foregoing, gross profit increased by HK\$370.4 million, or 9.1%, from HK\$4,069.2 million for the fiscal year ended March 31, 2018 to HK\$4,439.6 million for the fiscal year ended March 31, 2019. Gross profit margin, or gross profit as a percentage of total revenue remained stable at approximately 43%.

Other Income and Gains

Other income and gains decreased by HK\$52.9 million, or 6.2%, from HK\$857.0 million for the fiscal year ended March 31, 2018 to HK\$804.1 million for the fiscal year ended March 31, 2019. This decrease was mainly due to the decrease in government grants (HK\$540.9 million for the fiscal year ended March 31, 2019 while HK\$783.9 million for the fiscal year ended March 31, 2018).

Change in Fair Value of Investment Properties

The fair value gains on investment properties decreased by HK\$1,585.1 million, or 36.2%, from HK\$4,378.5 million for the fiscal year ended March 31, 2018 to HK\$2,793.4 million for the fiscal year ended March 31, 2019. This decrease was mainly due to the magnitude of increase of fair value gains of the investment properties during the fiscal year ended March 31, 2019 was less than that during the fiscal year ended March 31, 2018.

Selling and Distribution Expenses

Selling and distribution expenses decreased by HK\$14.6 million, or 2.1%, from HK\$680.7 million for the fiscal year ended March 31, 2018 to HK\$666.1 million for the fiscal year ended March 31, 2019. This decrease was primarily attributable to the effective cost control measures taken as to marketing activities for promoting the sales of properties.

Administrative Expenses

Administrative expenses decreased by HK\$86.1 million, or 7.1%, from HK\$1,216.0 million for the fiscal year ended March 31, 2018 to HK\$1,129.9 million for the fiscal year ended March 31, 2019. This decrease was primarily due to our actions to streamline human resources and effective control of administrative costs.

Other Expenses

Other expenses slightly increased by HK\$3.7 million, or 1.1%, from HK\$329.7 million for the fiscal year ended March 31, 2018 to HK\$333.4 million for the fiscal year ended March 31, 2019. This increase was primarily due to the impairment of goodwill of HK\$134.2 million.

Finance Costs

Finance costs increased by HK\$236.1 million, or 80.1%, from HK\$294.8 million for the fiscal year ended March 31, 2018 to HK\$530.9 million for the fiscal year ended March 31, 2019, primarily due to the increase in bank and other borrowings for general operation purposes. As at 31 March 2019, our weighted average financing cost was 7.17%, as compared with 6.68% at the end of March 2018.

Profit Before Tax

As a result of the foregoing, profit before tax decreased by HK\$1,406.7 million, or 20.7%, from HK\$6,783.5 million for the fiscal year ended March 31, 2018 to HK\$5,376.8 million for the fiscal year ended March 31, 2019.

Income Tax Expenses

Income tax expenses decreased by HK\$147.4 million, or 6.5%, from HK\$2,281.1 million for the fiscal year ended March 31, 2018 to HK\$2,133.7 million for the fiscal year ended March 31, 2019. This decrease was due to the decrease in fair value gains of investment properties partly offset by the increase in revenue of operating profits.

Profit for the Year

As a result of the foregoing, profit for the year decreased by HK\$1,259.2 million, or 28.0%, from HK\$4,502.3 million for the fiscal year ended March 31, 2018 to HK\$3,243.1 million for the fiscal year ended March 31, 2019.

Fiscal Year Ended March 31, 2018 Compared with Fiscal Year Ended March 31, 2017

Revenue

Revenue increased by HK\$1,566.9 million, or 20.0%, from HK\$7,838.5 million for the fiscal year ended March 31, 2017 to HK\$9,405.4 million for the fiscal year ended March 31, 2018. The increase was mainly attributable to more properties being sold and delivered in CSC Nanning and CSC Nanchang during the fiscal year ended March 31, 2018 and growing recurring income.

Sale of properties. Revenue from sale of properties increased by HK\$1,435.3 million, or 24.8%, from HK\$5,794.2 million for the fiscal year ended March 31, 2017 to HK\$7,229.5 million for the fiscal year ended March 31, 2018. This increase was mainly attributable the sales and delivery of properties in CSC Nanning and CSC Nanchang during the fiscal year ended March 31, 2018.

Finance lease income. Finance lease income decreased by HK\$290.5 million, or 65.1%, from HK\$446.3 million for the fiscal year ended March 31, 2017 to HK\$155.8 million for the fiscal year ended March 31, 2018. This decrease was primarily due to lower inventory level of office tower at CSC Shenzhen. We entered into finance lease arrangements with occupants at those properties for approximately 10,300 sq.m. for the fiscal year ended March 31, 2018, compared to approximately 38,800

sq.m. for the fiscal year ended March 31, 2017, at an average price of approximately HK\$16,000 per sq.m. for the fiscal year ended March 31, 2018, compared to approximately HK\$12,100 per sq.m. for the fiscal year ended March 31, 2017.

Rental income. Rental income slightly increased by HK\$32.0 million, or 4.6%, from HK\$699.7 million for the fiscal year ended March 31, 2017 to HK\$731.7 million for the fiscal year ended March 31, 2018. This increase was primarily due to the gradual extension of operations in other projects, these projects, start to contribute rental income and resulted in satisfactory growth in rental income.

Property management service income. Property management service income increased by HK\$86.7 million, or 30.0%, from HK\$288.8 million for the fiscal year ended March 31, 2017 to HK\$375.5 million for the fiscal year ended March 31, 2018. This increase was primarily due to an increase in areas of properties under management.

E-commerce income. E-commerce income increased by HK\$31.5 million, or 14.7%, from HK\$213.7 million for the fiscal year ended March 31, 2017 to HK\$245.2 million for the fiscal year ended March 31, 2018.

Other revenue. Other revenue increased by HK\$271.8 million, or 68.7%, from HK\$395.7 million for the fiscal year ended March 31, 2017 to HK\$667.5 million for the fiscal year ended March 31, 2018. This increase was mainly attributable to the continued growth of our outlet operations and logistics and warehousing services. As a result, income from our outlet operations increased by HK\$154.1 million, or 76.7%, from HK\$200.8 million for the fiscal year ended March 31, 2017 to HK\$354.9 million for the fiscal year ended March 31, 2018. This increase was mainly due to the growth of our outlet center business and the increase in operating areas in both our established outlets as well as new outlets during the fiscal year ended March 31, 2018. Income from our logistics and warehousing services increased by HK\$56.1 million, or 34.6%, from HK\$162.0 million for the fiscal year ended March 31, 2017 to HK\$218.1 million for the fiscal year ended March 31, 2018. This increase was mainly due to the increase in operating areas of warehousing.

Cost of Sales

Cost of sales increased by HK\$1,007.8 million, or 23.3%, from HK\$4,328.4 million for the fiscal year ended March 31, 2017 to HK\$5,336.2 million for the fiscal year ended March 31, 2018, in line with the increase in GFA of properties sold.

Gross Profit

As a result of the foregoing, gross profit increased by HK\$559.1 million, or 15.9%, from HK\$3,510.1 million for the fiscal year ended March 31, 2017 to HK\$4,069.2 million for the fiscal year ended March 31, 2018. Gross profit margin, or gross profit as a percentage of total revenue, decreased from 44.8% for the fiscal year ended March 31, 2017 to 43.3% for the fiscal year ended March 31, 2018, due to our change in product mix with a higher percentage of sale of residential properties which had a relatively lower profit margin compared to our trade center units.

Other Income and Gains

Other income and gains increased by HK\$131.0 million, or 18.0%, from HK\$726.0 million for the fiscal year ended March 31, 2017 to HK\$857.0 million for the fiscal year ended March 31, 2018. This increase was mainly due to increase in exchanges gains (HK\$56.3 million for the fiscal year ended March 31, 2018 while losses of HK\$64.0 million for the fiscal year ended March 31, 2017), decrease in loss on redemption of senior notes (HK\$89.9 million for the fiscal year ended March 31, 2018 while HK\$178.3 million for the fiscal year ended March 31, 2017) and offset by the decrease in government grants (HK\$783.9 million for the fiscal year ended March 31, 2018 while HK\$841.4 million for the fiscal year ended March 31, 2017).

Change in Fair Value of Investment Properties

The change in fair value of investment properties decreased HK\$171.0 million, or 3.8%, from HK\$4,549.5 million for the fiscal year ended March 31, 2017 compared to HK\$4,378.5 million for the

fiscal year ended March 31, 2018. The fair value gain was mainly contributed by the addition of new investment properties at the existing projects.

Selling and Distribution Expenses

Selling and distribution expenses increased by HK\$56.1 million, or 9.0%, from HK\$624.6 million for the fiscal year ended March 31, 2017 to HK\$680.7 million for the fiscal year ended March 31, 2018. This increase was primarily due to the marketing activities for promoting sales of properties.

Administrative Expenses

Administrative expenses increased by HK\$69.7 million, or 6.1%, from HK\$1,146.3 million for the fiscal year ended March 31, 2017 to HK\$1,216.0 million for the fiscal year ended March 31, 2018. This increase was primarily due to an increase in operating expenses resulting from our business growth and development.

Other Expenses

Other expenses increased by HK\$182.7 million, or 124.3%, from HK\$147.0 million for the fiscal year ended March 31, 2017 to HK\$329.7 million for the fiscal year ended March 31, 2018. This increase was primarily due to the provision of impairment loss on investment in Makepolo Inc. in the amount of HK\$175.5 million.

Finance Costs

Finance costs increased slightly by HK\$19.3 million, or 7.0%, from HK\$275.5 million for the fiscal year ended March 31, 2017 to HK\$294.8 million for the fiscal year ended March 31, 2018, primarily due to more interest expenses incurred for increased borrowings. As at 31 March 2018, our weighted average financing cost was 6.68%, as compared with 6.16% at the end of March 2017.

Profit Before Tax

As a result of the foregoing, profit before tax increased by HK\$191.2 million, or 2.9%, from HK\$6,592.3 million for the fiscal year ended March 31, 2017 to HK\$6,783.5 million for the fiscal year ended March 31, 2018.

Income Tax Expenses

Income tax expenses increased by HK\$11.8 million, or 0.5%, from HK\$2,269.3 million for the fiscal year ended March 31, 2017 to HK\$2,281.1 million for the fiscal year ended March 31, 2018. This increase was in line with the increase of revenue and fair value increment on investment properties for the fiscal year ended March 31, 2018.

Profit for the Year

As a result of the foregoing, profit for the year increased by HK\$179.3 million, or 4.1%, from HK\$4,323.0 million for the fiscal year ended March 31, 2017 to HK\$4,502.3 million for the fiscal year ended March 31, 2018.

Liquidity and Capital Resources

Our primary uses of cash are to pay for construction costs, land costs (principally the payment of land grant fees), infrastructure costs, and consulting fees paid to architects and designers, as well as to service our indebtedness and fund working capital and normal recurring expenses. For the fiscal years ended March 31, 2017, 2018 and 2019 and the six months ended September 30, 2018 and 2019, we financed our operations primarily through internally generated funds, bank borrowings, proceeds from the offerings of the short-term notes, the medium-term notes, the corporate bonds, the domestic company bonds, the 2016 Notes, the 2017 March Notes, the 2017 November Notes, the 2018 January Notes, the 2018 May Notes and the 2019 March Notes.

As of September 30, 2019, we had HK\$9,279.7 million in cash and cash equivalents and restricted cash and had unused bank facilities available in the amount of approximately RMB15.4 billion. We believe that our current levels of cash and cash equivalents, cash flows from operations and available bank facilities, combined with the net proceeds from this offering, will be sufficient to meet our anticipated cash needs for at least the next 12 months. However, we may need additional resources in the future if we experience changed business conditions or other developments. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, strategic cooperation or other similar actions, beyond our currently budgeted intentions with respect to the continued development of our projects. If we determine that our cash requirements exceed our amounts of cash and cash equivalents on hand, we may seek to issue additional debt or equity securities or obtain a bank facility. It is possible that, when we need additional cash resources, financing will only be available to us in amounts or on terms that would not be acceptable to us or financing will not be available at all.

Cash Flows

The following table sets forth selected cash flow data from our consolidated cash flow statements for the periods indicated.

	Fiscal Year Ended March 31,		
	2017	2018	2019
	(HK\$ in thousands)		
Cash flows from operating activities	3,282,768	3,943,205	7,156,394
Cash flows used in investing activities	(2,301,007)	(4,960,982)	(3,509,056)
Cash flows from/(used in) financing activities	(1,778,593)	458,166	(5,553,636)
Net decrease in cash and cash equivalents	(796,832)	(559,611)	(1,906,298)
Cash and cash equivalents at beginning of year.	9,327,807	8,022,020	8,204,333
Effect of foreign exchange rate changes on cash and cash equivalents	(508,955)	741,924	(364,203)
Cash and cash equivalents at end of year	8,022,020	8,204,333	5,933,832

Restriction on Cash Transfers from our Subsidiaries

We conduct all of our business through our subsidiaries, as well as our joint ventures and associates, incorporated in the PRC. We rely on dividends paid by our subsidiaries and our joint ventures and associates for our liquidity requirements, including the funds necessary to service any debt we may incur, including the short-term notes, the medium-term notes, the corporate bonds, the domestic company bonds, the 2016 Notes, the 2017 March Notes, the 2017 November Notes, the 2018 January Notes, the 2018 May Notes, the 2019 March Notes and the 2019 December Notes to pay our operating expenses. PRC law restricts the ability of our subsidiaries, joint ventures and associates to transfer funds to us in the form of cash dividends, loans or advances.

For more information on our bank borrowings and other indebtedness, see “Description of Other Material Indebtedness.” For a discussion of legal restrictions on the ability of our subsidiaries, joint ventures and associates to transfer funds to us in the form of cash dividends, loans or advances, see “Regulation — Regulation of Foreign Currency Exchange and Dividend Distribution” and “Description of Other Material Indebtedness.”

Furthermore, under regulations of SAFE, the Renminbi is not convertible into foreign currencies for capital account items, such as loans, repatriation of investments and investment outside of the PRC, unless the prior approval of SAFE is obtained and prior registration with SAFE is made. These restrictions have not historically had, and are not expected in the future to have, a material adverse impact on our ability to meet our financial requirements.

Cash Flows From Operating Activities

We derive cash from operating activities principally from the sale of trade center units and ancillary facilities, finance lease income of leasing residential and commercial properties, and rental income received from trade center units retained as investment properties, warehouses and supporting commercial facilities. We use cash generated from operating activities principally for investments in properties under development.

For the fiscal year ended March 31, 2019, net cash provided by operating activities was HK\$7,156.4 million, which consisted of operating cash inflow before working capital of HK\$3,311.9 million and working capital cash inflow of HK\$3,844.5 million. Net working capital cash outflow primarily consisted of an increase in restricted cash of HK\$1,140.1 million, increase in prepayments, other receivables and other assets of HK\$1,351.8 million and overseas taxes paid of HK\$2,074.5 million, partially offset by a decrease in properties held for finance lease and sale of HK\$1,783.5 million, increase in contract liabilities of HK\$3,648.4 million and an increase in trade and other payables of HK\$3,085.9 million.

For the fiscal year ended March 31, 2018, net cash provided by operating activities was HK\$3,943.2 million, which consisted of operating cash inflow before working capital of HK\$3,203.2 million and working capital cash inflow of HK\$740.0 million. Net working capital cash outflow primarily consisted of an increase in properties held for finance lease and sale of HK\$345.1 million and overseas taxes paid of HK\$1,543.9 million, partially offset by a decrease in trade receivables of HK\$75.1 million and an increase in trade and other payables of HK\$2,721.8 million.

For the fiscal year ended March 31, 2017, net cash provided by operating activities was HK\$3,282.8 million, which consisted of operating cash inflow before working capital of HK\$2,690.1 million and working capital cash inflow of HK\$592.7 million. Net working capital cash outflow consisted of overseas taxes paid of HK\$875.8 million, an increase in properties held for sale and finance lease of HK\$1,552.1 million, an increase in trade receivables of HK\$234.4 million and an increase in prepayments, deposits and other receivables of HK\$8.8 million.

Cash Flows Used in Investing Activities

For the fiscal year ended March 31, 2019, net cash used in investing activities was HK\$3,509.1 million, which primarily consisted of cash outflows of HK\$3,377.0 million for the development of Phase Three of China South City Shenzhen, and Phase One of China South City Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing.

For the fiscal year ended March 31, 2018, net cash used in investing activities was HK\$4,961.0 million, which primarily consisted of cash outflows of HK\$3,613.3 million for the development of Phase Three of China South City Shenzhen, and Phase One of China South City Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing.

For the fiscal year ended March 31, 2017, net cash used in investing activities was HK\$2,301.0 million, which primarily consisted of cash outflows of HK\$2,105.9 million for the development of Phase Three of China South City Shenzhen, and Phase One of China South City Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing.

Cash Flows From/Used in Financing Activities

Our cash from financing activities since April 1, 2014 have primarily consisted of the proceeds from the 2016 Notes, the 2017 March Notes, 2017 November Notes, 2018 January Notes, 2018 May Notes, 2019 March Notes, the short-term notes, the medium-term notes, the corporate bonds, the domestic company bonds and bank and other borrowings. Our cash used in financing activities has historically been used primarily for repayment of principal of and interest on our bank and other borrowings.

For the fiscal year ended March 31, 2019, net cash used by financing activities was HK\$5,553.6 million, which primarily consisted of repayment of bank and other borrowings of HK\$7,304.8 million, repayment of medium-term notes of HK\$2,352.4 million, redemption of corporate bonds of HK\$1,866.2 million, repayment of domestic company bonds of HK\$3,497.4 million, partially offset by proceeds from the issue of the 2018 May notes and 2019 March notes and proceeds from new bank and other borrowings of HK\$9,853.4 million.

For the fiscal year ended March 31, 2018, net cash provided by financing activities was HK\$458.2 million, which primarily consisted of new bank and other borrowings of HK\$9,612.9 million, issue of senior notes of HK\$4,149.5 million, partially offset by repayment of bank and other borrowings of HK\$8,428.7 million, repayment of short-term notes of HK\$2,017.0 million and redemption of the 2012 Notes and the 2014 Notes of HK\$1,569.0 million.

For the fiscal year ended March 31, 2017, net cash used in financing activities was HK\$1,778.6 million, which primarily consisted of the payment on our previous notes and bonds, as well as the redemption of the 2012 Notes and partial redemption of the 2014 Notes, partially offset by proceeds from the issue of the 2017 March Notes.

Indebtedness and Contingent Liabilities

Overview

As of September 30, 2019, the total outstanding balance of the consolidated interest-bearing bank and other borrowings of the Company and its subsidiaries, including the medium-term notes, the 2016 Notes, the 2017 March Notes, the 2017 November Notes, the 2018 January Notes, the 2018 May Notes, the 2019 March Notes and the domestic company bonds, amounted to HK\$32,500.1 million, of which HK\$15,963.7 million was secured.

We also have certain commitments and contingent liabilities, consisting of commitments in respect of properties under development and guarantees provided to banks in respect of mortgage loans entered into by purchasers of our trade center units and residential properties, and bank loans entered into by occupants of our residential and commercial properties. The aggregate amount of these capital commitments and contingent liabilities was approximately HK\$28,487.0 million as of September 30, 2019.

Short-Term Notes

On September 13, 2016, China South International completed the issuance of the first tranche of short-term notes of 2016 (“2016 First Tranche STN”) with a total principal amount of RMB1.2 billion with a maturity period of 1 year and at an interest rate of 4.9% per annum. The proceeds were to be used for general corporate purposes and for repaying a portion of the bank borrowings of our Group. The 2016 First Tranches STN have been repaid in September 2017.

On June 22, 2017, China South International completed the issuance of the first tranches of the PRC short-term notes of 2017 with a total principal amount of RMB500 million with a maturity period of 270 days and at an interest rate of 6.5% per annum. The proceeds were to be used for general corporate purposes and for repaying a portion of the bank borrowings of our Group. The first tranches of the PRC short-term notes of 2017 have been repaid in March 2018.

On August 30, 2017, China South International completed the issuance of the second tranches of the PRC short-term notes of 2017 with a total principal amount of RMB500 million with a maturity period of 270 days and at an interest rate of 6.5% per annum. The proceeds were to be used for general corporate purpose and for repaying a portion of the bank borrowings of our Group. The second tranches of the PRC short-term notes of 2017 have been repaid in May 2018.

Medium Term Notes

In April 2014, China South International obtained the relevant approval for issuing medium-term notes in the national inter-bank market in the PRC with a maximum principal amount of RMB4 billion.

On May 9, 2014, China South International completed the issuance of the first tranche of medium-term notes of 2014 (the “2014 First tranche MTN”) with a total principal amount of RMB1 billion in the national inter-bank market of the PRC. The 2014 First tranche MTN carry interest at the rate of 7.5% per annum and with a maturity period of 5 years, payable annually on May 9 in arrears, and will mature on May 9, 2019. The proceeds were to be used for repaying part of the short-term bank loans of our Group. The 2014 First tranche MTN have been repaid in May 2019.

On September 12, 2014, China South International completed the issuance of the second tranche of medium-term notes of 2014 (the “2014 Second tranche MTN”) with a total principal amount of RMB1 billion in the national interbank market of the PRC. The 2014 Second tranche MTN carry interest at the rate of 8.4% per annum and with a maturity period of 5 years, payable annually on September 12 in arrears, and will mature on September 12, 2019. The proceeds were to be used for repaying part of bank loans of our Group. The 2014 Second tranche MTN have been repaid in September 2019.

On July 13, 2015, China South International completed the issuance of the first tranche of medium-term notes of 2015 (the “2015 First tranche MTN”) with a total principal amount of RMB2 billion in the national inter-bank market of the PRC. The 2015 First tranche MTN carry interest at the rate of 7.0% per annum and with a maturity period of 3 years, payable annually on July 13 in arrears, and will mature on July 13, 2018. The proceeds were to be used for replacement of bank loans of our Group and the development of China South City Nanning project. The 2015 First tranches MTN have been repaid in July 2018.

In April 2017, China South International obtained another approval for issuing the medium term notes with a maximum principal amount of RMB3.0 billion. In April 2019, China South International issued the first tranche of the medium-term notes of 2019 with a total principal amount of RMB600 million with a maximum maturity period of 3 years and at an interest rate of 8.5% per annum. The proceeds thereof were to be used for refinancing existing borrowings of the Group.

Corporate Bonds

On April 13, 2015, China South International completed the issuance of the corporate bonds with a total principal amount of RMB1.5 billion and with a term of up to 6 years in maximum on the Shanghai Stock Exchange of the PRC. The corporate bonds carry interest at the rate of 7.0% per annum, payable annually on April 13 in arrears, and will mature on April 13, 2021. The proceeds were to be used for funding the development of China South City Zhengzhou project. On April 13, 2018, we repaid RMB1,499 million of the corporate bonds. The remaining portion of RMB482,000, of which carry interest at the rate of 8.05% per annum was early repaid in full in April 2019.

Domestic Company Bonds

In December 2015, China South International obtained the relevant approval for issuing the domestic company bonds in a maximum principal amount of RMB4.4 billion in the PRC. On January 14, 2016, China South International issued the first tranche of domestic company bonds of 2016 (“2016 First Tranche DCB”) with the total principal amount of RMB3 billion with a term of 3 years and at an interest rate of 5.98% per annum. The proceeds were to be used for repaying part of bank loans of the Group and for general corporate purposes. The 2016 First Tranche DCB was repaid in January 2019.

On May 4, 2016, China South International issued the second tranche of domestic company bonds of 2016 (“2016 Second Tranche DCB”) with the total principal amount of RMB1.4 billion with a term of 3 years and at an interest rate of 6.85% per annum. The proceeds were to be used for repaying part of bank loans of the Group and general working capital. The 2016 Second Tranche DCB was repaid in May 2019.

In April 2019, China South International obtained another approvals for issuing the domestic company bonds with a maximum principal amount of RMB4.4 billion in total in the PRC. In August 2019, China South International issued the first and second tranche of the domestic company bonds of 2019 with an aggregate principal amount of RMB1.4 billion with a maximum maturity period of 3 years and at an interest rate of 8% per annum. The proceeds thereof were to be used for repayment of existing borrowings of the Group. China South International may issue remaining new domestic company bonds as when appropriates.

Senior Notes

2014 Notes

On January 29, 2014, we issued 8.25% senior notes due 2019 in an aggregate principal amount of US\$400 million pursuant to an indenture. We used the net proceeds to fund our properties under development and properties planned for future development (including land grant fees), refinance a portion of our existing debt and for general corporate purposes. A partial redemption of US\$200 million of the 2014 Notes was made on February 9, 2017 and we redeemed the remaining principal amount of US\$200 million of the 2014 Notes outstanding on April 13, 2017.

2016 Notes

On September 13, 2016, we issued 6.75% senior notes due 2021 in an aggregate principal amount of US\$200 million pursuant to an indenture. On October 3, 2016 we issued additional 6.75% senior notes due 2021 in an aggregate principal amount of US\$150 million (which were consolidated and formed a single series with the US\$200 million 6.75% senior notes due 2021) pursuant to a supplemental indenture upon which we had an aggregate principal amount of US\$350 million of the 2016 Notes outstanding. We used the net proceeds to refinance a portion of our existing debt and for general corporate purposes. The Company repurchased an aggregate principal amount of US\$9.3 million of the 2016 Notes and have them canceled by January 2020. After the cancellation, the principal amount of the 2016 Notes outstanding is US\$340.7 million. For a detailed description of the 2016 Notes, see “Description of Other Material Indebtedness.”

2017 March Notes

On March 9, 2017, we issued 5.75% senior notes due 2020 in an aggregate principal amount of US\$300 million pursuant to an indenture. We used the net proceeds to refinance a portion of our existing debt and for general corporate purposes. The Company repurchased an aggregate principal amount of US\$51.5 million of the 2017 Notes and have them canceled by January 2020. After the cancellation, the principal amount of the 2017 March Notes outstanding is US\$248.5 million. For a detailed description of the 2017 March Notes, see “Description of Other Material Indebtedness.”

2017 November Notes

On November 20, 2017, we issued 7.25% senior notes due 2022 in an aggregate principal amount of US\$300 million pursuant to an indenture. We used the net proceeds to refinance a portion of our existing debt and for general corporate purposes. The Company repurchased an aggregate principal of US\$13.5 million of the 2017 November Notes and have them canceled by September 2018. After the cancellation, the principal amount of the 2017 November Notes outstanding is US\$286.5 million. For a detailed description of the 2017 November Notes, see “Description of Other Material Indebtedness.”

2018 January Notes

On January 25, 2018, we issued 7.25% senior notes due 2021 in an aggregate principal amount of US\$250 million pursuant to an indenture. We used the net proceeds to refinance existing indebtedness in relation to the construction and development of the Company’s projects and for general corporate purposes. The Company repurchased an aggregate principal amount of US\$21.0 million of the 2018 January Notes and have them canceled by February 2020. After the cancellation, the principal amount of the 2018 January Notes outstanding is US\$229.0 million. For a detailed description of the 2018 January Notes, see “Description of Other Material Indebtedness.”

2018 May Notes

In May and June 2018, we issued senior notes due in August 2020 with a nominal value of US\$150 million and US\$100 million respectively, in a total of US\$250 million. These notes were consolidated and formed a single series at a coupon rate of 10.875% per annum. The net proceeds of the issue was mainly for the purpose of refinancing existing indebtedness in relation to the construction and developing of our projects and for general corporate purposes. The Company repurchased an aggregate principal amount of US\$9.0 million of the 2018 May Notes and have them canceled by December 2019. After the cancellation, the principal amount of the 2018 May Notes outstanding is US\$241.0 million. For a detailed description of the 2018 May Notes, see “Description of Other Material Indebtedness.”

2019 March Notes

In March and June 2019, we issued senior notes due in March 2021 with a nominal value of US\$200 million and US\$60 million respectively, in a total of US\$260 million. These notes were consolidated and formed a single series at a coupon rate of 11.875% per annum. The net proceeds of the issue was mainly for the purpose of refinancing existing indebtedness in relation to the construction and development of our projects and for general corporate purposes. The Company repurchased an aggregate principal amount of US\$8.0 million of the 2019 March Notes and have them canceled by January 2020. For a detailed description of the 2019 March Notes, see “Description of Other Material Indebtedness.” After the cancellation, the principal amount of the 2019 March Notes outstanding is US\$252.0 million.

2019 December Notes

In December 2019 and January 2020, we issued senior notes due in February 2022 with a nominal value of US\$150 million and US\$200 million respectively, in a total of US\$350 million. These notes were consolidated and formed a single series at a coupon rate of 11.5% per annum. The net proceeds of the issue was mainly for the purpose of refinancing existing indebtedness and for general corporate purposes. For a detailed description of the 2019 December Notes, see “Description of Other Material Indebtedness.”

Bank and Other Borrowings

Bank and other borrowings are important sources of funding for our operations. As at September 30, 2019, we had unused banking facilities of approximately RMB15.4 billion. These facilities included both short-term working capital loans and long-term project construction loans.

The following table sets forth a breakdown of our short-term bank and other borrowings and long-term bank and other borrowings as of the dates indicated.

	As of March 31,			As of September 30,
	2017	2018	2019	2019
	(HK\$ in thousands)			
Short-term bank and other borrowings	7,042,625	7,098,504	8,778,903	8,748,435
Long-term bank and other borrowings	6,369,837	8,999,701	8,959,775	8,970,975
Total	13,412,462	16,098,205	17,738,678	17,719,410

As of September 30, 2019, all of our bank and other borrowings bore interest rates ranging from 4.26% to 12.35% per annum.

The following table sets forth a breakdown of our secured and unsecured bank and other borrowings as of the dates indicated.

	As of March 31,			As of September 30,
	2017	2018	2019	2019
	(HK\$ in thousands)			
Unsecured bank and other borrowings	2,832,783	1,312,897	2,097,731	1,755,721
Secured bank and other borrowings	10,579,679	14,785,308	15,640,947	15,963,689
Total	13,412,462	16,098,205	17,738,678	17,719,410

Most of our secured loans are project construction loans, which are generally secured by mortgages over a portion of our land use rights and a portion of our properties.

The following table sets forth the maturity profile of our interest-bearing bank and other borrowings as of the dates indicated.

	As of March 31,		
	2017	2018	2019
	(HK\$ in thousands)		
Within one year	7,042,625	7,098,504	8,778,903
Between 1-5 years	6,117,007	8,208,359	8,422,924
Over 5 years	252,830	791,342	536,851
Total	13,412,462	16,098,205	17,738,678

The agreements under our banking facilities contain certain customary covenants, including to maintain certain financial ratios and to abide by certain restrictive and affirmative covenants. We were in compliance with all relevant covenants and financial ratios in our loan agreements as of September 30, 2019.

Commitments and Contingent Liabilities

Capital Commitments

The following table sets forth our capital commitments as of the dates indicated.

	As of March 31,			As of
	2017	2018	2019	September 30,
	(HK\$ in thousands)			2019
Contracted but not provided for				
Properties under development.	8,787,653	10,470,922	15,530,925	13,970,708
Prepaid land lease payments	–	254,416	–	–
Total	8,787,653	10,725,338	15,530,925	13,970,708

Guarantees

We guarantee mortgage and bank loans entered into by certain of our purchasers, including purchasers of trade center units and residential properties, and bank loans entered into by occupants of our residential and commercial properties. For mortgage loans, our guarantee terminates when the purchasers obtain the building ownership certificate and pledge it to the relevant banks. Although the mortgages we guarantee typically finance no more than 50% to 70% of the purchase price of our trade center units and residential properties or no more than 50% of the finance lease price of our residential and supporting commercial units, if a purchaser or tenant defaults on its mortgage or bank loan, we may be required to repay the outstanding amount together with accrued interest thereon and any penalty owed by the defaulting purchaser or tenant to the relevant bank. We are then entitled to take over the legal title and usage rights of the related properties.

For the fiscal years ended March 31, 2017, 2018 and 2019, we provided guarantees for mortgage loans for purchasers of trade centers and residential properties in the amount of approximately HK\$9,396.3 million, HK\$12,574.5 million and HK\$15,219.0 million, respectively. For the six months ended September 30, 2018 and 2019, we provided guarantees for mortgage loans for purchasers of trade centers and residential properties in the amount of approximately HK\$13,505.9 million and HK\$14,516.3 million, respectively.

In addition, we make entrusted loans in connection with the sales and finance leases of certain units by advancing an amount, typically no more than one-half of the purchase price or the finance lease price, to the purchaser's lending bank. These advances appear as loan receivables and finance lease receivables on our consolidated statement of financial position. In the event of a purchaser default, we write off the receivable and are entitled to take over the legal title and usage rights of the related properties.

Capital Expenditures

For the fiscal years ended March 31, 2017, 2018 and 2019, we incurred capital expenditures in the amounts of HK\$10,746.0 million, HK\$11,792.7 million and HK\$12,043.1 million, respectively. Our capital expenditures were mainly used for property development.

The following table sets forth our capital expenditures for the periods indicated.

	For the Year Ended March 31,		
	2017	2018	2019
	(HK\$ in thousands)		
Property, plant and equipment	39,284	50,342	111,283
Property under development and others	10,706,680	11,742,308	11,931,779
Total	10,745,964	11,792,650	12,043,062

We cannot assure you that our capital expenditures can be financed on commercially acceptable terms, or at all. Our ability to obtain adequate financing to satisfy our capital expenditures, contractual obligations and debt service requirements may be limited by our financial condition and results of operations and the liquidity of domestic and international financial markets.

Off-Balance Sheet Arrangements

As of September 30, 2019, we did not have any off-balance sheet arrangements with unconsolidated entities. However, from time to time we do guarantee mortgage and bank loans entered into by purchasers of our trade center, residential and supporting commercial units. For further information on these arrangements, see “— Indebtedness and Contingent Liabilities — Commitments and Contingent Liabilities.”

Qualitative and Quantitative Disclosures About Market Risk

We are exposed to various types of market risks in the normal course of business, including foreign exchange risk and interest rate risk. We have not in the past used derivatives to manage our exposure to interest rate risk or foreign exchange risk. The following discussion and analysis, which constitute “forward-looking statements” that involve risk and uncertainties, summarizes our exposure to different market risks.

Foreign Exchange Risk

We conduct our business primarily in Renminbi. In addition, our expenses are also primarily denominated in Renminbi, although a small portion of expenses are denominated in foreign currencies, such as salaries in Hong Kong dollars paid to staff in Hong Kong, advertising expenses for advertising in Hong Kong and overseas media, rental expenses for our office space in Hong Kong and other general office expenses. However, our reporting currency is the Hong Kong dollar because we are incorporated in Hong Kong and the reporting currency of our major shareholders is also the Hong Kong dollar. During the fiscal year ended March 31, 2019 and the six months ended September 30, 2019, substantially all of our revenues were denominated in Renminbi. During the same periods, substantially all of our expenses were denominated in Renminbi. As of September 30, 2019, all of our indebtedness was denominated in Renminbi except for the 2016 Notes, the 2017 March Notes, the 2017 November Notes, the 2018 January

Notes, the 2018 May Notes and the 2019 March Notes, which are denominated in U.S. dollars. Our cash and bank balances are mainly held in bank deposits and primarily denominated in Renminbi and Hong Kong dollars. We believe the impact of foreign currency risk is not material to our operations and we have not hedged our foreign currency exposures or entered into any other derivative financial instruments. Except for the year ended March 31, 2019, the Group entered into certain forward currency contract and currency options with bank to hedge the amount of US\$100 million of the foreign exchange exposure, for which all contracts have been expired during the year ended March 31, 2019. But see “Risk Factors — Risks Relating to Doing Business in the PRC — Fluctuation in the exchange rates of the Renminbi may have a material adverse effect on us and on your investment.”

Interest Rate Risk

We are exposed to interest rate risk due to fluctuations in interest rates on our debt and deposits. Our indebtedness consists primarily of bank and other borrowings. As of September 30, 2019, we had HK\$17,719.4 million in total interest-bearing bank and other borrowings. All of our bank and other borrowings bore interest rates ranging from 4.26% to 12.35% per annum. We assess interest rate risk on an ongoing basis and will consider hedging against possible risks in that regard as the need arises.

Increases in interest rates could potentially result in an increase in our cost of borrowing, which could negatively affect our business and results of operations. Increases in interest rates could also adversely affect the ability of prospective purchasers to obtain financing for the purchase of units in our trade centers. The PBOC regulates the interest rates of our Renminbi-denominated borrowings. The PBOC-published benchmark one-year lending rates in China as of March 31, 2017, 2018 and 2019 and September 30, 2018 and 2019 were 4.35%, 4.35%, 4.35%, 4.35% and 4.35%, respectively.

We also make entrusted loans to purchasers of trade center, residential and office units. All of our entrusted loans bear interest at fixed rates, and are denominated in Renminbi. Our entrusted loans are long-term loans, which increases our interest rate risk exposure relating to these loans. Changes in market interest rates could affect the interest rates we charge and receive on our entrusted loans differently from the interest rates that we may be required to pay in relation to our external financings. Any adjustments to benchmark rates or changes in market interest rates may result in an increase in interest expense relative to interest income.

Inflation

In recent years, China has not experienced significant inflation, and thus inflation has not had a material impact on our results of operations. According to the National Bureau of Statistics of China, the change in Consumer Price Index in China was 2.0%, 1.6% and 2.1% for the calendar years ended 2016, 2017 and 2018, respectively.

Non-GAAP Financial Measures

We use EBITDA and Adjusted EBITDA to provide additional information about our operating performance. EBITDA refers to our earnings before interest income, income tax expense, depreciation and amortization, and finance costs. Adjusted EBITDA refers to profit before interest income, income tax expenses, depreciation and amortization, finance costs (excluding capitalized interest) and non-operating income and expenses (including fair value gains and losses on investment properties, held for trading investments at fair value through profit and loss and derivative financial instruments, foreign exchange differences, net, and gain and loss on purchase and redemption of senior notes.).

Neither EBITDA nor Adjusted EBITDA are standard measures under either U.S. GAAP or HKFRS. As our market sector 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 these types of financial measures may be useful to assess the operating performance of companies in our market sector.

As measure of our operating performance, we believe that the most directly comparable HKFRS and U.S. GAAP measure to EBITDA or Adjusted EBITDA is profit for the year. We use EBITDA in addition to profit for the year because profit for the year includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as amortization of intangible assets and interest income and interest expense. These accounting items may vary between companies depending on the method of accounting adopted by the company. By minimizing differences in capital expenditures and the associated depreciation expenses as well as reported tax positions, intangible assets amortization and interest income and expense, EBITDA provides further information about our operating performance and an additional measure for comparing our operating performance with other companies' results. Funds depicted by this measure may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments. We believe Adjusted EBITDA provides a more accurate presentation of our core earnings because it excludes non-operating income and expenses (including fair value gains and losses on investment properties, held for trading investments at fair value through profit and loss, and gain and loss on purchase and redemption of senior notes, etc.).

The table below reconciles our profit for the year under HKFRS to our definitions of EBITDA and Adjusted EBITDA for the periods indicated.

	Fiscal Year Ended March 31,			Six Months Ended September 30,	
	2017	2018	2019	2018	2019
	(HK\$ in thousands)				
Profit before taxation	6,592,254	6,783,465	5,376,775	1,919,211	1,421,477
Adjustments for					
Interest income	(71,603)	(77,945)	(89,240)	(52,215)	(82,693)
Depreciation and amortization	164,337	158,578	174,326	87,383	100,329
Finance costs	275,478	294,771	530,858	302,074	302,333
EBITDA	6,960,466	7,158,869	5,992,719	2,256,453	1,741,446
Adjustments for					
Fair value gains on investment properties	(4,549,509)	(4,378,474)	(2,793,403)	(875,971)	(278,361)
Loss on redemption of senior notes .	178,317	89,876	–	–	–
Gain on repurchase of senior notes .	(597)	–	(94,607)	(70,283)	(18,177)
Fair value (gains)/losses on held for trading investments at fair value through profit or loss	(3,770)	4,461	(1,003)	(1,206)	8,531
Equity settled share option expense .	30,612	42,065	14,595	13,568	1,006
Provision for impairment of trade receivables	73,885	112,134	86,115	26,277	58,222
Adjusted EBITDA	2,689,404	3,028,931	3,204,416	1,348,838	1,512,667

You should not consider our definitions of EBITDA and Adjusted EBITDA in isolation or construe such definitions as an alternative to profit for the year or any other standard measure under HKFRS or U.S. GAAP or as an indicator of operating performance. Our definitions of EBITDA and Adjusted EBITDA do not account for taxes, interest income, depreciation and amortization and finance costs. Our EBITDA and Adjusted EBITDA measures may not be comparable to similarly titled measures used by other companies.

INDUSTRY OVERVIEW

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

Overview of the PRC Economy

Over the last decade, China has experienced significant economic growth, largely as a result of the government's post-1978 economic reforms. China's accession to the World Trade Organization (the "WTO"), in 2001 has further accelerated the reform of the PRC economy. China's economic growth has primarily been driven by increased consumer spending as well as increased government spending on infrastructure and private sector investments in land developments. Real estate investment increased to RMB12.0 trillion in 2018 from RMB6.2 trillion in 2011, representing a CAGR of approximately 9.9%. Retail sales of consumer goods have reached RMB38.1 trillion in 2018 as compared to RMB18.7 trillion in 2011, a more than 104% increase in the past seven years. In addition, China is one of the fastest growing economies in the world, with a nominal GDP CAGR of 9.14% from 2011 to 2018, reaching approximately RMB90.0 trillion in 2018.

The table below sets forth selected annual data relating to the PRC economy for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	48,794.0	53,858.0	59,296.3	64,128.1	68,599.3	74,006.1	82,075.4	90,031.0
Per capita GDP (RMB)	36,403	40,007	43,852	47,203	50,251	53,935	59,660	N/A
Foreign direct investment (USD million)	124.0	121.1	123.9	128.5	135.6	133.7	136.3	135.0
Fixed asset investment (RMB billion)	30,193.3	36,483.5	43,652.8	50,200.5	55,159.0	59,650.1	63,168.4	63,563.6
Consumer price index	105.4	102.6	102.6	102.0	101.4	102.0	101.6	102.1
Real estate investment (RMB trillion)	6.2	7.2	8.6	9.5	9.6	10.3	11.0	12.0
Retail sales of consumer goods (RMB trillion)	18.7	21.4	24.3	27.2	30.1	33.2	36.6	38.1
Urban disposable income per capita (RMB)	21,427	24,127	26,467	28,844	31,195	33,616	36,396	39,251

Source: National Bureau of Statistics of China.

Regional Growth in the PRC Economy

Guangdong Province

Guangdong Province is located in the heart of the Pearl River Delta, adjacent to Hong Kong to its south. It covers a total area of approximately 179,813 sq.km., and had a population of approximately 111.7 million as of December 31, 2017. The Pearl River Delta has been an important economic region in China with significant development and growth over the past decades. In line with the economic growth in Guangdong Province, the purchasing power of Guangdong residents has increased significantly over the years, which has supported the growth of the real estate market in Guangdong Province. In 2017, the per capita GDP of Guangdong Province increased by approximately 9.2% as compared to 2016.

The table below sets forth selected economic statistics for Guangdong Province for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	5,321.0	5,706.8	6,247.5	6,781.0	7,281.3	8,085.5	8,970.5	9,727.8
As % of PRC GDP	10.9%	10.6%	10.5%	10.6%	10.6%	10.9%	10.9%	10.8%
Per capita GDP (RMB)	50,807	54,095	58,833	63,469	67,503	74,106	80,932	N/A
Per capita GDP growth rate	13.6%	6.5%	8.8%	7.9%	6.4%	9.8%	9.2%	N/A
Consumer price index	105.3	102.8	102.5	102.3	101.5	102.3	101.5	102.2
Fixed asset investment (RMB billion)	1,706.9	1,875.1	2,280.8	2,629.4	3,034.3	3,330.4	3,776.2	N/A
Retail sales of consumer goods (RMB billion)	2.0	2.3	2.5	2.8	3.2	3.5	3.8	4.0

Source: Statistics Bureau of Guangdong Province, National Bureau of Statistics of China.

Jiangxi Province

Jiangxi Province, located in the southern part of China with the Yangtze River as its northern border, comprises approximately 166,900 sq.km. in area. According to the Statistics Bureau of Jiangxi Province, as of December 31, 2017, Jiangxi Province had a population of approximately 46.2 million. In 2017, the per capita GDP of Jiangxi Province increased by approximately 7.5% as compared to 2016.

The table below sets forth selected economic statistics of Jiangxi Province for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	1,170.3	1,294.8	1,441.0	1,571.5	1,672.4	1,849.9	2,000.6	2,198.5
As % of PRC GDP	2.4%	2.4%	2.4%	2.5%	2.4%	2.5%	2.4%	2.4%
Per capita GDP (RMB)	26,150	28,800	31,930	34,674	36,724	40,400	43,424	N/A
Per capita GDP growth rate	23.0%	10.1%	10.9%	8.6%	5.9%	10.0%	7.5%	N/A
Consumer price index	105.2	102.7	102.5	102.3	101.5	102.0	102.0	102.1
Fixed asset investment (RMB billion)	908.8	1,077.4	1,285.0	1,507.9	1,738.8	1,969.4	2,208.5	N/A
Retail sales of consumer goods (RMB trillion)	0.4	0.4	0.5	0.5	0.6	0.7	0.7	0.8

Source: Statistics Bureau of Jiangxi Province, National Bureau of Statistics of China.

Guangxi Zhuang Autonomous Region

Guangxi Zhuang Autonomous Region, located in Southwest China, comprises approximately 236,700 sq.km. in area. Because of its shared border with Vietnam and its proximity to Guangzhou and Hong Kong, Guangxi Zhuang Autonomous Region is an important commercial center that provides China strategic access to Southeast Asia. According to the Statistics Bureau of Guangxi Zhuang Autonomous Region, as of December 31, 2017, Guangxi Zhuang Autonomous Region had a population of approximately 48.9 million. In 2017, the per capita GDP of Guangxi Zhuang Autonomous Region increased by approximately 0.2% as compared to 2016.

The table below sets forth selected economic statistics of Guangxi Zhuang Autonomous Region for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	1,172.1	1,303.5	1,445.0	1,567.3	1,680.3	1,831.8	1,852.3	2,035.3
As % of PRC GDP	2.4%	2.4%	2.4%	2.4%	2.4%	2.5%	2.3%	2.3%
Per capita GDP (RMB)	25,326	27,952	30,741	33,090	35,190	38,027	38,102	N/A
Per capita GDP growth rate	25.3%	10.4%	10.0%	7.6%	6.3%	8.1%	0.2%	N/A
Consumer price index	105.9	103.2	102.2	102.1	101.5	101.6	101.6	102.3
Fixed asset investment (RMB billion)	799.1	980.9	1,190.8	1,384.3	1,622.8	1,823.7	2,049.9	N/A
Retail sales of consumer goods (RMB trillion)	0.4	0.5	0.6	0.6	0.6	0.7	0.8	N/A

Source: Statistics Bureau of Guangxi Province, National Bureau of Statistics of China.

Shaanxi Province

Shaanxi Province, located at the east side of Northwest China, comprises approximately 205,800 sq.km. in area. According to the Statistics Bureau of Shaanxi Province, as of December 31, 2018, Shaanxi Province had a population of approximately 38.4 million. In 2017, the per capita GDP of Shaanxi Province increased by approximately 12.3% as compared to 2016.

The table below sets forth selected economic statistics of Shaanxi Province for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	1,251.2	1,445.1	1,620.5	1,769.0	1,802.2	1,940.0	2,189.9	2,443.8
As % of PRC GDP	2.6%	2.7%	2.7%	2.8%	2.6%	2.6%	2.7%	2.7%
Per capita GDP (RMB)	33,464	38,564	43,117	46,929	47,626	51,015	57,266	N/A
Per capita GDP growth rate	23.3%	15.2%	11.8%	8.8%	1.5%	7.1%	12.3%	N/A
Consumer price index	105.7	102.8	103.0	101.6	101.0	101.3	101.6	102.1
Fixed asset investment (RMB billion)	707.3	886.3	1,103.2	1,235.5	1,407.4	1,419.8	604.1	N/A
Retail sales of consumer goods (RMB trillion)	0.4	0.5	0.5	0.6	0.7	0.7	0.8	0.9

Source: Statistics Bureau of Shaanxi Province, National Bureau of Statistics of China.

Henan Province

Henan Province, located in the central part of China, comprises approximately 167,000 sq.km. in area. According to the Statistics Bureau of Henan Province, as of December 31, 2017, Henan Province had a population of approximately 95.6 million. In 2017, the per capita GDP of Henan Province increased by approximately 9.6% as compared to 2016.

The table below sets forth selected economic statistics of Henan Province for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	2,693.1	2,959.9	3,219.1	3,493.8	3,700.2	4,047.2	4,455.3	4,805.6
As % of PRC GDP	5.5%	5.5%	5.4%	5.4%	5.4%	5.5%	5.4%	5.3%
Per capita GDP (RMB)	28,661	31,499	34,211	37,072	39,123	42,575	46,674	N/A
Per capita GDP growth rate	17.2%	9.9%	8.6%	8.4%	5.5%	8.8%	9.6%	N/A
Consumer price index	105.6	102.5	102.9	101.9	101.3	101.9	101.4	102.3
Fixed asset investment (RMB billion)	1,776.9	2,145.0	2,608.7	3,078.2	3,566.0	4,041.5	4,449.7	N/A
Retail sales of consumer goods (RMB trillion)	0.9	1.1	1.2	1.4	1.6	1.8	2.0	2.1

Source: Statistics Bureau of Henan Province, National Bureau of Statistics of China.

Heilongjiang Province

Heilongjiang Province, located in the north eastern part of China, comprises approximately 460,000 sq.km. in area. According to the Statistics Bureau of Heilongjiang Province, as of December 31, 2017, Heilongjiang Province had a population of approximately 37.9 million. In 2017, the per capita GDP growth rate of Heilongjiang Province increased by approximately 3.7% as compared to 2016.

The table below sets forth selected economic statistics of Heilongjiang Province for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	1,258.2	1,369.2	1,445.5	1,503.9	1,508.4	1,538.6	1,590.3	1,636.2
As % of PRC GDP	2.6%	2.5%	2.4%	2.3%	2.2%	2.1%	1.9%	1.8%
Per capita GDP (RMB)	32,819	35,711	37,697	39,226	39,462	40,432	41,916	N/A
Per capita GDP growth rate	21.2%	8.8%	5.6%	4.1%	0.6%	2.5%	3.7%	N/A
Consumer price index	105.8	103.2	102.2	101.5	101.1	101.5	101.3	102.0
Fixed asset investment (RMB billion)	747.5	969.5	1,145.3	982.9	1,018.3	1,064.8	1,129.2	N/A
Retail sales of consumer goods (RMB trillion)	0.5	0.5	0.6	0.7	0.8	0.8	0.9	N/A

Source: Statistics Bureau of Heilongjiang Province, National Bureau of Statistics of China.

Anhui Province

Anhui Province, located in the Yangtze River Delta, comprises approximately 140,126 sq.km. in area. According to Statistics Bureau of Anhui Province, as of December 31, 2017, Anhui Province had a population of approximately 62.6 million. In 2018, the per capita GDP of Anhui Province increased by approximately 9.9% as compared to 2017.

The table below sets forth selected economic statistics of Anhui Province for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	1,530.1	1,721.2	1,922.9	2,084.9	2,200.6	2,440.8	2,701.8	3,000.7
As % of PRC GDP	3.1%	3.2%	3.2%	3.2%	3.2%	3.3%	3.3%	3.3%
Per capita GDP (RMB)	25,659	28,792	32,001	34,425	35,997	39,561	43,401	47,712
Per capita GDP growth rate	22.8%	12.2%	11.1%	7.6%	4.6%	9.9%	9.7%	9.9%
Consumer price index	105.6	102.3	102.4	101.6	101.3	101.8	101.2	102.0
Fixed asset investment (RMB billion)	1,245.6	1,542.6	1,862.2	2,187.6	2,438.6	2,703.3	2,927.5	N/A
Retail sales of consumer goods (RMB trillion)	0.5	0.6	0.7	0.8	0.9	1.0	1.1	1.2

Source: Statistics Bureau of Anhui Province, National Bureau of Statistics of China.

Chongqing

Chongqing, located at the confluence of the Jialing River and Yangtze River in central China, comprises approximately 82,000 sq.km. in area. According to the Chongqing Municipal Statistics Bureau, as of December 31, 2017, Chongqing had a population of approximately 30.8 million. In 2017, the per capita GDP of Chongqing increased by approximately 8.4% as compared to 2016.

Chongqing is a transportation hub and an industrial powerhouse which has benefitted from the central government's "Go West Policy" promoted in 2000, a central initiative that aims to narrow the development gap between China's coastal areas and its other regions. China's western provinces have witnessed accelerated investment as a result of the central government's efforts, such as lower corporate income tax rate across the western region. Chongqing, at the heart of these policies, has grown significantly with the increased capital injection.

The table below sets forth selected economic statistics for Chongqing for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	1,001.1	1,141.0	1,278.3	1,426.3	1,571.7	1,774.1	1,942.5	2,036.3
As % of PRC GDP	2.1%	2.1%	2.2%	2.2%	2.3%	2.4%	2.4%	2.3%
Per capita GDP (RMB)	34,500	38,914	43,223	47,850	52,321	58,502	63,442	N/A
Per capita GDP growth rate	25.0%	12.8%	11.1%	10.7%	9.3%	11.8%	8.4%	N/A
Consumer price index	105.3	102.6	102.7	101.8	101.3	101.8	101.0	102.0
Fixed asset investment (RMB billion)	747.3	873.6	1,043.5	1,228.5	1,435.3	1,604.8	1,753.7	N/A
Retail sales of consumer goods (RMB trillion)	378	440	506	571	642	727	807	N/A

Source: Chongqing Municipal Statistics Bureau, National Bureau of Statistics of China.

The Trade Center Market in the PRC

Overview

Trade centers are wholesale markets in which groups of merchants can display and sell their goods. The trade center market within China is highly fragmented, with a large number of trade centers that vary widely in GFA and on industry focus. Many trade centers in China tend to specialize in one industry sector, such as textile and clothing, leather and accessories, electronics, printing and metals products and hardware. There are a limited number of trade centers in China with a GFA in excess of 400,000 sq.m. that offer products in more than one industry sector and have a comprehensive range of supporting services and facilities. In the last five years, many wholesale trade centers have been built in China. Most of these trade centers are clustered in industrial centers such as the Pearl River Delta, the Yangtze River Delta and the Bohai-Ring surrounding the Beijing region, as well as in regional transportation hubs throughout the country, for easy access to transportation systems. As a developer and operator of large integrated logistics and trade centers, we sell and lease units in our trade centers, which is consistent with the industry practice of other trade center developers and operators.

According to Colliers International, there is growing demand in China for trade centers that are owned and operated by a single entity and are well-managed, large-scale and integrated. Due to reduced efficiencies and competition that could arise in trade centers operated by several operators, trade centers with one operator tend to achieve relatively better operational results and higher occupancy rates, leading to higher rental rates in the market. Trade centers in China are also expected to increase in size and scope and may expand to include upstream and/or downstream facilities and supporting services. In addition, due to increased competition in the market, with many trade centers planned for development in the near future, small, randomly scattered specialized markets in downtown areas are combining and moving to suburban areas with good transportation networks and opportunities for expansion.

So far, one of the significant changes in the trade center market in China is the rapid development of integrated trade centers, which play an important role in driving economic growth, as many city governments are increasingly developing urban planning schemes for the development of retail facilities. To better integrate scattered specialized trade centers within a particular industry around cities or regions, integrated trade centers often contain several industries and can realize value from a variety of services and facilities like exhibition, trade, logistics, electronic businesses, and export. Integrated trade centers are with very competitive, considering that they can attract both retailers and purchasers with large scale, industrial agglomeration, one-stop purchasing, and modern operations, and management, among other advantages. Therefore, growth in large-scale integrated trade centers, in conjunction with China's increasing presence as a global manufacturing and export center, has increased demand for trade centers with logistics services, because logistics services increase efficiency in, and decrease transportation and logistical costs for, business transactions.

In 2016, China adopted its 13th Five-Year Plan which outlines China's goals, principles and targets for its development through to 2020. The plan sets an annual GDP growth target of 6.5% over the next 5 years, reflecting the central government's long-term goal of doubling China GDP and household income in the decade from 2010 to 2020. In line with China's "Belt and Road" strategy, urbanization and infrastructure investment remain high priorities with plans to coordinate regional development and road, rail and port infrastructure to tie the country together. Such policies are favorable to the development of the Chinese logistics and E-commerce sectors.

The Trade Center Industry in Guangdong Province

Guangdong Province has become a major center of manufacturing in China. In 2018, Guangdong Province had a GDP of approximately RMB9,727.8 billion, which accounted for 10.8% of China's total GDP.

Many industries, including the textile and clothing, leather manufacturing, hardware and construction materials, home appliances, electronics and furniture industries are located in the Greater Pearl River Delta. Within Guangdong Province, Dongguan, Shenzhen and Huizhou are centers of electronics and telecommunications equipment manufacturing. Zhuhai, Zhongshan, Shunde and Jiangmen are centers for home appliances and other household consumer durables, non-durable products and hardware products. Guangzhou, Foshan, Nanhai and Zhaoqing are centers for electricity, machinery, steel, shipbuilding, textiles and construction materials. In addition, Guangzhou is an emerging area for automobile manufacturing, software development and chemical manufacturing.

The Shenzhen Government issued a Notice to Optimize the Allotment of City Space Resources and to Promote the Industrial Transformation and Upgrades in 2013. According to the notice, the government will continue to push forward the marketization of industrial properties, including expanding the approval scale of industrial properties for sale.

The Twelfth-Five Year Plan of Shenzhen Commercial and Trading Circulation Industry (深圳市商貿流通業發展十二五規劃) also indicates that Shenzhen will speed up the construction of international trade centers and logistics distribution centers, and will strengthen the land allocation and infrastructure construction for sub-urban shopping centers, large trade centers or wholesale centers.

The Trade Center Industry in Jiangxi Province

In 2018, Jiangxi Province had a GDP of RMB2,198.5 billion, which accounted for approximately 2.4% of China's total GDP.

Jiangxi Province issued a notice on Strong Development and Construction of Core Growth Industries in Nanchang in 2012 (江西省人民政府關於全力支持南昌發展打造核心增長極的若干意見).

According to the above notice, the Government will speed up the construction of modern services cluster areas, including construction of Longtougang Integrated Logistics Park, China South City, Nanchang Small Commodity City and will continue to build modern logistics areas, which will be allowed to radiate into neighboring regions, including Jiangxi Province.

Jiangxi Province further issued a notice on Stronger Economic and Social Authority for Nanchang in 2016 (江西省人民政府關於賦予南昌市更大經濟社會管理權限的意見). According to the notice, the Government will grant the local government of Nanchang more decision-making authority on various development areas for Nanchang, such as approval for modern infrastructure projects, transportation management and tourism management.

The Nanchang trade center market is fragmented, with numerous small trade centers. Several trade centers also provide logistics services. Many of the trade centers in Nanchang are often limited to one industry sector. There are currently no large-scale integrated trade centers in Nanchang.

The Trade Center Industry in Guangxi Zhuang Autonomous Region

Guangxi Zhuang Autonomous Region is developing into a regional trade center due to its proximity to ASEAN countries, such as Vietnam, Laos and Myanmar. In 2018, Guangxi Zhuang Autonomous Region had a GDP of RMB2,035.3 billion which accounted for approximately 2.3% of China's total GDP.

According to Colliers International, the manufacturing industries in Guangxi are focused on light finished goods, such as clothing, footwear, furniture, and household appliances while the heavy manufacturing and raw materials industries are less developed in the region. The automobile parts and the decoration materials industries in Guangxi are also growing due to increased rates of real estate development and urbanization.

Nanning, the capital of Guangxi Zhuang Autonomous Region, has traditionally not been a manufacturing center but has instead focused on the service industry as a result of the rapid economic development of the region. According to Guangxi Provincial Planning Regarding the North Bay Economic Development (廣西北部灣經濟區發展規劃), Nanning will be developed to be an international trade and business, logistics base, and the large trade centers will be one of the mainstays of the city's economy.

The existing trade centers in Nanning mostly cover the souvenirs, construction materials and automobile markets. However, as the permanent host of the annual China-ASEAN Expo, the city is exposed to greater economic opportunities, and has started to develop and promote other industry sectors such as textiles and Chinese medicine, according to Colliers International.

The Nanning trade center market is currently fragmented with a range of trade centers varying in size and type of industries represented.

Logistics services are also available on-site at many of the trade centers. Most of the trade centers in Nanning are focused on one industry, with a lack of integrated, multi-industry trade centers with supporting logistics and auxiliary services.

The Trade Center Industry in Shaanxi Province

In 2018, Shaanxi Province had a GDP of RMB2,443.8 billion, which accounted for approximately 2.7% of China's total GDP.

There are more than 10 major trade centers located in Xi'an, the capital of Shaanxi Province.

Currently, most of the trade centers focus on selling finished goods.

The Xi'an trade center market is fragmented, with numerous small trade centers. Several trade centers also provide logistics services. Many of the trade centers in Xi'an are often limited to one industry sector.

The Trade Center Industry in Henan Province

In 2018, Henan Province had a GDP of RMB4,805.6 billion, which accounted for approximately 5.3% of China's total GDP.

Zhengzhou, the capital of Henan Province, is a traditional wholesale market center in north China. There are a variety of small to medium-sized trade centers in Zhengzhou, the majority of which are specialized in their industry focus, rather than integrated, and most which are selling finished goods. The main trade sectors include construction and decoration products, food, small commodities, and others.

The Trade Center Industry in Heilongjiang Province

In 2018, Heilongjiang Province had a GDP of RMB1,636.2 billion, which accounted for approximately 1.8% of China's total GDP.

Harbin, the capital of Heilongjiang Province, is a major city in northeast China and is also a key national base for green food production, equipment manufacturing and the high-tech industry.

The Harbin Municipal Government issued Plans for Construction of a Commodity Market System (Commercial Network) in Harbin (哈爾濱市商品市場體系(商業網點)建設規劃) in April 2013, which plans for certain supermarkets and wholesale markets to be relocated to alleviate traffic congestion in order to promote urbanization, which includes China South City's trade centers in Harbin.

In addition, Harbin will accelerate the construction of the East Harbin Modern Logistics Industry Region (哈東現代物流產業帶), which consists of the logistics industry region and 2 associated industrial zones, covering an aggregate site area of 114.6 sq.km. including 32.3 sq.km. in the Daowai District, 25.2 sq.km. in the Xiangfang District, and 5.2 sq.km. in the A Cheng District. Daowai Logistics Industry Zone (道外物流產業園區) was selected to be the core area to start (核心起步區), which is led by the China South City Project, the largest trade center investment in Heilongjiang Province.

The Trade Center Industry in Anhui Province

In 2018, Anhui Province had a GDP of RMB3,000.7 billion, which accounted for approximately 3.3% of China's total GDP.

Hefei, the capital of Anhui Province, is a traditional manufacturing city, and output of manufacturing of automobile, household appliances, etc., increased significantly in recent years.

There are a variety of small trade centers in Hefei, the majority of which are specialized, in their industry focus, rather than integrated, and most are selling finished goods.

The Hefei trade center market is fragmented, with numerous small trade centers. Several of these trade centers also provide logistics services. Many of the trade centers in Hefei are limited to one industry sector like clothing or construction and decoration products. There are currently no large scale integrated trade center in Hefei.

The Trade Center Industry in Chongqing

Chongqing is a transportation hub and an industrial powerhouse in China. In 2018, Chongqing had a GDP of RMB2,036.3 billion, which accounted for approximately 2.3% of China's total GDP.

Chongqing is located at the start point of Silk Road Economic Belt, in accordance with the "Belt and Road" economic initiative proposed by President Xi Jinping in 2013. Chongqing has daily direct train services to Europe, the Yuxinou Railway, which cuts time and costs to compete with maritime shipments. Chongqing has been approved as one of China's four first-tier port terminal open to international trade. These initiatives are favorable to the logistics and trade center business activities in Chongqing.

According to the "Opinion on Increasing Pace to Establish Trade Centers in Upper Yangtze River Region (關於加快建設長江上游地區商貿物流中心的意見)" issued by Chongqing Municipal Government in 2013, the government will continue to launch various initiatives to speed up the trade centers industry in Upper Yangtze River Region, and, in particular, will build core trade center regions in Chongqing by 2017-2020.

The Logistics Industry in China

Overview

The logistics industry comprises the procurement, purchasing, inventory, warehousing, distribution and transportation of goods and services from point of origin to point of consumption by the ultimate consumer. Third-party logistics is a relatively new industry in China. Traditionally, independent trucking companies, warehouse operators, railway agencies, freight forwarders and carriers have provided logistics services to enterprises in China. Of the enterprises registered as logistics services providers in China in 2006, the majority were confined to a segment of the supply chain, such as warehousing or point-to-point transportation, without the capability of providing comprehensive logistics services encompassing all segments of their customers' supply chain.

As foreign trade is more concentrated in China's coastal regions, the main locations in China for transportation and logistics services, including warehousing and distribution of goods, have traditionally been the Greater Pearl River Delta and the Yangtze River Delta. These regions are in proximity to the primary ports in China of Hong Kong, Shenzhen and Shanghai. However, as domestic trade in China continues to grow and the number of trade centers increase at regional hubs of transportation to cater to local markets, the need for transportation and logistics services will also increase in areas away from China's coastal regions.

Since its accession to the WTO in 2001, the PRC has adopted new liberalization policies in the logistics industry, which is expected to have a significant positive impact on China's transportation and logistics industry. Foreign logistics providers are now permitted to operate transportation and logistics services in China without geographic restrictions. The activities in China permitted of foreign logistics providers include: (1) freight forwarding operations; (2) storage and warehousing operations; (3) road freight transportation; (4) maritime transportation (subject to a limitation of 49% foreign equity ownership for certain types of activities); (5) air transportation (subject to a maximum 35% foreign equity ownership); and (6) wholesale and retail distribution of general goods.

Drivers for Growth

The major factors contributing to the growth in the logistics industry in China have been China's growing importance as a manufacturing and export center, as well as the overall growth in global trade, which has been driven by growth in both domestic and foreign trade of the PRC.

China has taken advantage of its lower production costs and a plentiful supply of inexpensive labor compared with more developed countries, and an increasingly sophisticated transportation infrastructure, to become a manufacturing and export center. As exports from China grow as a result of increased outsourcing of manufacturing to China, the number of manufacturing facilities in China and the amount of foreign direct investment, particularly in the manufacturing industry, in China will continue to grow. In 2015, the PRC was one of the major foreign trading nations in terms of trade volume, with total foreign trade volume of approximately US\$3,963.2 billion, representing an 8.0% decrease compared to 2014.

Between 2011 and 2018, China's exports volumes grew at compounded annual growth rates of 3.93%. China's exports in 2018 increased to US\$2,487.0 billion, representing increase of 9.9%, compared to 2017.

The table below presents information relating to China's foreign trade for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
	(in billions of US\$, except for percentages)							
Exports	1,898.4	2,048.7	2,209.0	2,342.3	2,273.5	2,097.6	2,263.3	2,487.0
Imports	1,743.5	1,818.4	1,950.0	1,959.2	1,679.6	1,587.9	1,843.8	2,135.9
Balance of trade	154.9	230.3	259.0	383.1	593.9	509.7	419.6	351.1
Exports as percentage of imports . .	108.9%	112.7%	113.3%	119.6%	135.4%	132.2%	122.8%	116.4%

Source: National Bureau of Statistics of China, General Administration of Customs.

The trend towards outsourcing logistics is another growth factor in the logistics industry in China. The major factor for increased outsourced logistics activity is a desire to reduce logistics costs. Although labor costs are low in China, processes are not streamlined, and information systems and automated processes are undeveloped. The PRC government is taking steps to improve the logistics infrastructure. Since 2007, the PRC spent a substantial amount on logistics assets and infrastructure. A substantial portion of the expenses was for transportation improvements, particularly for the rail and roadway infrastructure.

Furthermore, the recent WTO accession agreement has allowed the logistics industry in the PRC to be fully opened to foreign companies, which should increase demand for warehouses and logistics facilities throughout China. Also driving demand for warehouses and logistics facilities is the increase in trade and exports between China and Hong Kong resulting from the Closer Economic Partnership Arrangement, or CEPA, signed in 2003. Under CEPA, all goods made in Hong Kong (except certain prohibited articles) can be exported to China and enjoy zero tariffs, and all goods made in China can be exported to Hong Kong and enjoy zero tariffs.

Real Estate Market in the PRC

Overview

In 1990, the State Council issued the Provisional Regulations of the PRC Concerning the Grant and Assignment of the Right to Use State Land in Urban Areas (the "Urban Land Regulations"). These rules, together with other land regulations and general economic growth in the PRC, have contributed to the significant growth experienced by the PRC property market since 1995.

The PRC property market continues to grow as evidenced by the increase in prices for property in China from 2011 to 2018. The average price per sq.m. for the overall property market, including residential and commercial property, was approximately RMB8,737 in 2018, compared to approximately RMB7,892 in 2017. The increase in land prices in the PRC is due to a number of factors, including the limited supply of land in favorable locations and competition among developers for the land. In response to the global economic downturn since 2009, the PRC government has adopted increasingly flexible macroeconomic policies to ease the economic downturn pressure.

The table below sets forth selected data relating to the PRC real estate market for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Supply indicators:								
Investment in real estate (RMB billion)	6,179.7	7,180.4	8,601.3	9,503.6	9,597.9	10,258.1	10,979.9	12,026.4
GFA of commercial properties sold (sq.m. in millions)	1,093.7	1,113.0	1,305.5	1,206.5	1,284.9	1,573.5	1,694.1	1,716.5
GFA of properties under construction (sq.m. in millions)	5,067.8	5,734.2	6,655.7	7,264.8	7,356.9	7,589.7	7,814.8	8,223.0
GFA of new developments (sq.m. in millions)	1,912.4	1,773.3	2,012.1	1,795.9	1,544.5	1,669.3	1,786.5	2,093.4
Demand indicators:								
Average sales price of residential commodity properties (RMB per sq.m.)	4,993	5,430	5,850	5,933	6,472	7,203	7,614	8,544
Average sales price of all properties, including residential, commercial, office and other properties (RMB per sq.m.)	5,357	5,791	6,237	6,324	6,793	7,476	7,892	8,737

Source: National Bureau of Statistics of China.

The PRC government has implemented a series of measures to tighten control of the property market since 2003. In March 2005, the PRC government instituted eight measures to rein in speculation in the residential property market, slow the growth of residential property prices and regulate the real estate industry. These measures included increasing the minimum required down payment to 30% of the total purchase price, eliminating the preferential mortgage interest rate for residential housing, imposing a business tax of 5% for sales within two years of purchase, and prohibiting reselling unfinished properties before they are completed. In 2006, the PRC government implemented additional land supply, bank financing and other measures to curtail fast increases in property prices, to encourage the development of middle- to low-end housing and promote healthy development of the PRC real estate industry. In 2007, the PRC government continued to institute measures to manage the rapid growth of the property market and provide a further regulatory framework to the property market. These measures included limiting access to capital by foreign-invested enterprises in various aspects, such as, limitations on the ability of foreign-invested enterprises to raise funds offshore and restrictions on the conversion and sale of foreign exchange into the capital account. In addition, the PRC government also imposed new requirements which must be satisfied prior to commencing the development of real estate investment projects and created further restrictions on obtaining loans from commercial banks. For further information on these measures, see “Regulation — Regulations on Foreign-Invested Real Estate Enterprises.”

During 2007 to 2008, in response to the current global economic downturn and corresponding decline in the rate of growth of the PRC economy, the PRC government reversed certain policies with respect to the domestic property market, including the announcement and adoption of new measures specifically designed to encourage development of the domestic property market.

From 2009 to 2011, on the basis of global economic recovery and steady increase in the rate of growth of the PRC economy, the PRC government instituted several policies in attempt to curb overheating land and housing prices. Policies and measures instituted include adjustments to the rate of the savings deposit reserve fund, interest rate, taxes related to real estate, land supply and affordable housing construction. Furthermore, several first-tier cities in China have promulgated policies to further curb increasing housing prices and restrain speculation in the real estate market.

Real Estate Market in Guangdong Province and Shenzhen

Guangdong Province

According to the National Bureau of Statistics of China, a total GFA of approximately 76.2 million sq.m. of commodity properties was completed in Guangdong Province in 2018, representing a decrease of approximately 7.1% compared to 2017, and a total GFA of approximately 143.4 million sq.m. of commodity properties was sold in Guangdong Province in 2018, representing a decrease of approximately 10.2% as compared to 2017.

The table below sets forth certain information relating to the property market in Guangdong Province for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (sq.m. in millions)	61.4	63.6	62.7	73.3	60.4	65.9	82.0	76.2
GFA sold (sq.m. in millions)	74.3	79.0	98.4	93.2	116.8	146.1	159.6	143.4
% of total GFA sold in the PRC	6.8%	7.1%	7.5%	7.7%	9.1%	9.3%	9.4%	8.4%

Source: National Bureau of Statistics of China.

Shenzhen

Shenzhen, which is the second largest city in Guangdong Province by developed land area, is located in the southern region of Guangdong Province. Highways, railways and waterways connect Shenzhen to nearby Hong Kong and Macau. According to the Statistics Bureau of Shenzhen, as of December 31, 2017, Shenzhen had a population of approximately 12.5 million. In 2017, Shenzhen's GDP reached approximately RMB2,249.0 billion, representing a per capita GDP of approximately RMB183,544.

The table below sets forth selected economic statistics of Shenzhen for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	1,180.7	1,332.0	1,497.9	1,644.9	1,801.4	2,008.0	2,249.0	2,422.2
Per capita GDP (in RMB)	113,316	126,765	141,474	153,677	162,599	172,453	183,544	N/A
Consumer price index	104.0	103.0	103.2	101.0	102.4	101.5	101.7	103.1

Source: Statistics Bureau of Shenzhen, National Bureau of Statistics of China.

The table below sets forth certain information relating to the property market in Shenzhen for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Investment in real estate (RMB billion)	51.5	73.7	87.7	106.9	133.1	175.7	213.1	264.1
GFA of new developments (sq.m. in millions)	5.4	9.1	13.7	9.3	12.1	9.8	9.7	15.3
Average sales price of commodity properties (RMB per sq.m.)	21,350	19,590	24,402	24,703	33,942	45,146	47,936	54,132

Source: Statistics Bureau of Shenzhen, National Bureau of Statistics.

Real Estate Market in Other Provinces

Jiangxi Province

According to National Bureau of Statistics of China, a total GFA of approximately 20.3 million sq.m. of commodity properties was completed in Jiangxi Province in 2018, and a total GFA of approximately 62.0 million sq.m. of commodity properties was sold in Jiangxi Province in 2018, an increase of approximately 6.1% as compared to 2017.

The table below sets forth certain information relating to the property market in Jiangxi Province for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (sq.m. in millions)	19.1	17.5	17.9	18.7	19.1	16.4	18.5	20.3
GFA sold (sq.m. in millions)	24.2	24.0	31.7	30.7	34.8	46.9	58.4	62.0

Source: Statistics Bureau of Jiangxi Province, National Bureau of Statistics of China.

Nanchang

Nanchang, the capital of Jiangxi Province, is located in the northern region of Jiangxi Province. Located on the Gan River and near the intersection of the Jingjiu and Zhegan Railways, Nanchang serves as an important transportation hub for Southern China. According to the Statistics Bureau of Nanchang, as of December 31, 2017, Nanchang had a population of approximately 5.5 million. In 2018, Nanchang's GDP reached approximately RMB527.5 billion.

The table below sets forth selected economic statistics of Nanchang for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	268.9	300.1	333.6	366.8	400.0	440.2	500.3	527.5
Per capita GDP (in RMB)	53,023	58,715	64,678	70,373	75,879	82,472	N/A	N/A
Consumer price index	103.0	103.0	103.1	101.1	101.7	102.8	102.0	102.0

Source: Statistics Bureau of Nanchang, National Bureau of Statistics of China.

The table below sets forth certain information relating to the property market in Nanchang for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Investment in real estate (RMB billion)	28.0	34.4	40.6	41.4	48.5	67.5	79.1	89.0
GFA of new developments (sq.m. in millions)	8.6	10.1	11.2	6.4	8.5	12.8	16.4	12.8
Average sales price of commodity properties (RMB per sq.m.)	5,939	6,419	7,101	6,589	7,126	8,218	8,527	8,561

Source: Statistics Bureau of Nanchang, National Bureau of Statistics.

Guangxi Zhuang Autonomous Region

According to the Statistics of Guangxi Zhuang Autonomous Region, a total GFA of approximately 21.9 million sq.m. of commodity properties was completed in Guangxi Zhuang Autonomous Region in 2018, and a total GFA of approximately 62.1 million sq.m. of commodity properties was sold in Guangxi Zhuang Autonomous Region in 2018, representing an increase of approximately 20.1% as compared to 2017.

The table below sets forth certain information relating to the property market in Guangxi Zhuang Autonomous Region for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (sq.m. in millions)	23.0	23.3	17.1	18.7	16.8	17.4	18.6	21.9
GFA sold (sq.m. in millions)	29.6	27.6	30.0	31.6	35.2	42.2	51.7	62.1
% of total GFA sold in the PRC . . .	2.7%	2.5%	2.3%	2.6%	2.7%	2.7%	3.1%	3.6%

Source: Statistics of Guangxi Zhuang Autonomous Region, National Bureau of Statistics of China.

Nanning

Nanning, the capital of Guangxi Zhuang Autonomous Region, is located in the southern region of Guangxi Zhuang Autonomous Region. According to the Nanning Municipal Bureau of Statistics, as of December 31, 2017, Nanning had a population of approximately 7.2 million. In 2017, Nanning's GDP reached approximately RMB411.9 billion, representing a per capita GDP of RMB57,948.

The table below sets forth selected economic statistics of Nanning for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	221.1	250.3	280.4	314.8	341.0	370.3	411.9	N/A
Per capita GDP (in RMB)	33,017	37,016	41,094	43,303	49,066	52,723	57,948	N/A
Consumer price index	101.4	103.3	103.3	100.8	102.4	101.2	102.8	102.5

Source: Nanning Municipal Bureau of Statistics.

The table below sets forth certain information relating to the property market in Nanning for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Investment in real estate (RMB billion)	39.2	36.3	41.6	55.2	65.7	85.4	95.8	110.6
GFA of new developments (sq.m. in millions)	8.7	6.9	7.2	10.5	11.2	14.9	14.9	17.1
Average sales price of commodity properties (RMB per sq.m.)	5,196	6,003	6,959	6,627	6,646	6,887	7,776	7,782

Source: China Statistics Yearbook, Nanning Municipal Bureau of Statistics, National Bureau of Statistics.

Shaanxi Province

According to the Statistics Bureau of Shaanxi Province, a total GFA of approximately 15.2 million sq.m. of commodity properties was completed in Shaanxi Province in 2018, and a total GFA of approximately 41.2 million sq.m. of commodity properties was sold in Shaanxi Province in 2018, representing an increase of approximately 5.9% as compared to 2017.

The table below sets forth certain information relating to the property market in Jiangxi Province for the periods indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (sq.m. in millions)	11.3	16.5	15.1	21.9	16.8	24.3	23.9	15.2
GFA sold (sq.m. in millions)	30.5	27.6	30.5	30.9	29.8	32.6	38.9	41.2

Source: Statistics Bureau of Shaanxi Province, National Bureau of Statistics.

Xi'an

Xi'an, the capital of Shaanxi Province, is located in the central region of Shaanxi Province. Located in the center of Northwest China, Xi'an is the key area of the West Development and the key stop for Eurasia Land Bridge with a long history. According to the Statistics Bureau of Xi'an, as of December 31, 2017, Xi'an had a population of approximately 9.1 million. In 2018, Xi'an's GDP reached approximately RMB835.0 billion, compared to approximately RMB747.2 billion in 2017.

The table below sets forth selected economic statistics of Xi'an for the periods indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	387.0	439.4	492.5	549.3	580.1	628.3	747.2	835.0
Per capita GDP (in RMB)	45,561	51,499	57,464	63,794	66,938	71,647	78,368	N/A
Consumer price index	104.9	102.0	102.4	100.5	101.8	100.5	102.9	102.1

Source: Statistics Bureau of Xi'an, National Bureau of Statistics.

The table below sets forth certain information relating to the property market in Xi'an for the periods indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Investment in real estate (RMB billion)	99.6	127.0	157.3	174.2	182.1	195.0	223.5	221.4
GFA of new developments (sq.m. in millions)	24.2	28.0	25.2	24.4	25.1	28.7	24.9	24.3
Average sales price of commodity properties (RMB per sq.m.)	6,156	6,634	6,716	6,465	6,501	6,602	8,513	10,171

Source: Statistics Bureau of Xi'an, National Bureau of Statistics.

Henan Province

According to the Statistics Bureau of Henan Province, a total GFA of approximately 66.6 million sq.m. of commodity properties was completed in Henan Province in 2018, and a total GFA of approximately 139.9 million sq.m. of commodity properties was sold in Henan Province in 2018, representing an increase of approximately 5% as compared to 2017.

The table below sets forth certain information relating to the property market in Henan Province for the periods indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (sq.m. in millions)	55.3	58.7	59.7	73.2	53.9	63.0	62.0	66.6
GFA sold (sq.m. in millions)	62.8	59.7	73.1	78.8	85.6	113.1	133.1	139.9

Source: Statistics Bureau of Henan Province, National Bureau of Statistics of China.

Zhengzhou

Zhengzhou, the capital of Henan Province, is located in the central region of Henan Province. According to the Statistics Bureau of Zhengzhou, as of December 31, 2017, Zhengzhou had a population of approximately 9.9 million. In 2017, Zhengzhou's GDP reached approximately RMB919.4 billion, representing a per capita GDP of RMB93,792.

The table below sets forth selected economic statistics of Zhengzhou for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	498.0	555.0	620.2	677.7	731.2	811.4	919.4	1,014.3
Per capita GDP (in RMB)	56,855	62,054	68,073	72,992	77,179	84,113	93,792	N/A
Consumer price index	104.2	102.2	102.5	101.8	101.2	102.1	103.2	101.4

Source: Statistics Bureau of Zhengzhou.

The table below sets forth certain information relating to the property market in Zhengzhou for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Investment in real estate (RMB billion)	92.6	109.5	144.5	174.4	200.0	277.9	335.9	325.8
GFA of new developments (sq.m. in millions)	18.6	21.7	28.1	27.5	28.3	52.9	54.5	43.6
Average sales price of commodity properties (RMB per sq.m.)	5,696	6,253	7,162	7,571	7,537	8,163	8,631	8,443

Source: National Bureau of Statistics.

Heilongjiang Province

According to National Bureau of Statistics of China, a total GFA of approximately 12.0 million sq.m. of commodity properties was completed in Heilongjiang Province in 2018, and a total GFA of approximately 19.1 million sq.m. of commodity properties was sold in Heilongjiang Province in 2018, representing a decrease of approximately 15.2% as compared to 2017.

The table below sets forth certain information relating to the property market in Heilongjiang Province for the periods indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (sq.m. in millions)	32.3	32.5	29.3	30.0	29.2	23.8	16.5	12.0
GFA sold (sq.m. in millions)	34.3	38.1	33.4	24.8	20.0	21.2	22.6	19.1

Source: National Bureau of Statistics of China.

Harbin

Harbin, the capital of Heilongjiang Province, is located in the southwest region of Heilongjiang Province. According to the Statistics Bureau of Harbin, as of December 31, 2017, Harbin had a population of approximately 10.9 million. In 2017, Harbin's GDP reached approximately RMB635.5 billion, representing a per capita GDP of RMB66,301.

The table below sets forth selected economic statistics of Harbin for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	424.2	455.0	501.7	534.0	575.1	610.2	635.5	N/A
Per capita GDP (in RMB)	42,736	45,810	50,435	53,872	59,027	63,445	66,301	N/A
Consumer price index	103.4	103.2	102.4	102.1	101.4	102.1	102.2	101.2

Source: Statistics Bureau of Harbin.

The table below sets forth certain information relating to the property market in Harbin for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Investment in real estate (RMB billion)	57.0	78.9	85.8	68.7	59.4	52.6	49.9	58.5
GFA of new developments (sq.m. in millions)	25.3	18.3	15.5	10.7	11.6	9.0	11.9	11.0
Average sales price of commodity properties (RMB per sq.m.)	5,398	5,518	6,194	6,182	6,419	6,680	8,339	9,208

Source: Harbin Statistical Yearbook, National Bureau of Statistics.

Anhui Province

According to the National Bureau of Statistics of China, a total GFA of approximately 44.9 million sq.m. of commodity properties was completed in Anhui Province in 2018, representing a decrease of approximately 5.5% compared to 2017, and a total GFA of approximately 100.4 million sq.m. of commodity properties was sold in Anhui Province in 2018, representing an increase of approximately 9% compared to 2017.

The table below sets forth certain information relating to the property market in Anhui Province for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (sq.m. in millions)	36.3	39.7	51.8	52.0	55.4	53.8	47.5	44.9
GFA sold (sq.m. in millions)	46.1	48.3	62.7	62.0	61.7	85.0	92.0	100.4

Source: National Bureau of Statistics of China.

Hefei

Hefei, the capital of Anhui Province, is located in the center of Anhui Province. According to the Statistics Bureau of Hefei, as of December 31, 2017, Hefei had a population of approximately 8.0 million. In 2017, Hefei's GDP reached approximately RMB700.3 billion, representing a per capita GDP of approximately RMB88,456.

The table below sets forth selected economic statistics of Hefei for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Nominal GDP (RMB billion)	363.7	416.4	467.3	518.1	566.0	627.4	700.3	782.3
Per capita GDP (RMB)	48,540	55,182	61,555	67,689	73,102	80,138	88,456	N/A
Consumer price index	103.8	102.1	102.5	101.5	101.9	102.8	101.0	102.1

Source: Statistics Bureau of Hefei.

The table below sets forth certain information relating to the property market in Hefei for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
Investment in real estate (RMB billion)	89.0	91.4	110.6	112.7	125.9	135.3	155.7	152.7
GFA of new developments (sq.m. in millions)	19.0	14.9	22.1	20.5	19.8	21.1	20.4	17.9
Average sales price of commodity properties (RMB per sq.m.)	6,326	6,156	6,283	7,157	7,695	9,369	10,751	12,147

Source: National Bureau of Statistics.

Real estate market in Chongqing

According to National Bureau of Statistics of China, a total GFA of approximately 65.4 million sq.m. of commodity properties was completed in Chongqing in 2018, and a total GFA of approximately 67.1 million sq.m. of commodity properties was sold in Chongqing in 2017, representing a decrease of approximately 2.6% as compared to 2015.

The tables below set forth certain information relating to the property market in Chongqing for the years indicated.

	2011	2012	2013	2014	2015	2016	2017	2018
GFA completed (million sq.m.)	34.2	39.9	38.0	37.2	46.3	44.2	50.6	40.8
GFA sold (million sq.m.)	45.3	45.2	48.2	51.0	53.8	62.6	67.1	65.4
% of total GFA sold in the PRC . . .	4.1%	4.1%	3.7%	4.2%	4.2%	4.0%	4.0%	3.8%

Source: Chongqing Municipal Statistics Bureau, National Bureau of Statistics of China.

	2011	2012	2013	2014	2015	2016	2017	2018
Investment in real estate (RMB billion)	202	251	301	363	375	373	398	425
GFA of new developments (million sq.m.)	68.2	58.1	76.4	62.5	58.1	48.8	56.8	73.9
Average sales price of commodity properties (RMB per sq.m.)	4,734	5,080	5,569	5,519	5,486	5,485	6,792	8,067

Source: Chongqing Municipal Statistics Bureau, National Bureau of Statistics of China.

HISTORY AND CORPORATE STRUCTURE

History

Our business model and concept was initially developed by Messrs. Cheng Chung Hing and Leung Moon Lam. Following various discussions among Messrs. Cheng Chung Hing, Ma Kai Cheung, Leung Moon Lam, Sun Kai Lit and Ma Wai Mo (who we collectively refer to as our founding shareholders), our founding shareholders formalized and carried out our business plan. Our five founding shareholders are either chairman or executive directors of leading manufacturing and industrial companies based in Hong Kong with operations in the Greater China Pearl River Delta region, and have extensive experience and a well-developed network of contacts in their respective industries.

Our Company was incorporated on May 8, 2002. We are listed on the Hong Kong Stock Exchange and completed our initial public offering in September 2009.

We conduct our business primarily through our subsidiaries and associated entities established in the PRC.

The following chart sets forth our corporate structure for each of our material subsidiaries, with the jurisdiction of each entity in parenthesis, as of the date of this offering memorandum:



BUSINESS

Overview

We are a leading developer and operator of large-scale, integrated logistics and trade centers in the PRC, based on GFA, industry coverage and range of ancillary services and facilities offered. Leveraging our successful experience and brand reputation, we currently have eight projects in different stages of development located in regional economic hubs in Shenzhen, Nanning, Nanchang, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing, China, with a total planned GFA of approximately 80.99 million sq.m., out of which we have acquired land use rights of approximately 42.93 million sq.m. attributable GFA as of September 30, 2019, of which approximately 18.45 million sq.m. has been completed and approximately 6.76 million sq.m. is under development as of September 30, 2019.

Our business model is built on the premise of building a flexible business model, with a portfolio of projects occupying strategic locations in major provincial capitals and municipality in China. Our large-scale integrated logistics and trade centers are designed to serve as key commercial hubs to satisfy the economic and industrial needs of the regions in which we operate, and the ancillary residential and commercial facilities are designed to facilitate the operations of our trade center occupants and their customers. Our goal is to offer convenient one-stop supply chains solutions to our trade center occupants and their customers. We serve wholesale markets for multiple industries at our trade centers, which are complemented by residential developments and comprehensive ancillary commercial facilities including logistics and warehouse, hotel, office, outlet, exhibition and conference facilities as well as E-commerce services. Our residential facilities further complement our trade center operations by providing convenient, high-quality accommodations for our trade center occupants, as well as generating cash flows to cover a portion of project-related capital expenditures. Our business model is further augmented by the on-site presence of PRC government agencies, banks and securities firms, which offer a diverse range of services to trade center occupants and other customers.

Our flexible business model is supported by various ancillary services, namely our logistics and warehousing services, outlet and furnishing center operations, property management services and exhibition and conference facilities, that complement our core business of developing and operating an integrated trade and logistics platform. We provide one-stop logistics services such as warehousing, integrated inbound/outbound services, on-site delivery and freight forwarding to our customers and comprehensive third-party service. Following the success of trade fairs at our various projects, we established a one-stop exhibition platform for organizing convention and exhibition at our projects, through which we have hosted a number of significant events which has enhanced our reputation and facilitated traffic through our trade centers. In addition, our outlet and furnishing center operations have also boosted overall traffic at our related projects and expanded our operations. We plan to further boost overall traffic by building upon our successful outlet and furnishing centers, expanding and replicating this further at our other projects. Our property management services help maintain a safe and comfortable business environment at our trade centers and ancillary facilities. We believe that this expansion of the scope of services provided will enable us to build a self-sustaining business strategy that will strengthen our overall business model.

Our first project, China South City Shenzhen, has a planned GFA of approximately 2.6 million sq.m. As of September 30, 2019, it had approximately 2.39 million sq.m. of GFA of trade centers and ancillary facilities completed and in operation, with approximately 185,000 sq.m. of GFA under development. Shenzhen city, one of the four first-tier cities in China, is strategically located at the heart of the Greater Bay Area amid an extensive transportation network.

Leveraging our success, experience and brand recognition from our China South City Shenzhen project, we have added seven additional projects:

- China South City Nanchang, with a planned GFA of approximately 6.87 million sq.m., is currently under development in Nanchang, the capital of Jiangxi Province. As of September 30, 2019, it had approximately 2.40 million sq.m. of GFA completed and approximately 426,000 sq.m. of GFA under development. As it is strategically located to serve both the Pearl River Delta and Yangtze River Delta regions, we believe that China South City Nanchang is well positioned to develop in line with the expected increase in trade within and among these regions.
- China South City Nanning, with a planned GFA of approximately 4.88 million sq.m., is currently under development in Nanning, the capital of Guangxi Zhuang Autonomous Region. As of September 30, 2019, it had approximately 1.95 million sq.m. of GFA completed and approximately 154,300 sq.m. of GFA under development. Strategically located in close proximity to Southeast Asia, we believe China South City Nanning will serve as a key hub for cross-border commodity trade with ASEAN countries.
- China South City Xi'an, with a planned GFA of approximately 17.50 million sq.m., is under development in Xi'an, the capital of Shaanxi Province, at the Xi'an International Trade and Logistics Park with access to a railway container terminal. As of September 30, 2019, it had approximately 1.79 million sq.m. of GFA completed and approximately 1.13 million sq.m. of GFA under development. China South City Xi'an is positioned to capitalize on the opportunities arising from China's strategic development of its western regions and the "Belt and Road" initiative, catering to the growing development needs in the region.
- China South City Harbin, with a planned GFA of approximately 12.00 million sq.m., is under development in Harbin, the capital of Heilongjiang Province. As of September 30, 2019, it had approximately 1.84 million sq.m. of GFA completed and approximately 1.01 million sq.m. of GFA under development. We believe that the site's location in northeast China makes it a premier hub for cross-border trade with countries in Northeast Asia, and we intend to capitalize on opportunities arising from the area's emerging development potential due to its proximity to the China-Russia border.
- China South City Zhengzhou, with a planned GFA of approximately 12.00 million sq.m., is under development in Zhengzhou, the capital of Henan Province. As of September 30, 2019, it had approximately 3.33 million sq.m. of GFA completed and approximately 2.32 million sq.m. under development. Zhengzhou is highly accessible as a primary passenger and freight hub, a convenient trading platform to promote trade among cities in central China.
- China South City Hefei, with a planned GFA of approximately 12.00 million sq.m., is under development in Hefei, the capital of Anhui Province. As of September 30, 2019, it had approximately 2.75 million sq.m. of GFA completed with approximately 961,300 sq.m. of GFA under development. Hefei is a transport and economic hub at the heart of Eastern China and China South City Hefei benefits from its strategic location in Anhui Feixi Economic Development Zone.
- China South City Chongqing with a planned GFA of approximately 13.10 million sq.m., located in Chongqing Municipality. As of September 30, 2019, it had approximately 2.00 million sq.m. of GFA completed and approximately 583,400 sq.m. of GFA under development. Chongqing City is the only direct-administered municipality in mid-western China and it is our first municipal project. China South City Chongqing is highly accessible from the city center and other regions given its strategic location in the Chongqing Highway Logistics Base.

We expect the aggregate planned GFA of these eight projects will be sufficient to support several years of development.

Recent Development

Issuance of 2019 December Notes

In December 2019 and January 2020, we issued senior notes due in February 2022 with a nominal value of US\$150 million and US\$200 million respectively, in a total of US\$350 million. These notes were consolidated and formed a single series at a coupon rate of 11.5% per annum (the “2019 December Notes”). The net proceeds of the issue was mainly for the purpose of refinancing existing indebtedness and for general corporate purposes.

Cooperation Agreement with Wanda Group

Our wholly-owned subsidiary, China South International Industrial Materials City (Shenzhen) Co. Ltd. (“China South International”), signed a cooperation agreement with Wanda Commercial Management Group Co., Ltd. (the “Wanda Group”) on December 25, 2019, to develop a new generation of Wanda Plaza at China South City Shenzhen (the “Wanda Program”). The Wanda Program has an operation term of 20 years with a total GFA of approximately 305,000 sq.m. and will overturn the existing concept of business center. While retail business accounts for only one-third in proportion, the Wanda Program mainly covers tourism and creative sports, such as trending sports hall, go-kart club, snow park, pets paradise, etc. It is also planned to build a ‘24-hour’ night economic street business center and smart business center. The Wanda Program will be commenced in 2020.

We are committed to developing a modern integrated trade and logistics platform and continuously enrich our business ecosystem to bring sustainable business development for the Group. Combined with our multi-industry trade centers, comprehensive commercial elements, E-commerce, logistics and warehousing services, local amenities, etc., the cooperation will greatly enrich the business industries of us. The new generation Wanda Program will effectively increase the customer flow, which in turn brings prosperity to the integrated trade and logistics platform and steps up the upgrade of China South City projects.

Repurchase and Cancellation of Parts of the Senior Indebtedness

We made on-market repurchase recently of parts of the 2017 March Notes in an aggregated principal amount of US\$50,000,000 (the “Repurchased Notes”), representing approximately 16.67% of the initial principal amount of the 2017 March Notes, which has been cancelled. After the cancellation of the Repurchased Notes, the outstanding principal amount of the 2017 March Notes is US\$248,500,000. We have also made several other repurchases of our Existing Notes. Please refer to our announcements of December 10, 2019 and January 7, 2020 published on the website of the Hong Kong Stock Exchange for details. The repurchase of the aforementioned notes was conducted based on the market condition and our debt profile and will improve our debt structure. We will continue to monitor the market condition, our financial structure and may repurchase Existing Notes as when appropriate.

Change of Chief Financial Officer

On November 15, 2019, our Board announced that Mr. Hui Chun Yip has resigned as the Group’s chief financial officer and Mr. Chan Mau Cheong Bryan has been appointed as the Group’s chief financial officer. Mr. Chan will be responsible for the overall financial management of the Group, establishing and maintaining investor relations and executing the Group’s capital markets financing, mergers and acquisitions and business cooperation projects. For details about Mr. Chan, please see “Management — Senior Management.”

Outbreak of COVID-19

At the end of December 2019, public health officials from China informed the World Health Organization that an unknown, new virus was causing pneumonia-like illness in the city of Wuhan. They determined that it was a coronavirus named COVID-19, and that it was rapidly spreading through and

outside of Wuhan. As of the date of this offering memorandum, over 70,000 cases had been confirmed in China. Several cities in China have been under a lockdown and 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 Our Business and Our Industry — 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 we are well-positioned to take advantage of the continuing modernization of the domestic trade and logistics facilities in China as a result of China’s call for a more efficient and consumption driven economy. Our flexible business model enables us to mitigate the impact arising from the cyclical fluctuations in the market and keep pace with market changes. We believe that we have the following competitive strengths:

Our unique flexible business model provides an integrated platform for our trade center occupants and their customers to receive a comprehensive range of trade, logistics and ancillary services

Our business model is built on a premise of building a flexible business model with a portfolio of projects occupying strategic locations in major provincial capitals and municipality in China. Our large-scale integrated logistics and trade centers are designed to serve as key commercial hubs to satisfy the economic and industrial needs of the regions in which we operate, and our residential and commercial facilities are designed to facilitate the operations and accommodation of our trade center occupants and their customers. The scale and scope of our projects attract buyers and sellers seeking to take advantage of the synergies within our integrated logistics and trade centers. Buyers are able to meet their purchasing needs for a wide range of finished and unfinished goods in multiple industries as well as effectively diversify and tailor their sourcing needs. Sellers are able to streamline their business operations by taking advantage of the full range of on-site logistics and trade solutions available at our integrated logistics and trade centers.

We believe the comprehensive range of trade, logistics and residential and commercial facilities and services offered at our trade center projects provides us with diverse revenue streams and differentiates our business model from that of traditional property developers. Furthermore, we expect sales of our residential properties to provide us with an effective means to generate cash flows to cover a portion of the capital expenditures of our projects. We have replicated the success of our China South City Shenzhen business model in Nanchang, Nanning, Xi’an, Harbin, Zhengzhou, Hefei and Chongqing.

The provision of ancillary services to complement our trade centers further strengthens our business model

We have implemented our strategy to extend our flexible business model to include various ancillary services that complement our core business of developing and operating an integrated trade and logistics platform. These ancillary services include:

- one-stop logistics services such as warehousing, integrated inbound/outbound services, on-site delivery and freight forwarding, which provide various services to customers;
- outlet and furnishing center operations which we believe have boosted overall traffic and expanded our operations;
- property management services that have enabled us to maintain a safe and comfortable business environment at our projects, which differentiates us from traditional wholesale markets and other trade centers; and
- an exhibition platform for organizing convention and exhibition services, through which we have hosted a number of significant events which enhanced our reputation and facilitated traffic through our trade centers.

We believe that these various ancillary services will enhance our self-sustaining business strategy and strengthen our overall business model by providing value-added services to our customers and increasing traffic throughout our projects. Through these services, we are able to generate a stable source of recurring income. See “— Various Ancillary Services.”

We are a solution provider for local governments and enjoy strong municipal and regional government support in the locations in which we currently operate

When selecting new sites for our projects, we strategically seek out locations in which local and regional governments have proactively expressed a desire to develop integrated logistics and trade centers in their long-term plans. We believe that our development of trade centers will help bring employment opportunities and contribute to GDP growth by generating traffic and business through our trade centers. We assist local governments with the implementation of their urbanization plans by relocating and consolidating traditional wholesale markets in the region as we develop our new trade centers. In doing so, we are able to better align our business operations with the long-term economic development plans and urbanization of the regions in which we develop and operate our projects. For example, we have been working with the local government in Zhengzhou to relocate traditional trade centers and wholesale markets as they carry out their urban planning. Such consolidation and relocation are intended to improve the efficiency of the infrastructure and transportation in the region, as well as to improve health and safety conditions such as pollution or fire safety.

As part of the relocation initiative, we are also re-grouping trade centers by industry as the traditional trade centers are relocated. As we relocate traditional wholesale markets, which typically only cover a single industry with limited management and less value-added services to suburban areas, we expect to promote our services by serving a broader range of industries and adding value by providing ancillary services for our customers. We promote our fully integrated procurement and logistics services for manufacturers, wholesalers and distributors, which we believe will attract them to our trade centers by allowing them to reduce their trading and logistic costs.

With local administrative support, representatives of the local governments undertake responsibility for establishing roads, subways, railways, bus stations and other infrastructure within the project area. For example, as part of a broader effort to improve local transportation infrastructure, government authorities have undertaken construction of new roads and other supporting infrastructure surrounding our projects as well as underground subway connection to our projects. Several PRC government agencies also maintain an on-site presence at certain of our projects to assist trade center occupants and other visitors.

We provide sufficient ancillary residential and multi-purpose properties at our projects

For our projects other than China South City Shenzhen, per the business plan of each of our projects, we aim to allocate approximately 50% of the total buildable GFA for the development of trade center units and the remaining 50% for the development of ancillary residential and commercial facilities, of which approximately 20% is to be allocated for the development of residential properties, approximately 15% for logistics and warehousing facilities and the remaining 15% for other commercial facilities. This diversified and flexible business model enables us to mitigate the impact of, and capitalize on, changes in consumer demand for commercial and residential properties as well as changes in governmental policies. We have seen a strong increase in housing demand and were able to adjust our product mix to keep pace with market changes and launched more residential and multi-purpose properties. Some of the buildable GFA for trade centers is planned to be re-allocated for multi-purpose properties, with a total planned GFA of approximately 6.7 million sq.m. from existing land reserve, of which approximately 2.0 million sq.m. are planned in the development pipeline for the fiscal year ended March 31, 2020. We have also selectively increased our residential land bank in some of our existing projects in recent years. As a result, sales of our residential properties increased from 622,300 sq.m. for the fiscal year ended March 31, 2018 to 733,500 sq.m. for the fiscal year ended March 31, 2019 mainly attributable to more residential properties being sold in the projects located in Harbin, Hefei and Chongqing during the year. For the six months ended September 30, 2019, sales of our residential

properties was 463,600 sq.m., mainly attributable to residential properties sold in Zhengzhou, Chongqing and Harbin projects. Sales of our multi-purpose properties was 249,800 sq.m., mainly attributable to multi-purpose properties sold in Nanning, Xi'an and Zhengzhou projects.

Our land has developed deeper appreciation with growing maturity in operation and the development of inter-city transportation from city center

Our trade center projects are strategically located in fast growing first tier provincial capital cities and municipality. Due to the nature of our business and the site of our projects, trade center projects we built have become primary hubs for trade of raw materials and finished goods in the respective region. That provides us with significant potential for profitability, allows us to minimize downside risk, helps increase the appreciation potential of our land reserves and allows us to offer more attractive sales and leasing terms than those offered by our competitors. Due to the growing maturity in operation and the development of transportation from the site of our projects to city center, our land has developed deeper appreciation. Therefore, we were able to maintain a high gross profit margin of 44.8%, 43.3%, 43.2%, 40.6% and 38.6%, and net profit margin attributable to the owner of the parent (excluding fair value gains on investment properties, and their related tax effects, provision for impairment loss of available-for-sale investments, impairment of goodwill, fair value gain on derivative financial instrument and profit or loss on purchase and redemption of the senior notes) of 17.2%, 17.1%, 17.0%, 8.1% and 8.6%, respectively, for the fiscal years ended March 31, 2017, 2018 and 2019 and the six months ended September 30, 2018 and 2019.

The following table sets forth the average cost of the land we acquired from the establishment of the project to September 30, 2019 for each project, respectively.

Project	Land Cost (per GFA) (RMB/sq.m. of GFA)
China South City Shenzhen	119.0
China South City Nanning	409.1
China South City Nanchang	319.2
China South City Xi'an	513.0
China South City Harbin	441.1
China South City Zhengzhou	371.4
China South City Hefei	743.9
China South City Chongqing	330.1
Weighted average	429.2

Our integrated logistics and trade centers are strategically located in accessible, fast growing first tier, provincial capital cities and municipality

Our integrated logistics and trade centers are situated in first tier provincial capital cities and municipality near well-developed transportation networks with increasing trade and economic activities. The Pearl River Delta, where China South City Shenzhen is located, represents one of the leading manufacturing and export regions in China. Similarly, China South City Nanchang, Nanning, Harbin, Xi'an, Zhengzhou, Hefei and Chongqing are located in first tier provincial capital cities and municipality which have sizeable populations and are centers of economic activities and industries in their respective province.

Within the Pearl River Delta, China South City Shenzhen is situated within 35 to 180 kilometers of four international airports as well as five container ports, including Kwai Chung Container Terminal in Hong Kong and Yantian Port in Shenzhen. In addition, China South City Shenzhen is connected to each of the major railway arteries in Southern China as well as at least 10 major highways linking each of the major cities in the Greater Pearl River Delta region. China South City Nanchang, which is one of China's important transportation hubs, and is situated at the intersection of two of China's major railway arteries,

the Jingjiu and Zhegan Railways, with ready access to major highways, airports and the largest port on the Gan River. There is a complete freight network including a cargo marshall yard, a container terminus and an international airport, together with Nanchang West Railway Station, a principal high-speed rail station located just 1.2 kilometers away from our project site. China South City Nanning, China South City Nanning is located in Nanning, a critical gateway between China and the Association of Southeast Asian Nations (“ASEAN”) member states. The project is easily accessible by railway stations, highways and an international airport. In August 2019, the State Council has officially approved to set up China (Guangxi) Pilot Free Trade Zone, establishing sea outlets for the southwestern, central-south and northwestern regions, as well as a new international land-sea trade corridor targeting the ASEAN region. China South City Xi’an is located in the Xi’an International Trade and Logistics Park in Shaanxi Province, which is well-equipped with a railway container terminal and the largest bonded area in the north western regions of China. It is highly accessible via the Xi’an City Expressway and Beijing-Kunming Expressway, Lianyungang-Khorgos Expressway, Shaanxi-Shanghai Expressway, Baotou-Maoming Expressway and other national highways. The subway line 3 passes through this area with one of the subway stations on our project sites in operation.. China South City Harbin is strategically located in Harbin, a premier hub for cross-border trade with countries in Northeast Asia; Xinxiangfang North Station of Harbin Mudanjiang high speed rail (哈牡高鐵新香坊北站), only a couple of kilometers from CSC Harbin. China South City Zhengzhou is located in Zhengzhou, which is highly accessible with extensive land and air networks as it is a main passenger and freight hub via the extensive highway and railway networks in China and its international airport; China South City Hefei is located at Anhui Feixi Economic Development Zone of Hefei, the capital of Anhui Province, and the transport and economic hub at the heart of Eastern China. China South City Chongqing is our first project in China’s municipality. The project is highly accessible to the city center and other regions given its strategic location in the Chongqing Highway Logistics Base, the state-level transportation infrastructure and large highway base in the western region.

We have a proven track record of successful development of our projects, which has earned us brand name recognition and diversified our revenue streams

China South City Shenzhen is in its third phase of development, with a total of 2.39 million sq.m. of GFA completed, including trade centers, office, residential and warehouse facilities as well as a number of hotels, restaurants and other ancillary facilities as of September 30, 2019. Over the years, we have grown from one project in Shenzhen to an industry leader with eight projects across China. We believe that this diversification of our revenue streams allows us to minimize our operational and financial risks.

We have adopted international practices and applied stringent quality control procedures with respect to the design and quality of the construction of our trade centers, which are well supported by conveniently located transportation and infrastructure. Furthermore, our complementary various ancillary services ensure that our trade centers offer a comprehensive range of convenient and value-added services for our occupants and customers. We believe that due to the size and scale of our projects, we are able to boost employment and tax revenue and contribute to GDP growth in each region in which we operate. We believe these successes have garnered us brand name recognition as an operator and developer of integrated logistics and trade centers and earned us the support of local governments. This in turn has given us leverage in negotiating the key contractual terms applicable to our projects.

We have a strong, experienced management team with a demonstrated record of success

We consider our strong and experienced senior management team to be key to the success of the development of our projects. We rely on our senior management’s experience and insight regarding important factors that contribute to the success of our projects, such as careful site selection, detailed project planning and management, stringent cost control and effective quality control. As the business becomes more diversified and complex, the Group has been carefully rationalizing its staff structure as well as bringing in new members with relevant experience and successful track record, in order to strengthen its operational capabilities and efficiency. Our senior management team also has extensive experience in operational and financial management, which we believe provides us with a key competitive advantage. Various members of our board of directors have extensive experience in

wholesale and distribution, property development, logistics and commercial operations as well as having strong representative presence in various Hong Kong and PRC industrial and commercial associations and PRC consultative bodies, including standing Committees of the Chinese People's Political Consultative Conference. The key members of our finance team are all qualified accountants with experience in financial management, mergers and acquisitions, capital markets financing and corporate restructuring. Furthermore, we have developed a strong management team with outstanding operational skills and expertise in investor relations management, project planning, construction project management, architectural design and planning and trade center management. We believe our management team's comprehensive industry background has helped us to achieve our past success and will enable us to successfully implement our growth strategies in the future.

We have a prudent development strategy for each project and for our Group as a whole

We carefully select our project locations, targeting first tier provincial capital cities and municipality with growth potential, supported by a sufficient population base, favorable government plans and strong regional demand. Each of our projects is developed in phases in order to maintain sustainable growth and development from site selection and land acquisition to planning and development. In the long run, we aim to sell no more than 50% of our completed GFA of trade center units and all of our completed GFA of our residential units and commercial facilities in order to recover our capital expenditures, while generating recurring income from the unsold portions to ensure sustainable long term revenue. We also employ a prudent development strategy on an overall basis. Since our first project in Shenzhen began to provide sustainable cash flow and revenues, we have raised funds for our expansion through our initial public offering in 2009 and various debt offerings to finance investment in our other projects in Nanchang, Nanning, Xi'an, Zhengzhou, Harbin, Hefei and Chongqing. As such, we tried to ensure that we have sufficient funding, experience and resources prior to expanding the phases or locations of our investments and operations.

Our Strategies

Our objective is to strengthen our position as one of the leading developers and operators of large-scale, integrated logistics and trade centers in the PRC. We intend to implement the following strategies:

Differentiate project positioning and functions across our eight projects

Subject to the economic status of surrounding regions, the industry basis of the respective cities, the demand for our products and services and supportive government policies, we have adopted a custom-tailored approach of differentiating product functions, business offerings and project layouts across our eight projects. Economic development in China showed disparities across regions. As such, local governments took varying development approaches and extended their support to industries with comparative advantages in their respective regions. As an influential market player in the regions in which we operate, we took full advantage of their respective local strengths and implemented differentiated strategies in different projects. For example:

- *China South City Shenzhen* — Due to the rapid growth of cross-border E-commerce business in China in recent years, we have successfully positioned China South City Shenzhen as a cross-border E-commerce hub, attracting a number of leading domestic cross-border E-commerce enterprises to our project. Its outlet has also become an influential outlet player in Southern China, with increasing visitor traffic and enhanced market position.
- *China South City Zhengzhou* — Located at the heart of an intricate network of transportation in Zhengzhou, which has long been a major logistics hub in Central China, it has become our largest project, in terms of the GFA completed. We intend to capitalize on our competitive advantages in location, facilities and scale to strengthen its core market position for trading in Central China for industries such as automobile and parts, machinery and hardware and building materials.
- *China South City Nanning* — Strategically located in the economic and political center of ASEAN, China South City Nanning is poised to capitalize on the increasing importance of

cross-border trading between China and ASEAN countries. The China-ASEAN Expo and Light Industrial Exhibition has been held at China South City Nanning for nine consecutive years and attracted numerous visitors and a number of local government bodies, reflecting its importance in the local economic and political aspect.

- *China South City Xi'an and Harbin* — Based on their respective locations, we aim to further expand their reach to cover Western and Northern China, respectively.
- *China South City Nanchang* — With support from the local government, it has strived to become an important platform embodying the provincial initiative of “Go Global”.
- *China South City Hefei* — Located in the capital of Anhui Province, a transport and economic hub at the heart of eastern China, China South City Hefei benefits from its strategic location in Anhui Feixi Economic Development Zone, its well-developed infrastructure and its transportation system which includes railways, highways and river transportation across China.
- *China South City Chongqing* — Being the first of our municipal project, it is highly accessible to the city center and other regions given its strategic location in the Chongqing Highway Logistics Base, the state-level transportation infrastructure and large highway base in the western region of China.

Develop each of our projects in phases and optimize property mix

Although each of our projects has a sizeable planned GFA, we develop each of them in phases in respect of acquiring land and developing and constructing the facilities. This allows us to lower the capital expenditures incurred in any given period and lowers our operation risk. We intend to achieve an optimal mix of properties generating long-term recurring income and capital appreciation with properties generating profit from sales. In view of the large scale of our projects, we intend to continue to develop our projects in phases, and to vary our property mix, so as to cater to local market conditions and demand as well as to generate cash flows for project development. For example, while the trade centers and logistics and warehousing are usually the first to be developed in a project, demand for residential housing steps up once the trade centers have gradually opened up and become more mature and accessible. We then focus on developing residential facilities to meet the demand for housing in the project. We may tactically adjust its sales mix between residential properties and trade centers according to the stage of project development and local demand. We selectively retains a portion, usually no less than half, of our trade centers properties and commercial and other ancillary facilities, as investment properties to generate stable and long term revenue stream while selling no more than half of our trade centers properties and all of our residential properties to generate short-to-medium term revenue stream.

Continue to grow our recurring businesses for multiple and stable income streams to mitigate cyclical fluctuations in trade center and property markets

Recurring businesses, which include rental, property management, logistics and warehousing services, outlet operations, trade fairs and exhibitions, financial services, cultural tourism business and other services, have been part of our key initiatives contributing to our sustainable and long term development. We plan to continue to grow our recurring businesses to provide multiple and stable recurring income streams as we expect to increase our long term business sustainability by mitigating the impacts of cyclical fluctuations in the trade center and property markets. As our recurring businesses mature, we may seek to unlock their latent value by seeking independent listing of the shares or fund raising platforms of such businesses to support their development strategies. For example, in November 2015, the shares of HOBAS Furnishing, one of our recurring businesses, were quoted on the National Equities Exchange and Quotation System in China.

In addition, we also plan to continue to implement cost control measures such as more stringent cash collection control and reduction in our sale and administrative staff to improve our overall profitability in the long term.

Strike a balance between business development and financial health

Besides traditional banking facilities, we have consistently pursued a financial strategy of diversifying our funding channels with various onshore and offshore capital and inter-bank market instruments in order to optimize our capital structure and debt maturity profile. In addition, we proactively adjust our business development strategies, the pace of land acquisition and other capital expenditure in accordance with our cash flow from operating and financing activities, in order to preserve liquidity while maintaining our growth momentum. For example, for the six months ended September 30, 2019, we have maintained a strong liquidity position which was supported by our growing recurring income streams and satisfactory Contracted Sales performance. We had cash and cash equivalents and restricted cash of HK\$9,279.7 million as at September 30, 2019. We aim to continue to build a strong and stable capital base to sustain our future business development.

Optimize occupancy rates, rental rates and traffic in our trade centers

We plan to optimize occupancy rates, rental rates and traffic in our existing and planned integrated logistics and trade centers by implementing the following initiatives:

- *Provide preferential rental terms to optimize occupancy rates and increase rental rates as occupancy rates increase.* Our operating strategy at our integrated logistics and trade centers is to achieve high occupancy rates and attract a high-quality tenant base first and then increase rental rates steadily as occupancy rates increase. We attract quality occupants to our trade centers by offering preferential rental rates and other more attractive leasing terms than those offered by our competitors, such as rent-free periods based on advance rental payments made by occupants. We generally increase rental rates after the expiration of the initial lease agreement, by which time we believe our occupants who have established their business in our trade centers and are benefiting from the full range of integrated logistics, trade and ancillary facilities will have strong incentives to renew their leases.
- *Leverage our outlets to promote traffic.* We expect that we will be able to increase our occupancy rates and facilitate more traffic through our trade centers by leveraging our outlet operations. Upon completion of the acquisition of HOBA Furnishing, we also expect to leverage their customer base and operational network to attract remote traffic and increase occupancy rates at our trade centers. See — “Various Ancillary services — Outlet Center Operations and Furnishing Centers — Acquisition of HOBA Furnishings.”
- *Consolidate existing wholesale markets.* Several of our projects are located in cities where local governments have plans to relocate and upgrade traditional wholesale markets. We expect this will help us boost our occupancy rates at a faster pace in those cities as we will be able to provide improved facilities in response to existing demand by local occupants.
- *Continue to offer integrated logistics services to increase customers’ access to the global marketplace.* We intend to optimize our offerings of integrated logistics services, including warehouse, liaison and on-site logistics services and transportation providers, in order to meet the individual needs and order requirements of trade center occupants and their customers. By integrating logistics and trade functions and providing ready access to necessary services for trade center occupants and their customers, we believe we are able to outperform our competitors in advancing and expediting the business interests of trade center occupants.
- *Attract and secure high quality long-term occupants.* We plan to continue to use our strong relationships with industry trade associations and manufacturers, as well as our own in-depth knowledge of the industries represented at our trade centers, to secure high-quality, domestic and international suppliers of finished and unfinished goods as part of our tenant base. We believe that securing such high-quality occupants will increase the stability of our tenant base and help raise the profile and reputation of our trade centers, as well as increase

the flow of trade within these centers, thereby enhancing our projects' status as centers of trade and ultimately allowing us to augment rental rates and sales prices for our trade center units.

- *Leverage and improve supporting infrastructure.* We will seek to enhance the market demand for our trade center units by leveraging and improving the auxiliary services available to our trade center occupants and their customers. In developing supporting infrastructure at our eight trade center projects, we have entered into strategic alliances and arrangements with local governments. Under the terms of our master agreements and the corresponding supplementary agreements, we have secured government support in the development of the transportation infrastructure surrounding our trade centers. For example, China South City Nanchang is located approximately 1.2 kilometers from the Nanchang West railway station, and China South City Zhengzhou is located approximately 16 kilometers from the nearest airport. There are also subway stations in operation on our Shenzhen, Zhengzhou and Xi'an projects. We will continue to cooperate with the local government to continue improving the transportation infrastructure surrounding our trade centers.

Further develop our various ancillary services for long-term sustainability

Our trade centers, ancillary residential and multi-purpose properties and commercial facilities are supported by our various ancillary services. By providing logistics services, property management services, outlet and furnishing center operations and exhibition and conference services, we expect to continue to distinguish ourselves from traditional wholesale markets and other trade centers. These businesses not only add value to our facilities, but provide stable sources of revenue. We expect to further develop services to increase visitor traffic through our projects and provide conveniences for our customers.

- We plan to continue to expand our logistics and warehousing network to help those SMEs operating within our projects to reduce their logistics and distribution costs and create key cost advantages.
- We plan to continue to grow our outlet and HOBA Furnishing operations to continue to attract and increase traffic at our projects.
- We plan to continue to strengthen our one-stop exhibition platform for organizing exhibitions and conferences to enhance our reputation and facilitated traffic through our trade centers.

By expanding these services to each of our locations, we believe we can attract additional customers to our trade centers, strengthen the loyalty of our existing customers and ensure a stable source of recurring income.

Continue to expand our operations by broadening our industry coverage

We have expanded our operations at each of our projects by broadening our industry coverage, which ranges from raw materials such as textiles to finished goods such as leather goods and clothing and themed products. For example, in order to gain access to the home furnishings industry, we acquired a 75% equity interest in HOBA Furnishing. In addition, we also operate outlets and themed trade centers to further enhance our industry coverage.

Put more emphasis on developing ancillary facilities including residential and multi-purpose properties in recent years in response to needs of our projects and to capture the market opportunities

As business activities grew along with the gradual scaling-up and improvements in infrastructure developments of our existing projects, we have seen a strong increase in demand for ancillary facilities, especially for residential and multi-purpose properties. We have thus strategically stepped up the sales of our residential properties. In order to take advantage of this opportunity, we have readjusted our development phases and property mix of our projects and selectively increased our residential land bank

in some of our existing projects. We have launched our multi-purpose ancillary projects in Zhengzhou, Xi'an, Nanchang and Shenzhen. We have also strategically accelerated the development and sales of our residential properties and multi-purpose properties and ancillary facilities which resulted in a strong performance in our Contracted Sales growth. While we generated more revenue from the sales of residential and multi-purpose properties in the six months ended September 30, 2019, trade centers are still the backbone of our business. We will continue to take advantage of this opportunity while monitoring the change in the market and making efforts to position our properties development portfolio to improve sales and attract new tenants.

Our Projects

The following table summarizes GFA information for our projects as a whole, including trade center, residential and other ancillary facilities, as of September 30, 2019 (except as indicated below).

	Completed Properties ⁽¹⁾		Properties Under Development	Properties to be Completed by FY2018/19	Total Planned GFA ⁽²⁾	Total Planned GFA for Acquired Land ⁽³⁾	
	Sold	Unsold		Estimated		(% of Total planned GFA)	
				(GFA in sq.m.)			
CSC Shenzhen	859,400	1,532,900	185,000	–	2,644,000	2,644,000	100%
CSC Nanchang	1,406,500	994,400	426,000	–	6,866,000	4,794,400	70%
CSC Nanning	675,900	1,277,200	154,300	–	4,880,000	2,480,000	51%
CSC Xi'an	813,800	980,300	1,127,300	194,200	17,500,000	4,676,600	27%
CSC Harbin	577,000	1,260,400	1,008,400	–	12,000,000	5,645,400	47%
CSC Zhengzhou	1,551,200	1,774,700	2,318,700	758,500	12,000,000	10,192,200	85%
CSC Hefei	1,560,700	1,188,600	961,300	–	12,000,000	5,993,000	50%
CSC Chongqing	635,900	1,363,600	583,400	333,800	13,100,000	6,501,800	50%
Total	8,080,400	10,372,100	6,764,400	1,286,500	80,990,000	42,927,400	53%

Notes:

- (1) Represents the GFA for which the construction of all constituent buildings has been completed and it included properties held for sales, warehouse, multi-purpose properties, hotels and trade centers properties held for rental purpose as well as self-use properties.
- (2) Represents the GFA planned upon establishment of the projects. The actual land and GFA to be acquired or built are subject to different factors and may vary subsequently.
- (3) Represents the planned GFA for the land acquired including completed properties and properties under development. The actual GFA may vary subsequently according to needs of the Group.

For the fiscal years ended March 31, 2017, 2018 and 2019, we entered into Contracted Sales (net of any canceled Contracted Sales) for our projects with an aggregate contract value of approximately HK\$8,635.7 million, HK\$12,025.9 million and HK\$14,677.1 million, respectively, which corresponded to an aggregate contracted GFA of approximately 1,083,000 sq.m., 1,318,200 sq.m. and 1,489,100 sq.m., respectively. The increase in our Contracted Sales from the fiscal year ended March 31, 2017 to the fiscal year ended March 31, 2018 was primarily attributable to increased sales of our residential ancillary and our enhanced value-added ancillary services. The increase in our Contracted Sales from the fiscal year ended March 31, 2018 to the fiscal year ended March 31, 2019 was primarily attributable to increased sales of our residential ancillary and our enhanced value-added ancillary services. We generated Contracted Sales of approximately HK\$14,677 million for the fiscal year ended March 31, 2019. We generated Contracted Sales of approximately HK\$7,732.8 million for the six months ended September 30, 2019, and approximately HK\$11,701 million for the nine months ended December 31, 2019, with our sales target of approximately HK\$16 billion for the fiscal year ending March 31, 2020.

Various Ancillary Services

We will continue to enhance our various ancillary services, based on experience gained from China South City Shenzhen, in a bid to complement our unique and replicable business model, to better serve our trade center occupants and customers, and to allow such persons to enjoy a mutually-beneficial operation environment.

Logistics and Warehousing Services

Our logistics services and facilities consist of a network of warehouses and one-stop integrated inbound and outbound logistics facilities. After years of continuous efforts, our warehousing and logistics services have expanded to three new business segments, covering warehouse leasing and management, national warehousing logistics and national forwarder distribution services, etc., providing all-rounded logistic services that integrate warehouse leasing and third-party integrated logistics for regional and national brands, manufacturers and channel partners. Customs officials are located on-site at bonded warehouses to complete the required customs procedures. Shenzhen Qianlong, our subsidiary, provides logistics liaison services to our trade center occupants and customers, and assists them with third-party logistics services providers that are located on-site.

Logistics and warehousing services formed an important part of our strategic resources. We have continued to expand our logistics and warehousing network, and have successfully positioned our projects as the potential logistics and distribution hubs in their respective regions. By becoming regional logistics hubs, we are able to help those SMEs operating within our projects to reduce their logistics and distribution costs and create key cost advantages. Income from our logistics and warehousing services has steadily increased from HK\$162.0 million to HK\$218.1 million and HK\$289.3 million for the fiscal years ended March 31, 2017, 2018 and 2019, respectively. Income from our logistics and warehousing services also increased from HK\$134.9 million to HK\$196.4 million for the six months ended September 30, 2018 and 2019, respectively. In June 2018, Qianlong Logistics passed the assessment of ISO9001 and ISO14001, and was accredited Quantity Management System and Environment Management System. Taking this opportunity, Qianlong Logistics will conduct quality management strictly in accordance with the audited international standard quality system, so as to establish a good corporate image and goodwill with enhanced efficiency, as well as quality, in a standardized and scientific way. In March 2019, we for the first time were granted the status of 4A logistics enterprise by China Federation of Logistics & Purchasing, and commenced operation of its third-party logistics business in Shanghai, Chengdu, etc. As such, we have gradually formed our nationwide operation network to further enhance our scope of service and customer loyalty.

Exhibition and Conference Facilities

China South City Shenzhen has two exhibition centers as well as exhibition facilities in our Phase Two trade centers which we, along with third-party event organizers and planners, utilize for industry exhibitions, conferences, conventions, meetings and banquets. Third-party event organizers and planners include trade associations for those industries represented within our trade centers. These exhibition facilities are used to showcase the products offered for sale by trade center occupants to potential customers and to attract potential occupants and customers of occupants to visit China South City Shenzhen. We had hosted events such as the Shenzhen Industrial Fair and the Hong Kong, Macau and Taiwan Commodity Fair at these facilities.

Events and Exhibitions

As part of our general marketing efforts, we periodically sponsor and participate in events throughout China, such as trade seminars and exhibitions, in order to enhance our brand name and promote our business. Typically, the events and exhibitions we sponsor have been located in the same area as our projects. In a joint effort with different government bureaus, we organized nine consecutive China-ASEAN Expo and Light Industrial Exhibitions and a number of trade exhibitions and conventions at our projects.

We have organized trade fairs and events to boost traffic. For instance, The Folk Culture Festival cum Expo was held in China South City Nanning in April 2018 for the fourth consecutive year. The 9-day event attracted a large number of participants to the project. The 15th China-ASEAN Expo and Light Industrial Exhibition was cohosted by the Chinese Ministry of Commerce, the economic and trade departments of 10 ASEAN countries and the China-ASEAN Expo Secretariat, and organized by the People's Government of Guangxi Zhuang Autonomous Region. The Exhibition took place at China South City Nanning in September 2018. China South City Nanning has hosted the event for nine consecutive years, which has firmly established China South City Nanning as an important platform for the trading and logistics of light industry products between China and ASEAN countries, strengthened trade and cultural exchanges, responded to the national "Belt and Road Initiative" and enhanced our brand advantage. The 30th Harbin International Economic and Trade Fair China South City sub-venue cum Russian Culture Festival was held in CSC Harbin in June 2019. Harbin International Economic and Trade Fair has become the window of China to the world, laying the platform for economic and trade cooperation with Northeast Asia and the rest of the world. It has been regarded as a leading exhibition for China's economic and trade cooperation and received great attention from governments at all levels. Active participation by enterprises and institutions from home and abroad provides an important position for CSC Harbin in Northeast Asia economic region.

By raising our profile among domestic and international trade and industry associations, chambers of commerce, academic institutions, manufacturers and trading companies, we believe that we enhance our brand recognition, display the strengths and advantages of our projects, assist our existing occupants in attracting customers and expand our network with domestic and international businesses.

Outlet Operations and Furnishing Centers

We have operated our first outlet in Shenzhen since 2011 and have maintained a steady growth with increases in both operating GFA and number of brand names. Building on the successful outlet operation in China South City Shenzhen, we currently operates outlet malls on discounted goods in all eight China South City projects.

During the fiscal year ended March 31, 2019 and the six months ended September 30, 2019, we generated income from outlet operations of HK\$427.8 million and HK\$201.3 million, respectively, which was primarily contributed by the outlet in China South City Shenzhen.

Acquisition of HOBA Furnishing

In light of the prospects of the home furnishing business in China and in order to speed up the establishment of this business across our projects, our indirect wholly-owned subsidiary, Nanning China South City Company Limited, entered into a subscription agreement pursuant to which it conditionally agreed to acquire 75% of the issued share capital of HOBA Furnishing, for a consideration of RMB522.2 million on July 29, 2013. HOBA Furnishing is primarily engaged in the operation of home furnishing stores in various cities across China for the supply of home furnishing products and accessories. For the six months ended September 30, 2019, HOBA Furnishing has successfully increased its seven stores in such place as Shandong, Yunnan and Jiangsu in the form of franchise, and a corporate store opened in Dezhou City of Shandong. It also opened flagship stores in China South City Shenzhen, China South City Nanning and China South City Zhengzhou. These projects attract customers and stimulate consumption, which complements the flow of visitors and promote business attraction for the project as a whole.

Property Management Services

In view of projects' growth and market demand, we have developed different types of properties, including trade centers, residential premises, multi-purpose properties, warehouses and other commercial complexes. In order to ensure project safety and sustainability, we have established property management teams that are stationed at each of our projects when construction commences to provide professional advice regarding sustainability and specific needs at each project. We also enter into management agreement with occupants of these premises for property management services. Our

property management services include security, cleaning, repair and maintenance of equipment and facilities, management of parking lots and transportation within our projects. We believe our additional efforts to improve fire prevention, security, environmental stewardship, maintenance services at our trade centers differentiates us from other wholesale markets, as National First-Class Management Qualification was conferred. Maturing projects and increasing operating activities also contribute additional operating revenue streams including revenue from advertising, exhibitions, pop-up space leasing and parking. For the fiscal year ended March 31, 2019 and the six months ended September 30, 2019, our revenues from management fees were HK\$575.3 million and HK\$324.6 million, respectively.

China South City Shenzhen

China South City Shenzhen is a large-scale, integrated logistics and trade center for domestic and international suppliers, manufacturers and distributors in a comprehensive range of manufacturing industries. China South City Shenzhen is located at Pinghu Logistics Base in Longgang District. Shenzhen City, one of the four first-tier cities in China, is located at the heart of the Greater Bay Area amid an extensive transportation network with about 13.02 million permanent resident population in 2018. In 2018, its total GDP ranked the third over the whole country. Located in the northeast of Shenzhen, Longgang District recorded a regional GDP of RMB420 billion in 2018 and ranked the second in the city.

Positioned as a modern large-scale integrated logistics and trading platform to serve the Greater Bay Area, China South City Shenzhen covers a wide spectrum of products, ranging from raw materials to finished products of various industries and themed products, complemented by comprehensive ancillary facilities and services including trade centers, residential facilities, outlets, multi-purpose properties, conference and exhibition facilities, hotels and restaurants, banking and financial services, logistics parks, property management services, E-commerce platform and on-site government bodies. When fully completed, China South City Shenzhen is expected to occupy approximately 1.06 million sq.m. of land, supporting a planned GFA of approximately 2.64 million sq.m.

China South City Shenzhen is our first project which offers a comprehensive and mature wholesale trading platform for SMEs. The project has become a successful model case for wholesale market transformation and modernization under the process of urbanization. During the period ended September 30, 2019, China South City Shenzhen further diversified its business operations and enhanced the various functions of its fourth-generation integrated logistics and trading platform. Furthermore, the cross-border E-commerce business in China has experienced rapid growth in recent years. Taking advantage of its competitive strengths in logistics facilities and broad customer base, China South City Shenzhen has become a cross-border E-commerce hub and successfully attracted a number of leading domestic cross-border E-commerce enterprises to move into its units.

With the local government further advancing the development of Longgang District as an innovation center in the east of Shenzhen, the district's ancillary facilities such as logistics, healthcare and education will continue to improve and bring more convenience to occupants of China South City Shenzhen. In addition, transportation facilities around the project have been improving as well. According to Shenzhen Metro Planning, the subway line 10 which will pass through China South City Shenzhen has commenced construction in 2015 and is expected to be open for traffic by 2020. Upon completion, this subway line will further improve accessibility, generate more business opportunities and increase visitor traffic for our project. At present, operations of China South City Shenzhen cover industries such as textile and clothing, leather and accessories, electronic parts, printing, paper products and packaging, metals and chemicals, plastic materials, hotel supplies, tea and teaware, cross-border products, E-commerce, home furnishing, children education, produce and flower market, etc., on its trade center premises.

For the fiscal year ended March 31, 2019, China South City Shenzhen recorded total Contracted Sales of approximately HK\$495.7 million for including a GFA of approximately 34,000 sq.m. as compared to approximately HK\$1.9 million for a GFA of approximately 100 sq.m. and HK\$645.9 million for GFA of approximately 52,500 sq.m. for the fiscal years ended March 31, 2018 and 2017, respectively.

For the six months ended September 30, 2019, China South City Shenzhen recorded Contracted Sales, of approximately HK\$26.5 million, including a GFA of 1,800 sq.m., for the six months ended September 30, 2019, compared to HK\$12.3 million, including a GFA of 200 sq.m. of residential ancillaries and a GFA of 600 sq.m. of office units, for the six months ended September 30, 2018.

Property Developments at China South City Shenzhen

China South City Shenzhen commenced operations in December 2004 and further extended its operation in 2009 and 2013 respectively. As at September 30, 2019, trade centers and ancillary facilities at Phase One, Phase Two and part of Phase Three with a total GFA of approximately 2.39 million sq.m. were in operation. The project is currently in Phase Three development. As at September 30, 2019, construction of a GFA of approximately 185,000 sq.m. is underway.

Our leasable area consists of trade center units retained by us for rental income and capital appreciation, trade center units that have been sold subject to separate lease agreements with the purchasers of these units and trade center units that have been sold but which we are still able to lease pursuant to sales agreements.

China South City Nanchang

We entered into a master agreement with the municipality of Nanchang, the capital of Jiangxi Province, in February 2007 and several supplementary agreements thereto to develop integrated logistics and trade centers in that region. In addition, we expect the office relocation plan of the Jiangxi provincial government to the vicinity of China South City Nanchang will increase the business potential of our trade centers and ancillary facilities in Nanchang.

China South City Nanchang is located at the transportation hub for the Yangtze River Delta and the Pearl River Delta Economic Zone. Situated in Honggutan New District of Nanchang, the capital of Jiangxi Province, the project is readily accessible to suppliers, manufacturers and merchants via major highways, the largest port on the Gan River and a complete freight network which includes a cargo marshal yard, a container terminus and an international airport, coupled with Nanchang West Railway Station — a principal high-speed rail station located just 1.2 kilometers from China South City Nanchang and commenced operation successively since September 2013. As a new business center of Nanchang, Honggutan New District's administrative, commercial and cultural functions are becoming more apparent by the day. In addition, the gradual completion of life-supporting amenities within the new district is driving visitor traffic and generating business opportunities, laying a solid foundation for the development of China South City Nanchang.

China South City Nanchang has a total planned land area of approximately 2.61 million sq.m. and a total planned GFA of approximately 6.87 million sq.m. China South City Nanchang contains industries including building and decoration materials, small commodities, textile and clothing, leather & accessories, healthy and green products, etc., on its trade center premises. A primary school is established in the project to cope with the demand in the course of development. As the date of this offering memorandum China South City Nanchang E-commerce park has been recognized as "Jiangxi Provincial Demonstration Base." In addition, there is a State-level University Students' E-commerce Business Incubator in the project, indicating the achievement of China South City Nanchang in cultivating E-commerce start-ups and assisting SMEs to transform and upgrade their business to online.

As at September 30, 2019, China South City Nanchang has a total GFA of approximately 2.40 million sq.m. completed, including approximately 1.07 million sq.m. of trade centers, approximately 1.28 million sq.m. of residential ancillaries and approximately 44,300 sq.m. of warehousing facilities. As at September 30, 2019, construction of a GFA of approximately 426,000 sq.m. residential ancillary, trade center, multi-purpose properties was underway.

For the fiscal year ended March 31, 2019 China South City Nanchang recorded total Contracted Sales of approximately HK\$402.9 million as compared to approximately HK\$2,123.9 million and

approximately HK\$2,948.6 million for the fiscal years ended March 31, 2018 and 2017, respectively. For the six months ended September 30, 2019, China South City Nanchang recorded total Contracted Sales of approximately HK\$384.1 million as compared to approximately HK\$309.9 million for the six months ended September 30, 2018.

China South City Nanning

We entered into a master agreement and several supplementary agreements thereto with the Nanning City Jiangnan District People's Government in Guangxi Zhuang Autonomous Region in December 2007 to develop integrated logistics and trade centers in that region. China South City Nanning has a planned net land area of approximately 1.83 million sq.m. and a total planned GFA of approximately 4.88 million sq.m.

China South City Nanning is located at Jiangnan District of Nanning, the capital of the Guangxi Zhuang Autonomous Region and a critical gateway between China and ASEAN countries. It is easily accessible by railway stations, highways and an international airport. Strategically located in close proximity to Southeast Asia and enjoying the advantage of a tariff waiver on cross-border trade activities within the China-ASEAN Free Trade Area, China South City Nanning endeavors to serve as a key hub for cross-border trade catering to the demand from the Northern Bay Region and Southeast Asia. China South City Nanning was selected as the "China-ASEAN Plaza" in 2011, and formalized the establishment of "China-ASEAN Digital Trade Hub" and "New Western Land-Sea Corridor Digital Trade Hub" in the project area in 2019, forging a regional trade and logistics hub. China South City Nanning was awarded the "National AAA Class Tourist Attraction" as well.

China South City Nanning contains industry including textile & clothing, small commodities, ASEAN products, home furnishing, tea & teaware, groceries, automobiles, and parts, outlets, etc., on its trade center premises. Through organizing a series of exhibitions, such as the China ASEAN Expo and Light Industrial Exhibition, Ethnic and Cultural Festival, traffic flow to the project as well as regional brand recognition of the project were enhanced. As the Group's nationwide project network becoming more mature, together with further improvement of the ancillary facilities and services, China South City Nanning also proactively adopted measures to enrich tenant mix. As at September 30, 2019, China South City Nanning is currently in Phase One construction and has a total GFA of approximately 1.95 million sq.m. completed, including approximately 896,600 sq.m. of trade centers, approximately 814,100 sq.m. of residential ancillaries, approximately 205,600 sq.m. of multi-purpose properties and approximately 36,800 sq.m. of warehousing facilities. As at 30 September 2019, construction with a GFA of approximately 154,300 sq.m. was underway.

For the fiscal year ended March 31, 2019, China South City Nanning recorded total Contracted Sales of approximately HK\$716.6 million, as compared to approximately HK\$1,058.2 million and approximately HK\$923.4 million for the fiscal years ended March 31, 2018 and 2017, respectively. For the six months ended September 30, 2019, China South City Nanning recorded total Contracted Sales of approximately HK\$429.7 million as compared to approximately HK\$374.9 million for the six months ended September 30, 2018.

China South City Xi'an

In November 2009, we entered into a project agreement for the Xi'an project. China South City Xi'an has a total planned land area of approximately 10.00 million sq.m. and a total planned GFA of approximately 17.50 million sq.m. As at September 30, 2019, the project is currently under construction and has a total GFA of approximately 1.79 million sq.m. completed, including approximately 1.72 million sq.m. of trade centers, approximately 79,100 sq.m. of warehousing facilities and other ancillary facilities. As at September 30, 2019, construction of a GFA of approximately 1.13 million sq.m. is underway, of which approximately 194,200 sq.m. is expected to be completed in the fiscal year ending March 31, 2020.

China South City Xi'an is located at the Xi'an International Trade and Logistics Park in Shaanxi Province. Built as a key project by the local government, the park is an open economic pilot zone and a

core function area for modern service industry. Its aim is to become the largest international transit hub port and logistics distribution center along the Silk Road Economic Belt and to act as an important strategic platform for the “Belt and Road” initiative. The Xi’an International Trade and Logistics Park was classified as one of the three largest areas of the China (Shaanxi) Pilot Free Trade Zone. Benefitting from geographic advantage of the Park, China South City Xi’an is highly accessible via the Xi’an City Expressway and Beijing-Kunming Expressway, Lianyungang-Khorgos Expressway, Shaanxi-Shanghai Expressway, Baotou-Maoming Expressway and other national highways, forming an intricate spider network which opens to all directions. Besides, the strategic location of China South City Xi’an is connected to a railway container terminal and the largest bonded area in the north western region of China, along with two planned subway lines that cross the project site. According to Xi’an subway planning, subway line 3, which passes through China South City Xi’an, has commenced operation. In addition, a new stadium is slated to be built at the Park to host the 14th National Games of the People’s Republic of China in 2021, together with the subway line connected to the venue have launched for development, it is expected visitor traffic will be boosted in the region. This subway line and the new stadium will generate more business opportunities and visitor traffic for China South City Xi’an.

China South City Xi’an contains industry including machinery and hardware, curtains and fabrics, textile and clothing, leather and fur, automobiles and parts, building and decoration materials, outlets, Central Asia and ASEAN product exhibition center, etc., on its trade center premises. Leveraging its geographical advantage in the starting point of the Silk Road Economic Belt, China South City Xi’an is actively poised to capture the immense opportunities arising from the “Belt and Road” initiative.

For the fiscal year ended March 31, 2019, China South City Xi’an recorded total Contracted Sales of approximately HK\$1,433.3 million, as compared to approximately HK\$544.1 million and approximately HK\$508.5 million for the fiscal years ended March 31, 2018 and 2017, respectively. For the six months ended September 30, 2019, China South City Xi’an recorded total Contracted Sales of approximately HK\$1,474.1 million as compared to approximately HK\$735.4 million for the six months ended September 30, 2018.

China South City Harbin

China South City Harbin has a total planned site area of approximately 10.00 million sq.m. and a planned GFA of approximately 12.00 million sq.m. We have acquired approximately 5.65 million sq.m. attributable GFA. Located at the Daowai District of Harbin, the capital of Heilongjiang Province, China South City Harbin fully utilises its advantageous location in northeast China. Its proximity to the China-Russia border helps to facilitate economic activities within the region. We believe that China South City Harbin’s location in northeast China will enable it to become a premier hub for cross-border trade with countries in Northeast Asia, and its proximity to the China-Russia border will bridge economic activities within the region. Leveraging the opportunities arising from the area’s development potential, China South City Harbin endeavors to become the largest integrated logistics and trade center in northeast China. Leveraging its own geographical location and advantages of local industries, China South City Harbin actively promotes the development of regional economy and trade. In addition, Xinxiangfang North Station of Harbin Mudanjiang high speed rail (哈牡高鐵新香坊北站), only a couple of kilometers from China South City Harbin, has commenced operation at the end of 2018 and is bringing more visitors and business opportunities to the project.

CSC Harbin is now in operation and is in the stage of continuous development and construction. It covers industries including hardware and construction materials, chemicals, machinery, automobiles and parts, small commodities, hotel supplies, leather and fur, outlets, e-commerce, etc., on its trade center premises. There is also a primary school established in the project to cope with the demand in the course of development. As the date of this offering memorandum, CSC Harbin E-commerce park has been recognized as “Heilongjiang Province SME Entrepreneurship Base”, “Heilongjiang E-commerce Base”, “Harbin E-commerce Base”, and “E-commerce incubator for University Students of Heilongjiang.”

As at September 30, 2019, China South City Harbin is currently under construction and has a total GFA of approximately 1.84 million sq.m. completed, including approximately 1.43 million sq.m. of trade

centers, approximately 317,700 sq.m. of residential ancillary facilities and approximately 90,400 sq.m. of warehousing and other ancillary facilities. As at September 30, 2019, construction of a GFA of approximately 1.01 million sq.m. is underway.

For the fiscal year ended March 31, 2019, China South City Harbin recorded total Contracted Sales of approximately HK\$767.5 million, as compared to approximately HK\$301.3 million and approximately HK\$602.8 million for the fiscal years ended March 31, 2018 and 2017, respectively. For the six months ended September 30, 2019, China South City Harbin recorded total Contracted Sales of approximately HK\$840.7 million as compared to approximately HK\$164.5 million for the six months ended September 30, 2018.

China South City Zhengzhou

In April 2012, we entered into a cooperative agreement for the development of an integrated logistics and trade center in Zhengzhou. China South City Zhengzhou has a planned total net land area of approximately 7.00 million sq.m. and a total planned GFA of approximately 12.00 million sq.m. As at September 30, 2019, China South City Zhengzhou is currently under development and has a total GFA of approximately 3.33 million sq.m. completed, including approximately 2.67 million sq.m. of trade centers, approximately 286,200 sq.m. of warehousing facilities and other ancillary facilities, and approximately 374,800 sq.m. of residential ancillary. As at September 30, 2019, construction of a GFA of approximately 2.32 million sq.m. is underway, of which approximately 758,500 sq.m. is expected to be completed in the fiscal year ending March 31, 2020.

China South City Zhengzhou is located in Zhengzhou, the capital of Henan Province, adjacent to the Airport Economy Zone of Zhengzhou, the only state-level zone with a complete network which includes an international airport, high-speed train, intercity train, metro and highway and acts as an integrated transport hub providing seamless connectivity. The project is highly accessible and enjoys extensive transportation links it is a mere 16 kilometers away from Zhengzhou Xingzheng International Airport and only a couple of kilometers away from the Beijing-Guangzhou Railway Freight Station and the Beijing-Hong Kong-Macao Highway. The south extension of subway line 2, connecting downtown area to the airport and passing through China South City Zhengzhou with three stations, commenced operation, which will generate more business opportunities and visitor traffic for the project.

China South City Zhengzhou has received overwhelming support from the local government since its establishment. With more occupants moving in, China South City Zhengzhou will continue to strengthen its value-added services such as E-commerce, logistics and warehouse services and outlet operations to cater to the strong demand for integrated logistics and trade centers in China's inland regions and provide a convenient trading platform to promote trade among cities in Central China. China South City Zhengzhou contains industries including building and decoration materials, small commodities, hardware and machinery, home furnishing, automobiles and parts, non-staple food, clothing, outlets, e-commerce, etc., on its trade center premises. As the date of this memorandum, China South City Zhengzhou E-commerce Park has been recognized as "Provincial E-commerce Demonstration Base", "Cross-border E-commerce Demonstration Base in Henan Province", and "Demonstration Base for SME Entrepreneurship and Innovation in Henan Province". China South City Zhengzhou will continue to expand its ancillary residential and commercial facilities such as exhibition center, and multi-purpose properties, so as to meet the demand in and around the project. During the period ended September 30, 2019, in order to strengthen coordination with project development and meet the demand of the markets nearby, China South City Zhengzhou will continue to enhance its business in residential and commercial ancillaries such as multi-purpose properties. There is also a primary school established in the project to cope with the demand in the course of development.

For the fiscal year ended March 31, 2019, China South City Zhengzhou recorded total Contracted Sales of approximately HK\$5,174.3 million, as compared to approximately HK\$2,748.3 million and approximately HK\$120.9 million for the fiscal years ended March 31, 2018 and 2017, respectively. For the six months ended September 30, 2019, China South City Zhengzhou recorded total Contracted Sales of approximately HK\$3,242.3 million as compared to approximately HK\$2,168.9 million for the six months ended September 30, 2018.

China South City Hefei

In December 2012, we entered into a framework agreement and cooperative agreement with the Hefei Government and Feixi County Government under which the Feixi County Government will provide a planned total net land area of approximately 10.00 million sq.m. with planned total GFA of approximately 12.00 million sq.m. in Hefei for the development of a large-scale integrated logistics and trade center. As at September 30, 2019, China South City Hefei is currently under construction and has a total GFA of approximately 2.75 million sq.m. completed, including approximately 1.59 million sq.m. of trade centers, approximately 1.08 million sq.m. of residential ancillaries and approximately 82,000 sq.m. of warehousing and ancillary facilities. As at September 30, 2019, construction of a GFA of approximately 961,300 sq.m. of residential ancillaries was completed.

China South City Hefei (“CSC Hefei”) is located at Anhui Feixi Economic Development Zone of Hefei, the capital of Anhui Province, and along the belt of Hefei Comprehensive National Science Center, which sits at the transport and economic heart of Eastern China. Leveraging the advantageous geographical location, CSC Hefei will enjoy more visitors and business opportunities. CSC Hefei benefits from its strategic location, which is equipped with well-developed transportation system of railways, highways and river transportation connecting to the rest of China. In particular, the south extension of subway line 4 passing through CSC Hefei is set to commence operation in 2021. In addition, a major water conservancy project near CSC Hefei, “Water Diversion from Yangtze River to Huaihe River Jianghuai Canal” (引江濟淮—江淮運河) is underway, which aims to further develop Hefei into an inland river port that connects rivers with seas and a key logistics distribution base. During the Reporting Period, CSC Hefei was approved by the local government as a project under the “2019 Investment Plan for New, Large and Specialized Key Projects” (2019 年大新專重點項目投資計劃), and was included in the “Master Plan for Hefei Binhu Science Town (Hefei Binhu New Area)” (合肥濱湖科學城(合肥濱湖新區)總體規劃), which brought opportunities for the speedy future growth of CSC Hefei under the government’s development focus on resources such as business, exhibition, culture and tourism.

For the period ended September 30, 2019, China South City Hefei is in the stage of continuous development and construction. It covers industries including automobiles and parts, hardware and machinery, building and decoration materials, textiles and clothing, hotel supplies, outlets, culture and education, small commodities and non-staple food, etc. There are going to be a secondary school and a primary school established in the project to cope with the demand in the course of development.

For the fiscal year ended March 31, 2019, China South City Hefei recorded total Contracted Sales of approximately HK\$3,580.9 million, as compared to approximately HK\$3,182.1 million and approximately HK\$2,711.1 million for the fiscal years ended March 31, 2018 and 2017, respectively. For the six months ended September 30, 2019, China South City Hefei recorded total Contracted Sales of approximately HK\$18.6 million as compared to approximately HK\$1,687.8 million for the six months ended September 30, 2018.

China South City Chongqing

On January 17, 2014, we entered into a framework agreement and a cooperative agreement with the Chongqing Municipal Government and the Banan District Government, respectively, pursuant to which we have, in principle, agreed to undertake the construction and development of a large-scale integrated logistics and trade center in Banan District, Chongqing Municipality with an estimated planned total net land area of approximately 5.90 million sq.m. and a planned GFA of approximately 13.10 million sq.m.

China South City Chongqing (“CSC Chongqing”) is located at Banan District of Chongqing, the only direct-administered municipality in midwestern China as well as the Group’s first municipal project. It is highly accessible to the city center and other regions given its strategic location in the Chongqing Highway Logistics Base (a major national transport infrastructure project for Western China) that connects to a well-established highway network, and is also the starting point of national strategies of “The New International Land-sea Trade Corridor” and “Chongqing-ASEAN International Logistics Channel”. The transportation network around the project has seen rapid development, coupled with the

growing maturity of business district in Banan, laying a good foundation for the future transportation ancillaries and commercial environment of the project. The nearby Longzhouwan Tunnel has completed construction and is opened to traffic, which will effectively optimize the geographical advantage of the project. In addition, the Chongqing municipal government announced the development of a new southern town at its core area where CSC Chongqing is located, which is expected to further boost the growth potential of the region. For the period ended September 30, 2019, China South City Chongqing is in the stage of continuous development and construction. It covers industries including small commodities, hardware and machinery, hotel supplies, building and decoration materials, textiles and clothing, automobile and parts, lightings and lamps, outlets, culture and education, metals, etc., on its trade center premises. There are also primary school and secondary school established in the project to cope with the demand in the course of development.

As at September 30, 2019, China South City Chongqing is under development with a total GFA of approximately 2.00 million sq.m. completed, including approximately 1.26 million sq.m. of trade centers, approximately 518,300 sq.m. of residential ancillary, approximately 217,100 sq.m. of warehousing and other ancillary facilities. As at 30 September 2019, construction of a GFA of approximately 583,400 sq.m of residential ancillary is underway, of which approximately 333,800 sq.m. is expected to be completed in the fiscal year ending March 31, 2020.

For the fiscal year ended March 31, 2019, China South City Chongqing recorded total Contracted Sales of approximately HK\$2,105.8 million, as compared to approximately HK\$2,066.1 million and approximately HK\$174.5 million for the fiscal year ended March 31, 2018 and 2017, respectively. For the six months ended September 30, 2019, China South City Chongqing recorded total Contracted Sales of approximately HK\$1,316.8 million as compared to approximately HK\$1,349.3 million for the six months ended September 30, 2018.

Master Agreements

We have signed master agreements and corresponding supplementary agreements with local government agencies in Shenzhen, Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing, that set out each party's commitments and expectations and a proposed framework for the development of our projects. Under these master agreements and corresponding supplementary agreements, our primary obligations generally include purchasing land and developing certain infrastructure in the amount and manner set forth in the master agreements and commencing and completing project-related construction according to the timeframe set forth in the master agreements and corresponding supplementary agreements. The primary obligations of the local government agencies with whom we enter into master agreements and corresponding supplementary agreements generally include improving the infrastructure surrounding the project development site, obtaining land to be granted under the master agreements and corresponding supplementary agreements as well as relocating the existing residents on the land, compensating us for certain infrastructure costs assumed by us in construction of our projects, bearing certain costs for basic facilities associated with our projects, including facilities for the discharge of pollutants, water and electricity supply, communications lines and piping, and assisting us to obtain favorable treatment and necessary approvals from government authorities.

Land Use Rights and Building Ownership Rights

There are two types of title registrations in the PRC: land registration and building registration. Land registration is evidenced by the issue of a land use rights certificate by the relevant authority. A land use rights certificate is the evidentiary legal document demonstrating that the registered land user has the lawful right to use the land during the term stated therein, including the right to assign, mortgage or lease the land. Building registration is evidenced by the issue of a building ownership certificate. The holder of a land use rights certificate who is issued a building ownership certificate holds land use rights and owns the building erected on the land. All holders of land use rights, and other rights in respect of the land, such as the right to buildings erected on the land, must register their lawful state-owned land use rights, as well as ownership rights to the buildings. Under PRC law, land use rights and building ownership rights which are duly registered are protected by law.

PRC law prescribes different maximum periods for the grant of a land use right by the PRC government to the land user, subject to the payment of the land grant fee by the land user. The maximum period depends upon the use of the land, and varies from 40 years for commercial, tourism and entertainment uses to 70 years for residential uses. The most common term is 50 years, such as for industrial, warehouse, office and other uses. For further information, see “Regulation.”

China South City Shenzhen

We have received land use rights with respect to approximately 2.64 million sq.m. of planned GFA for development for China South City Shenzhen. We have obtained all necessary land title and building ownership certificates to conduct our operations at China South City Shenzhen. The land use rights for Phase One, Phase Two and Phase Three facilities for China South City Shenzhen are for a period of 50 years commencing from 1992-2007 according to the respective land use rights certificates.

China South City Nanchang

We have received land use rights with respect to approximately 4.79 million sq.m. of planned GFA for development for China South City Nanchang. We have obtained all necessary land title and building ownership certificates to conduct our operations at China South City Nanchang. The land use rights for China South City Nanchang are for a periods of 40 years for commercial use, 50 years for warehouse use and 70 years for residential use, commencing from 2010-2015 according to the respective land use rights certificates.

China South City Nanning

We have received land use rights with respect to approximately 2.48 million sq.m. of planned GFA for development for China South City Nanning. The land use rights for China South City Nanning are for a period of 50 years for warehouse use and 70 years of residential use commencing from 2010-2017 according to the respective land use rights certificates.

China South City Xi'an

We have received land use rights with respect to approximately 4.68 million sq.m. of planned GFA for our Xi'an project. The land use rights for our Xi'an project are for periods of 40 years for commercial use, commencing from 2011-2016 according to the respective land use rights certificates.

China South City Harbin

We have received land use rights with respect to approximately 5.65 million sq.m. of planned GFA for China South City Harbin. The land use rights for China South City Harbin are for periods of 40 years for commercial use, 50 years for warehouse use and 70 years for residential use commencing from 2012-2018 according to the respective land use rights certificates.

China South City Zhengzhou

We have received land use rights with respect to approximately 10.19 million sq.m. of planned GFA for China South City Zhengzhou. The land use rights for China South City Zhengzhou are for periods of 40 years for commercial use, 50 years for warehouse use and 70 years for residential use commencing from 2012-2018 according to the respective land use rights certificates.

China South City Hefei

We have received land use rights with respect to approximately 5.99 million sq.m. of planned GFA for China South City Hefei. The land use rights for China South City Hefei are for periods of 40 years for both commercial use, 70 years for residential use and 50 years for industrial use commencing from 2013-2017 according to the respective land use rights certificates.

China South City Chongqing

We have received land use rights with respect to approximately 6.50 million sq.m. of planned GFA for China South City Chongqing. The land use rights for China South City Chongqing are for periods of 40 years for both commercial and trade center use, 50 years for warehouse use and 50 years for residential use commencing from 2014-2018 according to the respective land use rights certificates.

Sales and Marketing

We have a team of sales and marketing and customer services personnel located in each project who are responsible for the overall sales, leasing and marketing strategy for each specific project. We also have specialized functional departments responsible for the management of trade centers and ancillary facilities and marketing at the Group level to oversee the sales and marketing of each specified trade center and the other properties for each relevant project. Market research is conducted at the planning stage of each phase of development. Upon commencement of construction of a project, our sales and marketing staff commence marketing activities to target clients and develop advertising and rental plans for the properties held for rental. Upon obtaining the pre-sale certificates of a project, they develop sales plans for the trade center units for sale to purchasers of the properties. We also engage other independent professionals in the PRC to prepare marketing studies to assist us in developing our advertising and sales and rental plans for our projects. This process also includes a determination of target customers, as well as strategies to maximize usage and revenues from the property. Resources and experience gained from different projects will be shared among the projects to achieve better sales and marketing results.

Advertising Media

We use various advertising media, including newspapers, airline magazine, television, direct mail, advertising in buses and trains, outdoor billboards and programs of media to market our trade center and residential properties. We also have our own website which provides a platform for promoting our projects.

Lease Agreements

We generally offer rent-free periods of different lengths to new occupants of our trade center units. We generally do not offer rent-free periods to existing occupants who renew their leases. Occupants are generally required to pay their monthly rent in advance either on a monthly, quarterly, or yearly basis, or in advance of their lease term. In some cases, we offer to decrease the overall lease payment amount if a tenant prepays the amount due for the remainder of the lease term. Rental rates are subject to review and renegotiation upon renewal of leases.

In addition to making rental payments, occupants of trade center units are also required to provide a security deposit upon entering into a tenancy. We have the right to terminate tenancies upon the occurrence of certain events, such as non-payment of rent, carrying on of business other than the allowed purpose or breach of covenants by the occupants.

Purchaser and Tenant Financing

We provide guarantees for mortgage loans to purchasers of trade center and residential units as well as for bank loans extended to occupants of residential units and commercial properties. For further information, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness and Contingent Liabilities — Guarantees.” The amount of guarantees as of September 30, 2019 was approximately HK\$14,516.3 million.

Suppliers and Customers

Our principal customers are occupants and purchasers of our trade center units. Our five largest customers together accounted for less than 10.0% of our total revenue in the year ended March 31, 2019. Our principal suppliers are contractors.

Lease Arrangements with Certain Purchasers of Trade Center Units

For certain of our projects, a purchaser of a trade center unit may enter into a purchase agreement that provides for self-use or one that provides for a leasing arrangement with us. Under the purchase agreements that provide for self-use, the purchasers agree to open their units for business for a certain period of time during the year, and are required to pay a deposit to secure their compliance with this provision. Under the purchase agreements that provide for leasing arrangements, purchasers grant us the right to lease their trade center units to third parties for a permitted period and to receive all rental income from these leases. In return, we agree to offer these purchasers a discount on the purchase price of the trade center units.

Project Development, Design and Financing Policies and Procedures

Project Identification

The first stage of our development process involves identifying new opportunities or accepting invitations from government officials to review development prospects in their respective cities. We conduct in-depth research and analysis to determine the development potential of a site and seek factors such as: (1) public demand for large trade centers in the area; (2) well-developed transportation infrastructure; (3) promising economic growth potential in the region; and (4) strong government support for the development of the trade center project. Our analysis will typically include an assessment of the economic environment, market investigation, feasibility studies, cost and profit forecasts and a positioning analysis for the site.

Project Development and Management Procedures

Once a site is proposed for development, our construction department recommends the appointment of architects and other necessary design consultants, formulates the design brief and controls the design program in consultation with the appointed architects and other consultants. The completed development and construction plan will be submitted to the relevant government authorities for approval.

During the construction phase, a construction team, headed by a project manager, is typically appointed for each development site. These teams, under the direction of our construction department, manage the project development process, seek to ensure the quality and timely completion of each project and control the costs according to the approved budget. Government officials from the relevant construction bureau will generally monitor the quality and safety of the project. We also have our own internal quality surveyors, site engineers and procurement staff to work on the project.

Project Design

All detailed project and interior design work for our projects are contracted out to PRC and international architectural and interior design firms, which plan the architectural, landscape and interior designs in accordance with our specifications.

The construction department is also responsible for overseeing the various aspects of design and interior design and for selecting the architects and interior design firms responsible for the project. At times we use a tender process in selecting these architects and interior design firms, while at other times we select architects and interior design firms without using a tender process based on our knowledge of the quality of their services and our previous experience working with them. The construction department and our senior management continually monitor the progress and quality of the appointed design firms to ensure that they are meeting our specifications.

Construction Work

We contract with independent third-party construction contractors to perform the construction work for our projects. Our relationship with each contractor lasts until the completion of their contracted stage of work. Certain of our contractors have worked with us through several stages of our construction projects. As of September 30, 2019, we did not engage any related parties for the construction of development projects or for the supply of materials to our development projects. Sometimes, we use a tender process in selecting contractors, material suppliers and consultants, while at other times we select contractors, material suppliers and consultants without using a tender process based on our knowledge of the quality of their services and our previous experiences working with them. Our contracts with construction companies typically contain warranties for quality and requirement for timely completion of the construction process. Although the agreements with our contractors vary due to the scope of contracted work, the majority of our agreements are generally for a six-month to 24-month period, depending on the scope of construction work involved.

Our construction agreements typically provide for payments based on construction progress until a specified maximum percentage of the total contract price is paid. We typically do not make any prepayments, but instead make payments according to the progress on a monthly basis. We assign project teams consisting of our own internal quality surveyors, site engineers and procurement staff to closely monitor the work of the independent construction companies, including quality and construction progress. In the event a contractor fails to perform its contractual obligations or is otherwise deficient in the performance of its contractual obligations, we may require the contractor to remedy the non-compliance or non-conformity of the performance, or otherwise pay damages or a penalty. Since the beginning of our projects, we have not had any material disputes with any of our contractors and suppliers. In addition, neither we nor any of our contractors have terminated a major contractor agreement.

Monitoring and Supervision

To monitor the progress of construction, our construction department has a project management team, consisting of qualified engineers led by project managers, that monitors the construction progress of contractors in accordance with our construction agreements and the construction plan progress. To ensure the quality of construction, our project management team monitors the quality of work of construction contractors in accordance with our construction agreements and the construction plan. As required by PRC laws and regulations, we also engage qualified independent quality supervisory companies to conduct quality and safety control checks on building materials and workmanship.

Financing Policies

To date, we have financed our projects through loans from bank borrowings, the proceeds from the offering of each of the short-term notes, the medium-term notes, the corporate bonds, the domestic company bonds, the 2016 Notes, the 2017 March Notes, the 2017 November Notes, the 2018 January Notes, the 2018 May Notes, the 2019 March Notes, and our working capital. We intend to finance our properties under development and planned for future development with bank and other borrowings, internally generated funds and a portion of the net proceeds of the Notes.

Quality Control

We place a strong emphasis on quality control to ensure that our properties comply with relevant laws and regulations and meet market standards. In addition, quality control is crucial to the successful development of our integrated trade center developments and to helping us meet the requirements of our target occupants and customers. We establish and maintain approved registers of design consultants, other consultants, contractors and material suppliers to ensure that only those that are competent are permitted to participate in the tender process. The quality control of our projects is headed by the general manager of the construction department and performed in accordance with our internal procedures and systems as well as the specifications of our projects. We monitor and assess the performance of the design consultants, contractors and material suppliers to ensure that they meet the specified requirements. Appropriate follow-up action and penalties are taken against those that do not meet the required standards. In addition, we also have a project management team consisting of qualified engineers that performs regular quality audits of the project site and reports irregularities or poor workmanship to the general manager of the construction department and to the project managers responsible for the projects. The responsible project construction teams are required to rectify the problem immediately.

Legal and Compliance

The daily responsibilities for the implementation of internal control procedures have been placed on the senior management of our business departments and subsidiaries, and our legal, administration and company secretarial departments, who have responsibility to oversee our compliance with applicable laws, rules and regulations. Our legal department is responsible for upholding our compliance function. Our administration department is responsible for obtaining the licenses, authorizations and other certificates required for our business. Our company secretarial department is responsible for overseeing our compliance with the Listing Rules and Companies Ordinance. Our internal audit department reviews and monitors the implementation of internal control procedures by our various departments and subsidiaries and identifies areas of non-compliance and potential risks to us. As we continue to develop our business, we will continue to review our internal control mechanisms and the adequacy of relevant human resources to ensure compliance with statutory requirements and regulations relevant to our business.

Environmental Matters

As an operator and developer of trade center projects in the PRC, we are subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on project design and construction, air and noise pollution and discharge of waste and water into the environment.

As required by PRC law, we must, depending on the impact of the project on the environment, submit an environmental impact assessment report, an environmental impact analysis table or environmental impact registration form before the relevant authorities will grant approval for the commencement of construction of the project. See “Risk Factors — Risks Relating to Our Business and Our Industry — Potential liability for environmental problems could result in substantial costs.”

Health and Safety Matters

Under PRC laws and regulations, most of the potential liabilities to the workers on and visitors to our construction sites rest with our contractors. To our knowledge, there have been no material incidents of non-compliance with the relevant health and safety laws and regulations by our main contractors or their subcontractors during the course of their business dealings with us.

Competition

We face competition from other trade centers in China, particularly in Guangdong Province with regard to China South City Shenzhen. The trade center industry in China is fragmented, and consists of a large number of trade centers of varying sizes. The greatest concentrations of similar trade centers in China are in the Greater Pearl River Delta, the Yangtze River Delta and the Bohai-Ring region near Beijing. Many trade centers in China tend to specialize in one industry sector. There are a limited number of trade centers in China with a GFA in excess of 400,000 sq.m. that offer products in more than one industry sector and have a comprehensive range of supporting services and facilities. Our existing and potential competitors include trade centers managed by private domestic operators, trade centers that may have some affiliation with local government entities in China, and to a lesser extent, trade centers jointly developed or managed with international operators. In addition, there may be an increase in supply of trade centers in the Greater Pearl River Delta and elsewhere in China, such as Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing in the future. Each of Guangxi Zhuang Autonomous Region, Jiangxi Province, Shaanxi Province, Heilongjiang Province, Henan Province, Anhui Province and Chongqing Municipality also has numerous trade centers varying in size and type of industries represented. A number of our competitors have broader name recognition, a longer track record and more established relationships in certain markets.

In addition, we expect to increase the proportion of residential properties in Nanchang, Nanning, Xi'an, Harbin, Zhengzhou, Hefei and Chongqing. As a result, we will face increasing competition in the future from residential and other property developers. We expect competition among property developers for land reserves that are suitable for property development to remain intense. In addition, PRC governmental land supply policies and implementation measures may further intensify competition for land in China among property developers.

Intellectual Property Rights

We have mainly registered the trademark , “华南城” (China South City) and its logo  with the Trade Marks Registry in the PRC Trademark Office under various categories relating to metals, textiles, machines, electronics and many other categories. We also have registered the trademarks  and 華南城 with the Trade Marks Registry in Hong Kong under categories relating to advertising, entertainment, real estate affair, transport, logistic services and services for providing food and drink and temporary accommodation. We are also the owner of the domain name of “www.chinasouthcity.com.”

Insurance

We maintain insurance policies with insurance companies in the PRC, which cover property damage due to natural hazards, including lightening, typhoons and other natural phenomena, and accidents, including fire and explosion, and general liability under property all risk insurance, construction all risk insurance and public liability insurance. There are, however, certain types of risks that are not covered by our insurance policies, including losses resulting from war, nuclear contamination, tsunami, pollution and acts of terrorism. As of September 30, 2019, we had not experienced any significant loss or damage to our properties. In addition, we maintain employer's liability insurance covering bodily injury, medical treatment and litigation expenses for our employees. We also carry automobile insurance covering collision damage and various types of liability for our vehicles. According to PRC laws, under certain circumstances, the owner or manager of properties under construction may bear civil liability for personal injuries arising out of construction work unless the owner or manager can prove that it is not at fault. We take steps to prevent construction accidents and personal injuries, and as a result, we believe that we will generally be able to demonstrate that we were not at fault as the property owner if a personal injury claim is brought against us.

We believe that we have sufficient insurance coverage in place and that the terms of our insurance policies are in line with industry practice in the PRC. Nonetheless, we cannot guarantee that we have sufficient insurance coverage for all damage and liabilities that may arise from our business operations. See “Risk Factors — Risks Relating to our Business — We may suffer losses caused by natural disasters, and these losses may not be fully covered by insurance.”

Employees

As at September 30, 2019, we had a workforce of approximately 5,130 people. The number of our staff decreased by approximately 1.3% from approximately 5,200 people as at March 31, 2019. We aim to recruit, retain and develop competent individuals who are committed to our long-term success and growth. Remunerations and other benefits of employees are reviewed annually in response to both market conditions and trends, and are based on qualifications, experience, responsibilities and performance. In addition to basic salaries and other staff benefits, discretionary bonuses and share options may be awarded to employees who display outstanding performance and contributions to the Group.

Legal Proceedings

From time to time, we have been involved in legal proceedings or other disputes in the ordinary course of our business which are primarily disputes with our customers, contractors and employees, and we have not incurred significant legal costs and expenses in connection with these legal proceedings. As of the date of this offering memorandum, Chongqing China South City Company Limited has been involved in a construction contract dispute litigation as a second defendant, which a third party subcontractor made a claim against the third party general contractor as the first defendant in the amount of RMB12,369,071.05, and Chongqing China South City Company Limited shall provide joint and several guarantee within the scope of the outstanding construction payment thereto.

The litigations are still ongoing, but we believe that the amount of each dispute is minimal compared to the total assets of the Company, and we believe such claims should not have any material adverse effect on us or any of our relevant subsidiaries. Save as disclosed above, we are not aware of any material legal proceedings, claims or disputes currently existing or pending against us that may have a material adverse impact on our business or our results of operations.

REGULATION

The following section sets forth a summary of the most significant PRC laws and regulations that affect us. For a description of the legal risks relating to government regulation of our business, and in particular the land system in China, see “Risk Factors.”

Overview

We are subject to extensive government regulation in the PRC. In connection with our integrated logistics and trade center development activities, we are subject to a number of PRC laws and regulations relating to the land system in the PRC, such as those related to land use rights, (including how land use rights may be acquired and transferred), documents of title, property development, real estate loans, mortgages and other financing techniques, property management, leasing and property-specific taxes. In addition, as an owner of warehouses used in the logistics industry, we, and our subsidiary, Shenzhen Qianlong and its subsidiaries, are subject to PRC laws and regulations relating to ownership and operation of warehouses. Furthermore, our customers and logistics providers located on-site at China South City Shenzhen are subject to PRC laws and regulations, and licensing requirements, relating to the import/export industry and the provision of logistics services. In the future, we may also engage in import/export services. We are also subject to regulations relating to foreign currency exchange, dividend distributions and taxation. These provisions are discussed below.

Our Treatment as an Integrated Logistics Enterprise

Because it provides a platform for a variety of integrated logistics and trade services and facilities, including transportation services, bonded, unbonded and export supervised warehouses, logistics liaison services, on-site logistics service providers, and quality testing services, China South International is treated as an integrated logistics enterprise by local authorities in Shenzhen and, in accordance with relevant PRC laws, regulations and policies, is not subject to rules and regulations in the PRC applicable to foreign investment real estate enterprises. See “— Regulations on Foreign-Invested Real Estate Enterprises” for a description of the rules and regulations applicable to foreign investment real estate enterprises.

Although our revenue is primarily generated from the sale and lease of properties, our legal treatment as an integrated logistics enterprise in Shenzhen is consistent with PRC laws and regulations, and necessary approvals related to our integrated logistics operations have been obtained from the appropriate regulatory authorities in the PRC. However, because we develop properties necessary for the integrated logistics activities available at our integrated logistics and trade center operations, we are subject to certain PRC laws, regulations and policies otherwise applicable to property development enterprises. For a description of these rules and regulations, see “— Property Development,” “— Qualifications of a Property Developer,” “— Property Leasing,” “— Property Sales” and “— Regulations on Development of a Real Estate Project.”

China South International was established on December 18, 2002. According to Regulations for Guiding the Direction of Foreign Investment (指導外商投資方向規定), issued by the State Council on February 11, 2002, foreign investment projects should be examined, approved and submitted for record by development planning authorities or foreign trade and economic cooperation authorities depending on the nature of the projects. Upon its establishment, China South International was examined and approved by the Shenzhen Municipal Trade and Industry Bureau.

China South International increased its registered capital on seven occasions, by HK\$100.0 million, HK\$100.0 million, HK\$120.0 million, HK\$600.0 million, HK\$300.0 million, HK\$200.0 million and HK\$700.0 million on July 22, 2005, December 7, 2005, November 14, 2007, February 8, 2010, June 13, 2010, November 2, 2010 and June 14, 2011, respectively, for a total of HK\$2,200.0 million. According to the Notice of the Ministry of Commerce on Practicing Good Governance in Accordance with the Law When Carrying Out the Work Associated With the Examination and Approval of

Foreign-Invested Enterprises (商務部關於依法行政做好外商投資企業審批工作的通知), issued by the Ministry of Commerce, on January 21, 2005, the MOFCOM is responsible for the approval of capital increases of: (1) US\$100 million or more, in the case of encouraged category or permitted category foreign investment enterprises; and (2) US\$50 million or more, in the case of restricted category foreign investment enterprises. According to the Notice of the Ministry of Commerce on Issues Related to Delegating Powers on Examination and Approval of Foreign Investment to Authorities at Law Levels, issued by the Ministry of Commerce on June 10, 2010, every capital increase of US\$300 million or less (in the case of encouraged or permitted categories) is subject to the examination approval and management of local approval authorities. As China South International is an encouraged category foreign investment enterprise, each of its capital increases fell below the relevant threshold and therefore fell within the authority of the Shenzhen Municipal Trade and Industry Bureau (renamed as Economy, Trade and Information Commission of Shenzhen Municipality).

China South International amended its business scope on March 22, 2004, July 14, 2004, September 17, 2004, November 14, 2007, June 14, 2011, December 30, 2014 and September 1, 2015, respectively. With respect to foreign investment enterprises that apply for a change of business scope, the MOFCOM is responsible for the relevant approval only where such change involves a restricted category foreign investment enterprise requiring a special state prescription. Based on the advice of our PRC legal counsel, we do not believe that: (1) China South International will be treated as a foreign investment real estate enterprise or subject to the requirements imposed on such enterprises; or that (2) China South International's treatment as an integrated logistics enterprise will be affected as a result of its property development activities.

Logistics Regulations of the PRC

Under PRC laws and regulations, local government agencies are encouraged to adopt preferential land, investment and tax policies to further promote the construction of infrastructure and logistics facilities. Although China South International is treated as an integrated logistics enterprise, as of the date of this offering memorandum, we have not received any preferential land, investment or tax treatment.

The Land System of the PRC

Overview

Although all land in the PRC is owned by the State or by collectives, individuals and entities may obtain land use rights and hold such land use rights for development purposes. The State has the right to resume the right to use land in accordance with law if required for the public interest. Individuals and entities may acquire land use rights in different ways, the two most important being land grants from local land authorities and land transfers from land users who have already obtained land use rights.

Land Grants

National and Local Legislation

On May 19, 1990, the State Council issued the Urban Land Regulations. The Urban Land Regulations prescribe different maximum periods of grant for different uses of land as follows:

Use of Land	Text Maximum Period (years)
Commercial, tourism, entertainment	40
Residential	70
Industrial	50
Educational, scientific, technological, cultural, public health and sports	50
Comprehensive utilization or other purposes	50

Under the Urban Land Regulations, domestic and foreign enterprises are permitted to acquire land use rights unless the law provides otherwise. 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 and relevant laws and regulations of PRC, 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 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.

The Law of the People's Republic of China on Property Rights (中華人民共和國物權法), or Property Law, adopted by the National's People's Congress on March 16, 2007 and effective as of October 1, 2007, further clarified land use rights in the PRC with the following rules:

- land use rights for residences will be automatically renewed upon expiry;
- car parking spaces and garages within residential buildings must first be used to meet the needs of the owners who live in the building;
- the construction of buildings must comply with relevant laws and regulations and must not affect the ventilation or lighting of neighboring buildings; and
- where the land use rights for construction use are transferred, exchanged, used as a capital contribution, donated to others or mortgaged, an application for modification registration must be filed with the registration department.

In addition to the general framework for transactions relating to land use rights set out in the Urban Land Regulations, local legislation provides for additional requirements, including those applicable to specific transactions within specific areas relating to the grant and transfer of land use rights. These local regulations are numerous and some of them are inconsistent with national legislation. Under PRC law, national laws and regulations prevail to the extent of such inconsistencies.

Methods of Land Grant

There are two methods by which land use rights may be granted, namely by private agreement or competitive processes (i.e., public tender, auction or listing for sale at a land exchange administered by the local government).

The MLR has required since August 31, 2004, that the grant of land use rights must be made pursuant to public tenders, auctions or listings for sale on a land exchange and that no land use rights for commercial uses could be granted by way of private agreement. PRC laws and regulations specifically provide that land to be used for commercial purposes must be granted by way of competitive processes. A number of measures are provided by PRC laws and regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly. For instance, the local land bureau must take into account various social, economic and planning considerations when deciding on the use of a certain piece of land, and its decision regarding land use designation is subject to approval by the city or provincial government. In addition, the announcement of a public tender, auction or listing for sale at a land exchange must be made 20 days prior to the date of beginning such competitive processes. Furthermore, it is also stipulated that for listing at a land exchange, the time period for accepting bids must not be less than 10 working days.

When land use rights are granted by way of tender, a bid evaluation committee consisting of not fewer than five members (including a representative of the grantor and other experts) formed by the land bureau is responsible for evaluating the bids and the tenderer is responsible for deciding on the successful bidder. The successful bidder will then sign the land grant contract with the land bureau and pay the balance of the land-grant fee before obtaining the State land use rights certificate and the land bureau effecting registration of the successful bidder as the holder of land use rights for the land. See “— Documents of Title and Registration of Property Interests.” The land bureau will consider the following factors: if the invitation to tender only requires a bid from the bidder, whoever offers the highest bid will be the successful bidder; or if the invitation to tender requires the bidder to submit planning proposals in addition to the bid, then details of the proposals will be considered. If the relevant land bureau considers that none of the bids is satisfactory, the land bureau has the right to reject all the bids.

Where land use rights are granted by way of auction, a public auction will be held by the relevant local land bureau. The land use rights are granted to the highest bidder. The successful bidder will then be asked to sign the land grant contract with the local land bureau and pay the relevant land grant fee within a prescribed period. Tenders for land use rights can be by way of open tenders or private tenders.

Where land use rights are granted by way of listing at a land exchange administered by the local government, a public notice will be issued by the local land bureau to specify the location, area and purpose of use of land and the initial bidding price, period for receiving bids and terms and conditions upon which the land use rights are proposed to be granted. The land use rights are granted to the bidder with the highest bid who satisfies the terms and conditions. The successful bidder will enter into a land grant contract with the local land bureau and pay the relevant land grant fee within a prescribed period.

The land use rights for China South City Shenzhen have been granted pursuant to local exceptions to these requirements. These are discussed below.

On June 18, 1994, the Shenzhen Municipal People’s Congress issued the Regulations for the Grant of Land Use Rights in the Shenzhen Special Economic Zone (深圳經濟特區土地使用權出讓條例) (the “Shenzhen SEZ Land Use Rights Regulations”). On December 24, 2010, the Standing Committee of Shenzhen People’s Congress issued an amendment to the Shenzhen SEZ Land Use Rights Regulations. In general, the transfer of land use rights must be in compliance with the regulations issued by the MLR. However, the amendment to the Shenzhen SEZ Land Use Rights Regulations allows some exceptions based on the characteristic and practical needs of the Shenzhen Special Economic Zone.

Upon signing the land grant contract the grantee is required to pay the land grant fee pursuant to the terms of the contract and the contract is then submitted to the relevant local bureau for the issue of the land use rights certificate. Upon expiration of the term of grant, the grantee may apply for its renewal. Upon approval by the relevant local land bureau, a new contract is entered into to renew the grant, and a land grant fee shall be paid.

Model Land Grant Contract

To standardize land grant contracts, in 2008, the MLR and the State Administration for Industry and Commerce, or the State administration for Industry and Commerce (“SAIC”, which has been reorganized as the State Administration for Market Regulation), published the model land grant contract, on the basis of which many local governments have formulated their respective local form land grant contract to suit their special local circumstances. The model land grant contract contains terms such as location of land, use of land, land grant fee and its payment schedule, conditions of land upon delivery, term of grant, land use conditions and restrictions (including GFA, plot ratio and height and density limitations), construction of public facilities, submission of building plans for approval, deadline for commencement of construction, payment of idle fees, deadline for completion of construction, application for extension of the stipulated construction period, restrictions on subsequent transfers, responsibility for obtaining supply of utilities, restrictions against alienation before payment of the land-grant fee and completion of prescribed development, application of renewal, force majeure, breach of contract and dispute resolution.

If the land user fails to develop and invest in the land within the period of time specified in the land grant contract, the land bureau has the right to impose various penalties ranging from fines to withdrawal of the grant without consideration (unless the failure is due to force majeure or the activities of a government authority).

Termination

A land use right terminates upon the expiry of the term of grant specified in the land grant contract and the resumption by the state of that right.

The State generally will not withdraw a land use right before the expiration of its term of grant and if it does so for special reasons, such as in the public interest, it must offer proper compensation to the land user, having regard to the surrounding circumstances and the period for which the land use right has been enjoyed by the user.

Upon expiry, the land use right and ownership of the related buildings erected on the land and other attachments may be acquired by the State without compensation. The land user will take steps to surrender the land use rights certificate and cancel the registration of the certificate in accordance with relevant regulations.

A land user may apply for renewal of the land use rights and, if the application is granted, the land user is required to enter into a new land grant contract, pay a land grant fee and effect appropriate registration for the renewed grant.

Documents of Title and Registration of Property Interests

A land use rights certificate is the evidentiary legal document to demonstrate that the registered land user has the lawful right to use the land during the term stated therein. Upon the completion of construction of a building (including passing the acceptance tests by various government departments), a building ownership certificate will be issued to the owner of the building. The holder of a land use right who is issued a building ownership certificate holds the land use rights and owns the building erected on the land. All holders of land use rights, and other rights in respect of the land such as the right to buildings erected on the land, must register all their lawful land use rights, as well as ownership rights to the buildings. In Shenzhen, the land use rights certificate and the building ownership certificate are combined into a single certificate.

Mortgage and Guarantee

Under PRC laws and regulations, when a mortgage is created on the ownership of a building on State-owned land legally obtained, a mortgage shall be simultaneously created on the land use rights of the land on which the building is erected. Pursuant to PRC laws and regulations, buildings newly erected on a piece of urban land after a mortgage contract has been entered into shall not constitute mortgaged property. If the mortgaged property is auctioned off, the new buildings added on the land may be auctioned together with the mortgaged property, but the mortgagee shall not be entitled to priority compensation from the proceeds of the auction of the new buildings.

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 in the city where the real estate is situated. A real estate mortgage right becomes effective on the date of registration of the mortgage. When carrying out mortgaged property registration, the loan contract and the mortgage contract as well as the land use rights certificate or the building ownership certificate in respect of the mortgaged property must be submitted to the registration authority.

Under PRC laws and regulations, guarantees may be in one of two forms: (1) general guarantees whereby the guarantor bears the liability when the debtor fails to perform the payment obligation; or (2) guarantees with joint and several liability whereby the guarantor and debtor are jointly and severally

liable for the payment obligation. A guarantee contract must be in writing and, unless agreed otherwise, the term of a guarantee shall be six months after the expiration of the term for performance of the principal obligation.

Where indebtedness is secured by both a guarantee and by mortgaged property, the guarantor's liability shall be limited to the extent of the indebtedness that is not secured by the mortgaged property.

Property Development

Overview

Property development projects in the PRC are generally divided into single projects and large tract development projects. A single project refers to the construction of buildings on a plot of land and the subsequent sale of units. Large tract development projects consist of the comprehensive development of large area and the construction of necessary infrastructure such as water, electricity, road and communications facilities. The developer may either assign the land use rights of the developed area or construct buildings on the land itself and sell or lease the buildings erected on it.

Foreign entities must establish foreign investment enterprises in the PRC as project companies to develop property. The typical scope of business of such project companies includes development, construction, sales, leasing and property management of commodity properties and ancillary facilities on the specific land as approved by the government. The term of the property development company is usually the same as the term of grant of the land use rights in question.

Establishment of a foreign-invested project company is subject to the approval by the relevant departments of the PRC government in accordance with the following procedures. First, a project application report is submitted to the central or local development and reform commission for verification and approval. If the development and reform commission considers the proposed property development project to be consistent with the prevailing national and local economic plans and foreign investment regulations, it will grant an approval to the applicant in respect of the project.

Once the project application report has been verified and approved, a joint feasibility study report is prepared that reflects the investor's assessment of the overall economic viability of the proposed project company. The feasibility study report and/or articles of association may then be submitted to the MOFCOM, or its local counterpart, as the case may be, for approval. If the MOFCOM or its local counterpart finds the application documents to be in compliance with PRC law, it will issue an approval certificate for the establishment of the project company. With this approval certificate, the investor can apply to the local administration for industry and commerce for a foreign investment enterprise business license for the project company.

Development Regulations

In May 23, 2012, the MLR, issued a circular which restricts the area of land that may be granted by local governments for development of commodity housing to seven hectares for small cities and towns, 14 hectares for medium-sized cities and 20 hectares for large cities.

In November 2009, the Ministry of Finance (the "MOF"), MLR, PBOC, PRC Ministry of Supervision and PRC National Audit Office also jointly promulgated a notice which raised the minimum down-payment for land grant fees to 50% and requires the land grant fees to be fully paid within one year after the signing of a contract for the assignment of land, subject to limited exceptions. Any developer defaulting on any such payment may not participate in any new transactions of land grant.

In March 2010, the MLR promulgated the Notification on Emphasizing Relevant Issues Relating to the Supply and Supervision of Land for Real Estate Development (關於加強房地產用地供應和監管的有關問題的通知), (the "2010 Notice"), which adopted measures to improve the regulation of land for real estate development, and included measures to: (1) improve the preparation and implementation of land

supply plans; (2) improve the regime of public tender, auction and listing-for-sale of land use rights; (3) enhance the supervision on the use of land; and (4) disclose to the public information on the supply and assignment of land and the status of the construction project on the land.

In addition, the 2010 Notice stipulates that the administrative authorities for land and resources of cities and counties must establish a regime for developers to report the commencement and completion of construction projects. Under such regime, the developer must adhere to certain timing and application requirements for the commencement and completion of the construction project. A developer who fails to report accordingly must be announced to the public and prohibited from participating in any new land grant transactions for a minimum of one year. The 2010 Notice also stipulates penalties for property development enterprises that default on the payment of the land grant fees, hold idle land, hoard or speculate in land, develop property on the land exceeding their actual development capacity or default on the performance of the contract for the assignment of land.

In September 2010, the MLR and the Ministry of Housing and Urban-Rural Development, or MOHURD, jointly issued a notice, which stipulates, among other things, that the planning and construction conditions and land use standards should be specified when a parcel of land is to be granted, and the restrictions on the area of one parcel of land granted for commodity properties should be strictly implemented. In addition, a property developer and its shareholders will be prohibited from participating in bidding for land before it rectifies any violations of law in which it may have engaged, such as keeping land idle for more than one year.

Regulations on Foreign-Invested Real Estate Enterprises

Once a foreign entity developer has established a project company and secured the land use rights to a piece of land for development, it has to apply for and obtain the requisite planning permits from the planning departments and have its design plan approved by, and apply for and obtain construction permits from, the relevant construction commission for commencement of construction work on the land. When the construction work on the land is completed, the completed buildings and structures must be examined and approved by the government departments before they can be delivered to purchasers or lessors for occupancy.

Foreign Investment Catalog

PRC law requires that a foreign investment project be approved by government authorities at the appropriate level depending on the amount of the investment by the foreign enterprise and the industries to which the project belongs under the foreign investment catalog (the “Catalog”). We have obtained approval from the Shenzhen Bureau of Trade and Industry as a foreign investment enterprise and have subsequently received approval on seven occasions to increase the investment capital for China South City Shenzhen.

We expect to inject our future proceeds for China South City Shenzhen in stages, each of which will be subject to the approval by Shenzhen Bureau of Trade and Industry. Under this arrangement, we need not apply for approval from the MOFCOM and the National Development and Reform Commission (the “NDRC”). We believe that if China South International is not treated as a foreign-invested real estate enterprise, it will not face any additional restrictions under the Catalog with respect to its operations at China South City Shenzhen nor will such treatment necessitate amending China South International’s business scope.

On June 10, 2010, the MOFCOM released a circular, under which the relevant local branches of the MOFCOM are granted the power to examine, approve and administer the establishment and alterations of foreign investment enterprises which are within the encouraged and permitted categories with a total investment of no more than US\$300 million and foreign investment enterprises which are within the restricted category under the Catalog with a total investment of no more than US\$50 million.

Circular No. 171

Issued in response to increasing foreign investment in the real estate industry in recent years, the Opinions on Regulating the Entry of Foreign Capital into the Real Estate Market and the Administration Thereof (關於規範房地產市場外資准入和管理的意見), or Circular No. 171, issued by the Ministry of Construction, the MOFCOM, the NDRC, the PBOC, the State Administration for Industry and Commerce (“SAIC”, which has been reorganized as the State Administration for Market Regulation) and SAFE, on July 11, 2006, may impact foreign investment in the PRC real estate industry in the following areas:

- Circular No. 171 requires a foreign invested real estate enterprise (“FIREE”), with total investments equating to or exceeding US\$10 million to have a registered capital consisting of no less than 50% of its total amount of investment. FIREEs with total investments below US\$10 million shall have a registered capital in amounts pursuant to and consistent with existing regulations.
- upon payment of the land use rights grant fees, the FIREE can apply to the land administration authority for a land use rights certificate. Upon obtaining the land use rights certificate, a FIREE may then obtain a recertification of its existing foreign investment enterprise approval certificate (“FIREE”), and the business license, with the same validity period as that of such FIEAC; following which, the FIREE may apply to the tax administration for tax registration purposes.
- when a foreign investor merges with a domestic real estate enterprise, or acquires a FIREE’s equity or project, the investor is required to submit a guarantee which ensures the compliance with the provisions of the land use rights grant contract, construction site planning permit and construction work planning permit, and the land use rights certificate, and the modification certification issued by the construction authorities, and the tax payments certification issued by the relevant tax authorities.
- foreign investors which merge with domestic real estate development enterprises by share transfer or other methods, or which acquire the equity of a PRC party in joint venture enterprises, must allocate their employees appropriately, deal with bank debts and settle the lump sum payment of the transfer price through self-owned funds. However, a foreign investor with an unfavorable record should not be allowed to conduct any of these activities.
- PRC or foreign investors in a FIREE shall not guarantee fixed profit returns or provide other arrangements to the same effect for any party in any form.

With regard to China South City Shenzhen, the Shenzhen Municipal Administration of Foreign Exchange and the Municipal Trade and Industry Bureau in Shenzhen have treated our subsidiary, China South International, as an integrated logistics enterprise rather than as a real estate enterprise. Because China South International has not been treated as a real estate enterprise, we have been able to distribute funds downstream in the form of shareholders loans rather than capital contributions and have not been subject to certain approval and registered capital requirements applicable to foreign invested real estate enterprises, including those under the Catalog. If the governmental agencies in Shenzhen were to treat us as a real estate developer, this would need to be recorded with the MOFCOM and we would no longer be able to inject capital into China South International in the form of shareholders’ loans. Furthermore, we would become subject to a registered capital ratio requiring us to maintain registered capital levels at 50% or more of our total investment.

Circular No. 50

The Notice of the Ministry of Commerce and the State Administration of Foreign Exchange on Further Strengthening and Regulating the Examination, Approval and Oversight of Foreign Direct Investment in the Real Estate Sector (商務部、國家外匯管理局關於進一步加強、規範外商直接投資房地產業審批和監管的通知) (“Circular No. 50”) issued by the MOFCOM and SAFE on May 23, 2007 and partly amended by a decision release by the MOFCOM on October 28, 2015 may impact foreign investment in the PRC real estate industry in the following areas:

- the local governments/authorities that approve FIREE establishments are now required to file such approvals with the MOFCOM;
- prior to establishing a foreign invested real estate enterprise, foreign investors are required to obtain land use rights or the ownership of a real estate project, or the investor should have entered into an indicative land grant contract or indicative project purchase agreement with the land administrative department, developer of the land or owner of the property;
- the practice of allowing foreign investors taking over local project companies by way of roundtrip investment is strictly controlled; and
- a foreign investment enterprise that intends to engage in real estate development, or an existing FIREE which intends to undertake a new real estate development project, shall first apply to the relevant authorities for such business scope and scale expansion in accordance with laws and regulations on foreign investments.

Circular No. 130, Circular No.19 and Circular No.21

The Notice of the General Affairs Department of the State Administration of Foreign Exchange on Issuance of the List of the First Batch of Foreign-Invested Real Estate Projects Recorded With the Ministry of Commerce (國家外匯管理局綜合司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) (“Circular No. 130”) issued by the State Administration for Foreign Exchange on July 10, 2007, is a strict embodiment and application of Circular No. 50, under which some notices will have a significant impact on offshore financings of FIREEs. Some of the key developments in this area are as follows:

- an FIREE which has obtained an FIEAC (including new establishment and registered capital increase) and filed with the MOFCOM after June 1, 2007 may not incur foreign debt or convert loans in foreign currency into RMB; and
- an FIREE which obtains an FIEAC after June 1, 2007 but fails to file with the MOFCOM after June 1, 2007, may not conduct a foreign exchange registration nor a foreign exchange conversion of its registered capital.

Though Circular No. 130 has become invalid since the issuance of The Notice of the State Administration of Foreign Exchange on Issuance of the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors and the 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) on May 10, 2013 (“Circular No. 21”), The Notice of the State Administration of Foreign Exchange on Issuance of Administrative Measures on Registration of Foreign Debts (國家外匯管理局關於發佈《外債登記管理辦法》的通知) issued on April 28, 2013 and amended in 2015 and 2016 (“Circular No. 19”) restates that an FIREE, which has obtained an FIEAC and filed with the MOFCOM after June 1, 2007 may not incur foreign debt.

Because China South International has not been treated as a real estate enterprise in Shenzhen, we have not been subject to the requirements of Circular No. 50, Circular No. 130, Circular No. 171 or Circular No. 19 with regard to China South City Shenzhen.

Qualifications of a Property Developer

Establishment of a Property Development Enterprise

According to the Law of the People's Republic of China on the Administration of Urban Property (中華人民共和國城市房地產管理法) (the "Urban Property Law"), a property development enterprise is defined as an enterprise which engages in the development and sale of property for the purpose of making profits. Under the Regulations on Administration of Development of Urban Property (城市房地產開發經營管理條例) (the "Development Regulations"), an enterprise which is to engage in development of property must have a minimum registered capital of RMB1 million and employ at least four full-time professional property/construction technicians and at least two full-time accounting officers, each of whom must hold relevant qualification certificates. Furthermore, a developer who aims to establish a property development enterprise should apply for registration with the Administration for Industry and Commerce. The property development enterprise must also report its establishment to the property development authority in the location of the registration authority, within 30 days upon the receipt of its business license.

On May 25, 2009, the State Council issued the Notice on Adjusting the Minimum Capital Requirement for Fixed Assets Investment (關於調整固定資產投資項目資本金比例的通知), which lowered the minimum capital proportion for non-residential projects to 30%. On September 9, 2015, the State Council issued the Notice on Adjusting and Improving the Capital System of Fixed Asset Investment Projects (國務院關於調整和完善固定資產投資專案資本金制度的通知), which provides that the minimum capital proportion of government-subsidized housing and ordinary commodity housing projects shall remain unchanged at 20%, and that of other real estate development projects shall be adjusted from 30% to 25%.

Under the Regulations for the Administration of the Qualifications of Real Estate Development Enterprises (房地產開發企業資質管理規定), or Qualification Certificate Regulations, issued by the Ministry of Construction on March 29, 2000 and partly amended by a decision issued by the MOHURD on May 4, 2015, a real estate developer shall apply for registration of its qualifications according to the Qualification Certificate Regulations.

According to the Qualification Certificate Regulations, a newly established property developer must report to relevant real state development administration authority within 30 days of obtaining its business license, and such authority shall issue a temporary qualification certificate. The temporary qualification certificate has a one-year validity and may be extended for not more than two years with the approval of the relevant real estate development administration authority. In addition, an application for a formal qualification certificate must be made one month before the expiration of the interim certificate. All qualification certificates are subject to inspection by the relevant government authorities and to be renewed on an annual basis. Under government regulations, developers must fulfill all statutory requirements before they may obtain or renew their qualification certificates.

In addition, the Qualification Certificate Regulations require the qualifications of a property development enterprise to be classified into four classes: class 1, class 2, class 3 and class 4. The interim certificate of qualification shall not be lower than the class 4 of qualification. Different classes of qualification must be examined and approved by corresponding authorities. The class 1 qualifications must be subject to both preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 or lower must be formulated by the relevant government authorities.

Furthermore, the Qualification Certificate Regulations stipulate that a developer of any qualification classification may only engage in the development and sale of the property within its approved scope of business and may not engage in business which falls outside the approved scope of its qualification classification. A class 1 property development enterprise may undertake property development projects throughout the country without any limit on the scale of the project. A property development enterprise of class 2 or lower may undertake a project with a GFA of less than 250,000 sq.m. and the specific scopes of business must be formulated by the relevant government authorities.

According to documentation provided by the Shenzhen Municipal Bureau of Land Resources and Housing Management, China South International is not treated as a real estate developer and therefore does not require a long-term (two years) qualification certificate normally granted to real estate developers. The Shenzhen Municipal Bureau of Land Resources and Housing Management has granted a short-term (one year) qualification certificate to China South International in order to allow China South International to undertake the development of property necessary for its integrated logistics operations. In June 2013, we obtained an annual renewal of the qualification certificate.

Although we have been classified as an integrated logistics enterprise in Shenzhen, we have the requisite qualification certificates for engaging in our property development activities for China South City Shenzhen.

Property Leasing

Both the Urban Land Regulations and the Property Law permit leasing of granted land use rights and the buildings or homes constructed on the land. Leasing of properties situated in urban areas is governed by the Measures for Administration of the Lease of Commercial Premises (商品房屋租賃管理辦法) (the “Leasing Measures”), issued by the Ministry of Construction on December 1, 2010. The Leasing Measures came into effect on February 1, 2011 in accordance with the Law on the Urban Real Estate Administration (城市房地產管理法) in order to strengthen the administration of the leasing of urban buildings. The Leasing Measures permit property owners to lease their properties to others for residential or commercial property uses except as otherwise prohibited by relevant law. The landlords and occupants who are the parties to a property lease transaction are required to enter into a written lease agreement specifying all of the terms of the lease arrangement as required by statute. Leasing of buildings and the underlying land use rights must not exceed a maximum term of 20 years. The lease agreement becomes effective upon signing; however, it must be registered with the relevant real property administration authority at the municipality or county level within 30 days after its execution for the purpose of protecting the tenant’s interest against claims from third parties. A tenant may, upon obtaining consent from the landlord, assign or sublease the premises to sub-occupants. Local governments may impose rent controls.

Property Sales

Pre-sale of Real Estate

Under PRC laws and regulations, real estate developers wishing to engage in the pre-sale of real estate in the PRC must first obtain the following permits:

- Certificate of Real Estate Exploitation and Business License of the Developer;
- State-owned Land Use Rights Certificate;
- Construction Project Planning Permit;
- Construction Permit;
- Work Commencement Permit; and
- Commodity Premises Pre-sale Permit.

Under the Measures for the Administration of the Sale of Commodity Premises (商品房銷售管理辦法), or Commodity Premises Sale Measures, issued by the Ministry of Construction on April 4, 2001, the sale of commodity premises, which include residential properties, commercial properties and other buildings that are developed by property developers, can include both pre-completion and post-completion sales.

Pre-completion Sales

A developer intending to sell a commodity property before the completion of construction must attend to the necessary pre-completion sale registration with the real estate administration authority of the relevant city or county to obtain a Permit for Pre-completion Sale of Commodity Properties.

Commodity properties may only be sold before completion provided that:

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

According to Commodity Premises Pre-Sale Measures (城市商品房預售管理辦法), for the pre-sale of commodity buildings, the developer must sign a contract on the pre-sale of a commodity building with the purchaser. The developer must, within 30 days after signing the contract, apply for registration and filing of the pre-sale commodity building with the relevant property administration authorities.

According to the Development Regulations, a property development enterprise cannot sell a commodity property before the completion of construction without a pre-sale permit. And the serial number of the certifying documents of pre-sale permit of commodity property shall be stated in the advertisements.

On April 13, 2010, the MOHURD issued a Notice, which provides that, without pre-sale approval, pre-sale of commodity properties is not permitted and property developers are not allowed to charge buyers any deposit, pre-payment or payment of similar nature.

Post-completion Sales

In accordance with the Commodity Premises Sale Measures, issued by the Ministry of Construction on April 4, 2001, commodity properties may be put up for post-completion sale only when the following preconditions for such sale have been satisfied:

- the real estate developer offering to sell the post-completion properties has a valid business license and a qualification classification certificate;
- the real estate developer has obtained a land use rights certificate or other approval documents of land use;
- the real estate developer has the relevant permit for construction project planning and the permit for construction;
- the commodity property has been completed, inspected and accepted as qualified;
- the original residents have been resettled;
- the supplementary and essential facilities for supplying water, electricity, heating, gas, communication and other essentials have been made ready for use, and other supplementary facilities and public facilities have been made ready for use, or the schedule of construction and delivery date of have been specified; and

- the property management plan has been completed.

Prior to a post-completion sale of a commodity property, a real estate developer is also required to submit a Real Estate Development Project Manual and other documents showing that the preconditions for a post-completion sale have been fulfilled to the relevant real estate development authority.

Restrictions on the Sale of Commodity Properties

Because it provides a platform for a variety of integrated logistics and trade center services and facilities, China South International is treated as an integrated logistics enterprise by local authorities in Shenzhen. However, because we develop properties necessary for the integrated logistics activities available at our integrated logistics and trade center operations, we are subject to certain PRC laws, regulations and policies otherwise applicable to property development enterprises, including the Commodity Premises Sale Measures. For a description of our treatment as an integrated logistics enterprise, see “— Overview — Our Treatment as an Integrated Logistics Enterprise.”

Regulations on Real Estate Financing

Financing Restrictions

The PRC government has introduced a number of measures and regulations to restrict the ability of property developers to raise capital through external financing and other methods since 2003. For example, the Circular on Further Strengthening the Management of Property Loans (關於進一步加強房地產信貸業務管理的通知) stipulates that commercial banks may not grant loans to property developers for the purposes of paying for land grant fees and land premiums. Loans of any kind must not be granted for projects which do not obtain a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit. In addition, the proprietary capital (owner's equity) of a developer applying for real estate development loans shall be no less than 30% of the total development investment. Furthermore, the Opinions of the Ministry of Construction and other Departments on Adjusting the Housing Supply Structure and Stabilizing Housing Prices (關於調整住房供應結構穩定住房價格的意見) and the Notice on Strengthening the Management of Commercial Real Estate Credit and Loans (關於加強商業性房地產信貸管理的通知) (the “2007 Notice”), stipulate that commercial banks may not grant loans to developers of projects where: (1) the capital funds (owner's equity) constitutes less than 35%; (2) projects without a land use rights certificate, construction land planning permit, construction works planning permit and construction works commencement permit; and (3) property development enterprises that have been classified by the relevant government authorities as hoarding land and housing resources. Furthermore, commercial banks are not permitted to accept commodity buildings with a vacancy exceeding three years as collateral for a loan, and may not grant property development enterprises any loans for the payment of relevant land assignment premiums.

The 2007 Notice further stipulates requirements that strengthen the processes for loan management, including the implementation of credit checks, monitoring of real estate loans and risk management.

Because the local authorities in Shenzhen treat our subsidiary, China South International, as an integrated logistics enterprise rather than a property developer, it has not been subject to these measures and regulations. However, our Nanchang, and our Nanning project company are likely to be, treated as real property development enterprises, and therefore will be subject to these measures and regulations.

On June 27, 2018, NDRC emphasized in a post on its website that the proceeds from bond offerings offshore by PRC property enterprises shall be mainly used for repayments of the debts due and shall be restricted from being used for investments in property projects within or outside China or working capital and it is also expressed that NDRC plans to further regulate and standardize, among others, the relevant qualifications for the issuance of foreign debt and the usage of funds from such issuance by enterprises.

According to the Circular of the General Office of the National Development and Reform Commission on Requirements for Record-filing for Issuance of Foreign Debts by Real Estate Enterprises (Fa Gai Ban Wai Zi [2019] No.778)(國家發展改革委辦公廳關於對房地產企業發行外債申請備案登記有關要求的通知) promulgated by NDRC on July 9, 2019, foreign debts issued by real estate enterprises could only be used for repaying medium- and long-term offshore debts that will be due in the upcoming year.

Additional Loan Policies

Pursuant to guidance issued by the CBRC reorganized as the China Banking and Insurance Regulatory Commission on August 30, 2004, any property development enterprise applying for property development loans must have at least 35% of the capital required to fund the development of the property.

Regulations on Development of a Real Estate Project

Under the Urban Real Estate Law, those who have obtained the land use rights through grant must develop the land in accordance with the terms of use and within the period of commencement prescribed in the contract for the land use rights grant.

If construction work has not been commenced within one year upon the commencement date as set forth in the land use rights agreement, a surcharge on idle land equivalent to less than 20% of the land grant fees may be levied. If the construction work has not been commenced within two years, the land can be confiscated without any compensation, unless the delay is caused by force majeure, the acts of government or acts of other relevant departments under the government, or by indispensable preliminary work.

Planning of a Real Estate Project

After signing a land use rights grant contract, a developer shall apply for an Opinion on Construction Project's Site Selection and a Permit for Construction Site Planning with the city planning authority. After obtaining a Permit for Construction Site Planning, a developer may commence planning and design work in accordance with the Permit for Construction Site Planning requirements and proceed to apply for a Permit for Construction Work Planning with the city planning authority.

Relocation

Upon obtaining approvals for a construction project, a permit for construction site planning, state-owned land use rights and a verification of deposit to compensate parties that are affected by the relocation payable by the developer by a bank, a developer may apply to the local real estate administration authorities where the real estate is located for a permit for housing demolition and removal.

Upon granting a demolition and removal permit, the real estate administration department must issue a demolition and removal notice to the inhabitants of the area.

Construction of a Real Estate Project

After obtaining the Permit for Construction Work Planning, a developer shall apply for a Construction Permit from the relevant construction authority.

Completion of a Real Estate Project

A real estate project must comply with the relevant laws and other regulations, requirements on construction quality, safety standards and technical guidance on survey, design and construction work, as well as provisions of the relevant construction contract. After the completion of works for a project, the developer shall apply for an acceptance examination to the construction authority and shall complete relevant filings of the acceptance examination to the construction authority. A real estate development project may only be delivered after passing the acceptance examination.

Regulations on Environmental Protection in Construction Projects

The PRC Environmental Protection Law (《中華人民共和國環境保護法》), which was promulgated on December 26, 1989, revised on April 24, 2014 and became effective on January 1, 2015, sets out the legal framework for environmental protection in the PRC. Pursuant to the Environmental Protection Law, developers shall conduct environmental impact assessment for preparation of the relevant development and utilization plans and construction of environment-affected projects. Any development and utilization plan without the environmental impact assessment may not be organized for implementation, and any construction project without the environmental impact assessment may not commence construction work.

The pollution prevention and control facilities in construction projects shall be designed by the developer, built and commissioned along with the principal part of the project at the same time. The pollution prevention and control facilities shall meet the requirements specified in the approved documents regarding the environmental impact assessment and shall not be dismantled or left idle without authorization.

Under the Regulations for Administration of Environmental Protection in Construction Projects (建設項目環境保護管理條例), or Environmental Regulations, issued by the State Council on November 29, 1998, amended on July 16, 2017 and effective on October 1, 2017, each construction project is subject to an environmental impact assessment by the relevant authorities.

According to the Environmental Regulations, a developer is required to submit an environmental impact report, an environmental impact report form, or an environmental impact registration form (as the case may be) to the relevant environmental protection administration for approval during the project's feasibility analysis stage. In the meantime, if any ancillary environmental protection facilities are necessary in the construction project, such facilities are required to be designed, constructed and used in conjunction with the main project. After completion of the project, the developers are required to apply to the relevant environmental protection administrations for final acceptance examination in respect of any ancillary environmental protection facilities. Construction projects are approved for use after passing the acceptance examination. Acceptance examination for completion of construction of environmental protection facilities shall be conducted simultaneously with the acceptance examination for completion of construction of the main project. The construction project may only formally go into production or be delivered for use when the matching construction of the environmental protection facilities required for the construction project has passed the acceptance examination.

The Law of the People's Republic of China on Environmental Impact Assessments (中華人民共和國環境影響評價法), adopted by the National People's Congress on October 28, 2002 and amended on July 2, 2016 and December 29, 2018, provides that if the environmental impact report or form of a construction project have not been approved by the relevant competent administrative department for ecological environment and the construction work unit may not commence work.

A notice issued by the State Environmental Protection Administration on July 6, 2006 provides for stringent examination and approval procedures for various real estate development projects. It also stipulates that no approvals may be issued for new residential projects or extensions in industry development zones, areas impacted by industrial enterprises or areas where such development poses potential harm to residents' health.

Regulations on Stabilizing Housing Prices

On May 24, 2006, the General Office of the State Council issued the Opinion of the Ministry of Construction and other Departments on Adjusting Housing Supply Structure and Stabilization of Housing Prices (關於調整住房供應結構穩定住房價格的意見), or MOC Opinion, which provides for: (1) adjustments to the housing supply structure; (2) modifications of tax, credit and land policies; and (3) regulation of the housing and property markets. To implement the MOC Opinion, the MOHURD promulgated opinions, which set forth supplemental requirements on the proportion and allocation of newly-built housing structures.

The General Office of the State Council has issued opinions, which provide relevant credit policies and measures to support the purchase of a home buyer's initial first ordinary home or improved ordinary home and additional consumer loan programs to facilitate real estate purchases. In January 2010, the General Office of the State Council issued a circular, which adopted a series of measures to strengthen and improve the regulation of the property market, stabilize market expectations and facilitate the stable and healthy development of the property market. These include, among others, measures to increase the supply of affordable housing and ordinary commodity housing, provide reasonable guidance for the purchase of property, restrain speculative investment in property, and strengthen risk prevention and market supervision.

On April 17, 2010, the State Council issued a notice pursuant to which the State Council set a minimum 30% down payment on first homes with a GFA of more than 90 sq.m. It also raised the minimum down payment for second home purchases to 50% and provided that the loan interest rate shall not be less than 1.1 times the benchmark lending rate published by the PBOC. The notice also provided that the down payment and interest rate shall significantly increase for the third or further properties bought with mortgage loans. To strengthen property market regulation and enhance the implementation of these existing policies, on September 29, 2010, the PBOC and CBRC jointly issued a notice according to which the minimum down payment has been raised to 30% for all first home purchases, and commercial banks throughout China are required to suspend mortgage loans for purchases of a customer's third parcel of residential property and beyond.

On May 26, 2010, the MOHURD, PBOC and the CBRC jointly issued the Circular on Regulating the Criteria for Identifying the Second Residential Properties in Connection with Commercial Personal Housing Loans (關於規範商業性個人住房貸款中第二套住房認定標準的通知), which provides, among others, that the number of residential properties owned by an individual property purchaser who is applying for mortgage loans shall be determined by taking into account the total number of residential properties owned by the family of such purchaser (including the purchaser and his or her spouse and children under the age of 18 years). In addition, the circular depicts a number of circumstances under which different credit policies shall be applied in connection with purchases of the second or further residential property.

In September 2010, PBOC and the CBRC jointly issued the "Notice on Relevant Issues Regarding the improvement of Differential Mortgage Loan Policies (中國人民銀行、中國銀行業監督管理委員會關於調整個人住房貸款政策有關問題的通知)," which provides, among other things, that (i) the minimum down payment is increased to 30% for all first home purchases; (ii) commercial banks in China shall suspend mortgage loans to purchasers (including the borrower, spouse and minor children) for their third or further residential property or to non-local residents who cannot provide documentation evidencing payment of local tax or social security for longer than a one-year period; and (iii) all property companies with records of violating the terms of the land grant, changing the land usage, postponing the construction commencement or completion date, hoarding or other non-compliance will be restricted from obtaining bank loans for new projects or extension of credit facilities.

On September 29, 2010, the MOF, State Administration of Taxation and the MOHURD jointly issued a notice according to which, as of October 1, 2010, the deed tax for individuals who purchased ordinary residential property with a GFA floor area under 90 sq.m. as his sole family residence will be reduced to 1%, and those who sell their homes and buy new ones within one year would not be eligible for reductions or exemptions on individual income tax on the profits from the sales.

On January 26, 2011, the State Council issued the "Notice on Issues Related to Enhancing the Regulation and Control of Real Property Markets (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: (i) imposes a minimum down payment of at least 60% of the total purchase price with a minimum mortgage lending interest rate of 110% of the benchmark rate published by PBOC for the purchase of a second residential property; and (ii) in municipality directly under the central government, cities listed on state plans, provincial capitals, and cities where the housing prices are excessively high or increasing at an excessively high rate, purchasers (including their spouses and minor children) that are local residents with two or more residential properties, non-local residents with one or

more residential properties, or non-local residents that are unable to provide documentation evidencing payment of local tax or social security for longer than a specified time period, are not permitted to acquire any residential properties. In order to implement the Notice on Further Strengthening Regulation and Control of Real Property Markets, certain cities, including Beijing, Shanghai, Chengdu, Qingdao, Hainan, Nanjing, Guangzhou, Tianjin, Shenyang and Jinan, have promulgated measures to restrict the number of residential properties one family is allowed to purchase.

On February 26, 2013, the State Council issued the “Notice on Continuing to Effectively Regulate the Real Property Markets (國務院辦公廳關於繼續做好房地產市場調控工作的通知)” and required strict implementation of certain on-going restrictive measures with respect to residential properties, including that (i) the restriction area should cover the relevant cities’ entire administrative area; the restrictive measures should apply to all the newly established or second-hand residential properties in such cities; and the qualification review of the purchasers should be conducted before the execution of the purchase agreement or subscription agreement; (ii) the minimum down payment of the total purchase price and the minimum mortgage lending interest rate for a second residential property may be further raised in cities where the housing prices are increasing at an excessively high rate; (iii) the individual income tax rate for selling any self-owned residential properties should strictly be 20%, if the original value of such properties could be verified through taxation or real estate registration records; and (iv) the issuance the pre-sale certificate may be suspended if the pre-sale price is unreasonably high and the developer refuses to accept the direction of the relevant government authority; or the project is not subject to the pre-sale revenue supervision.

On September 29, 2014, the PBOC and the CBRA jointly issued the “Notice on Further Improving Housing Financial Services (中國人民銀行、中國銀行業監督管理委員會關於進一步做好住房金融服務工作的通知)”, which requires that: (i) For a household that purchases the first ordinary housing unit for its own use with loans, the minimum down payment ratio is 30%, the lower limited for loan rate is 70% of the benchmark loan rate; (ii) Where a household that owns a housing unit and has paid off the relevant housing loans applies for loans to purchase another ordinary commodity housing unit to improve its living conditions, the banking financial institution shall implement the policy for the purchase of the first housing unit with loans.

On March 30, 2015, the MOF and the State Administration of Taxation jointly issued the “Notice on Adjusting the Business Tax Policies on Individual Housing Transfers (關於調整個人住房轉讓營業稅政策的通知)”, which provides that: (i) where any individual sells a residential property held for less than two years after the day of purchase, the business tax thereon shall be collected in full amount; (ii) where any individual sells a non-ordinary residential property held for two years or more after the date of purchase, the business tax thereon shall be collected on the basis of the balance between the sales income and the purchase price of the house; (iii) where any individual sells an ordinary residential property held for two years or more after the day of purchase, he shall be exempt from the business tax thereon.

On March 30, 2015, the PBOC, MOHURD, and the CBRC jointly issued the “Notice on Issues concerning Individual Housing Loan Policies (中國人民銀行、住房城鄉建設部、中國銀行業監督管理委員會關於個人住房貸款政策有關問題的通知)”, which provides that: (i) where the family of an employee who contributes to the housing provident fund uses an entrusted housing provident fund loan to purchase its first ordinary housing unit for its own use, the minimum down payment ratio shall be 20%. (ii) where the family of an employee who contributes to the housing provident fund owns the housing unit, and the loan for the purchase of the housing unit has been paid off, if the family applies again for an entrusted housing provident fund loan to purchase an ordinary housing unit for its own living to improve its current living conditions, the minimum down payment ratio shall be 30%.

On February 1, 2016, the PBOC and the CBRA jointly issued the “Notice on Issues concerning Adjusting the Individual Housing Loan Policies (中國人民銀行、中國銀行業監督管理委員會關於調整個人住房貸款政策有關問題的通知)”, which provides that: (i) In cities where “housing purchase restriction” measures are not implemented, the minimum down payment ratio for commercial individual housing loans granted to households of residents for purchasing ordinary housing units for the first time shall generally be 25%, and may be lowered by 5% by local governments; and where a household which owns one housing unit but has not paid off the relevant housing loan applies again for a commercial

individual housing loan to purchase an ordinary housing unit improve living conditions, the minimum down payment ratio shall not be less than 30%; (ii) In cities where “housing purchase restriction” measures are implemented, the individual housing loan policies shall remain unchanged.

On October 10, 2016, the MOHURD issued the Circular on Further Regulating Operations of Real Estate Developers (《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, withholding housing units for sale, etc.

Circular of Relevant Work on Strengthening the Recent Administration and Control of Housing and Land Supply (《關於加強近期住房及用地供應管理和調控有關工作的通知》) dated April 1, 2017 which, requires that local governments should adjust the size, structure and timing of land supply for residential housing in due course depending on the period of the inventory cycle of commodity housing: where such period is longer than 36 months, no more land is to be supplied; land supply shall be reduced in size if the said period is over 18 months but shorter than 36 months; more land shall be provided in the case of a period of longer than six months but shorter than 12 months; however, if the current inventory could be sold in less than six months, land shall be supplied in a significant scale at a fast pace. In addition, the circular stipulates that local authorities should adopt the examination system of land acquisition capital to ensure the property developers acquiring land with internal funds and the property developers should be disqualified for any land bid backed by capital from questionable sources and prohibited from bidding for land within stipulated time limit.

On May 19, 2018, the Ministry of Housing and Urban Development issued the “Notice on Issues Related to Enhancing the Regulation and Control of Real Property Markets (住房城鄉建設部關於進一步做好房地產市場調控工作有關問題的通知)”, which (i) persists in the regulating objects; (ii) accelerating the formulation and implementation of housing development plans; (iii) adjusting the supply structure of housing and land; (iv) strengthens the control of capital; (v) rectify the real estate market order; (vi) strengthens the guidance of public opinion and expectation management; (vii) implement the regulatory responsibility of the local regulator.

Property Management

Under the Measures for the Administration of Qualifications of Property Service Enterprises (《物業服務企業資質管理辦法》) promulgated by the Ministry of Construction in March 2004, as amended in November 2007, a property management enterprise shall apply for assessment of qualifications by the qualification approval authority. An enterprise which passes such a qualification assessment will be issued a qualification certificate evidencing the qualification classification by the authority. No enterprise may engage in property management without undertaking a qualification assessment and obtaining a qualification certificate. The said Measures for the Administration of Qualifications of Property Service Enterprises has been abolished by MOHURD on March 8, 2018.

Insurance

There are no mandatory requirements under PRC laws and regulations for a property developer to obtain insurance policies for its property developments. Under standard industry practice in the real estate industry in Guangdong Province, construction companies are generally required to submit insurance proposals in the course of tendering and bidding for construction projects. Construction companies are required to pay for the insurance premium at their own costs and obtain insurance to cover their liabilities, such as third-party’s liability risk, employer’s liability risk, risk of non- performance of contract in the course of construction and risks associated with the construction and installation works during the construction period. The requirement for construction companies to obtain insurance coverage for all of these risks ceases immediately after the completion and acceptance upon inspection of construction.

Regulation of Bonded Warehouses and Export Supervised Warehouses

Bonded Warehouses

The operation of bonded warehouses is governed by Rules of Customs of the PRC on Bonded Warehouses and Goods Stored Therein and enforced by the PRC General Administration of Customs, or PRC Customs. Bonded warehouses refer to the warehouses of PRC Customs established to store bonded goods and other goods that have not completed customs procedures.

PRC Customs conducts inspections of the operation of bonded warehouses annually. Persons responsible for operating a bonded warehouse and persons directly involved in the management of the bonded warehouse are required to be familiar with customs laws and regulations, abide by the monitoring authority of PRC Customs, and accept PRC Customs training.

When bonded goods enter into the warehouse, the consignor and the consignee or their agents must go to the Customs authorities to handle the formalities related to customs clearing and entry into the bonded warehouses, and the Customs authorities shall check and verify the type, quantity, and value of goods declared for customs clearing and entry into the warehouses against the scope and type of goods that may be stored in the bonded warehouses, and conduct a registration and verification of the entering goods.

Goods stored in bonded warehouses may undergo simple processing, such as packaging, grading and categorization, marking and unpacking, but not any substantial processing. Goods in bonded warehouses are not allowed to be sold, transferred, pledged, pawned, detained, used for other purposes or undergo other disposal without permission from the Customs authorities.

Export Supervised Warehouse

“Export supervised warehouse” refers to a warehouse under special Customs supervision, which was established upon approval of PRC Customs, for storage of goods that have already obtained export permits, been settled in foreign exchange with overseas firms and cleared all customs export formalities.

An export supervised warehouse must be used for special purposes, and may not be sub-leased or lent to others for operation, or be subordinated with any branch warehouse. PRC Customs may, at any time, dispatch officers to enter an export supervised warehouse to inspect goods in storage, and all relevant account books and records. PRC Customs may, jointly with the enterprise that operates the export supervised warehouse, lock the warehouse or dispatch staff to the warehouse to administer Customs functions at the warehouse.

Goods stored in warehouses according to regulations must be shipped out of the jurisdiction within a prescribed period and must not be sold in the jurisdiction. The period for storage in a warehouse is six months. Under special circumstances, this period may be extended upon application to the Customs authorities, but for no longer than another six months.

Regulation of Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange

The principal regulation governing foreign currency exchange in the PRC is the Regulations of the People’s Republic of China for the Control of Foreign Exchange (中華人民共和國外匯管理條例) (the “Foreign Exchange Regulations”), which was amended by the State Council on August 1, 2008, and became effective on August 5, 2008. Under these regulations, Renminbi are freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not for expenses of capital, such as direct investment, loans or investments in securities outside the PRC unless the prior approval of SAFE is obtained. In accordance with the Circular of the State Administration of Foreign Exchange on Reforming the Management Approach regarding the

Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (Hui Fa [2015] No.19) (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(匯發[2015]19號)), was promulgated on March 30, 2015 by the State Administration of Foreign Exchange, and became effective on June 1, 2015, the foreign exchange capital in the capital account of foreign-invested enterprises for which the confirmation of rights and interests of monetary contribution by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) has been handled can be settled at the banks based on the actual operation needs of the enterprises. The proportion of discretionary settlement of foreign exchange capital of foreign-invested enterprises is temporarily determined as 100%. The SAFE can adjust the aforementioned proportion in due time based on the situation of international balance of payments.

Under the Foreign Exchange Regulations, foreign investment enterprises in the PRC may purchase foreign exchange without SAFE approval for trade and service-related foreign exchange transactions by providing commercial documents evidencing these transactions. They may also remit foreign exchange (subject to a cap approved by SAFE) to satisfy foreign exchange liabilities or to pay dividends.

Dividend Distribution and Remittance

Under PRC laws and regulations, wholly foreign-owned enterprises in China may only pay dividends out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise in China is required to set aside at least 10.0% of its after-tax income each year, if any, to fund a reserve fund until the accumulated reserve amounts to 50.0% of its registered capital. It is also required to set aside funds for the employee bonus and welfare fund from its after-tax income each year at percentages determined at its sole discretion. These reserves are not distributable as cash dividends. If the registered capital of a foreign investment enterprise has not been fully paid in accordance with the articles of association, dividends in foreign currency may not be remitted out of the PRC.

Shareholder Loan

Shareholder loans made to foreign investment enterprises are regarded as foreign debt in China, and are therefore subject to a number of PRC laws and regulations. Under these regulations, our PRC subsidiaries can legally borrow foreign exchange loans up to their borrowing limits, which is the difference between their respective amounts of “total investment” and “registered capital” as approved by the MOFCOM or its local counterparts. “Total investment” is the projected amount of funds necessary for a foreign investment enterprise to attain the production or operational capacity set out in its joint venture contract and/or articles of association, while “registered capital” refers to the equity or capital contributions to be paid in full by the foreign investors. According to the Administrative Measures for Foreign Debt Registration (外債登記管理辦法), issued by SAFE on April 28, 2013 and amended in 2015 and 2016, such loans must be registered and recorded with SAFE or its local branch within 15 days from the execution of such foreign loan contract. Interest rates on foreign loans should not exceed rates for similar loans in the international financial markets. Interest payments on such loans, if any, are subject to a 10% withholding tax.

According to the NDRC Circular, the issuance of foreign debts (including notes, bonds or other debts) with a term of more than one year shall apply for record-filing and registration to the NDRC in advance. An overseas enterprise controlled by a PRC company or PRC residents shall undergo the prescribed record-filing and registration procedures to the NDRC before the issuance of such foreign debts.

If the foreign exchange debts of a foreign investment enterprise exceed an enterprise’s statutory borrowing limits, the foreign investor is required to increase its total investment amount and registered capital as necessary to comply with these limits.

Taxation

Enterprise Income Tax

The EIT Law imposes a uniform tax rate of 25% (compared to a previous top rate of 33%) for all enterprises incorporated or resident in China, including foreign investment enterprises, and eliminates many tax exemptions, reductions and preferential treatments formerly applicable to foreign investment enterprises. However, the EIT Law grandfathers preferential tax treatments for foreign investment enterprises established before March 16, 2007. For foreign investment enterprises that are currently enjoying the preferential tax rate of 15% or 24%, their applicable tax rate will be gradually phased into the new 25% tax rate during a five-year transitional period.

Under the EIT Law that has been effective since January 1, 2008, enterprises established under the laws of foreign countries or regions whose “de facto management bodies” are located within the PRC territory are considered as “resident enterprises” and thus will normally be subject to enterprise income tax at the rate of 25% on global income. In particular, non-resident enterprises with an institution or establishment in China must pay enterprise income tax at the rate of 25% on taxable income derived by such institution or establishment within China as well as on taxable income earned outside China which has a “de facto” connection with such institution or establishment. Non-resident enterprises without any institution or establishment within China, or non-resident enterprises whose income has no connection to its institution or establishment inside China must pay income tax at the rate of 10% on taxable income derived from inside China (and possibly 20% income tax on PRC source income in the case of non-resident individuals) which tax may be withheld at source, unless otherwise exempted pursuant to applicable tax treaties or tax arrangements between the PRC government and the government of other jurisdictions. Under the EIT Law, dividends, bonuses and other equity investment proceeds received by an enterprise are exempted from Enterprise Income Tax if distributed between qualified resident enterprises or if obtained by a non-resident enterprise with institutions or establishments in China from a resident enterprise and having a “de facto” connection with such institutions or establishments. We may be entitled to a reduced withholding tax of 5% on dividend payments due to an avoidance of double taxation arrangement between China and Hong Kong, which became effective on December 8, 2006. The tax treaty provides that a company incorporated in Hong Kong may be subject to a withholding tax of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more interest in the PRC company, or at the rate of 10% if it holds less than a 25% interest in the PRC company.

The Implementation Regulations define the term “de facto management body” as “the place where the exercising, in substance, of the overall management and control of the production and business operation, personnel, accounting and properties of a non-PRC company is located.” The determination of tax residency in a particular situation requires a review of the surrounding facts and circumstances and the mechanism provided in the Implementation Regulations gives the relevant taxation authority discretion in applying its judgment.

According to the Notice on Strengthening the Administration of Enterprise Income Tax on Non-resident Enterprises’ Equity Transfer Incomes issued by the State Administration of Taxation in December 2009, if a non-resident enterprise transfers its shares in a foreign enterprise which holds shares in a PRC resident enterprise, this transfer may be subject to EIT at the rate of 10%, provided, if such non-resident enterprise is deemed by the relevant PRC authorities to have indirectly transferred its shares in the PRC resident enterprises through an arrangement without reasonable commercial purposes that results in the abuse of organizational structure.

Business Tax & Value-added Tax (“VAT”)

Under the Provisional Regulations of the PRC on Business Tax issued by the State Council which took effect on January 1, 2009 and the implementation rules, a business tax is levied on all units and individuals engaged in taxable services, the transfer of intangible assets or the sale of immovable properties within the territory of the PRC. The tax rates range from 3% to 20% depending on the type of services provided. Most of our PRC subsidiaries which engage in services pay business tax at tax rates of

5%. Shenzhen Qianlong pays business tax at a rate of 5% for warehousing services and at a rate of 3% for transportation services. Grand City Hotel (Shenzhen) pays business tax at a rate of 5% for restaurant services. Grand City Hotel (Shenzhen) leases facilities to a third party that provides entertainment services. Grand City Hotel (Shenzhen) itself does not pay business tax regarding entertainment.

According to the Circular on Printing and Issuing the Pilot Program for Transition from Business Tax to Value Added Tax (關於印發《營業稅改徵增值稅試點方案》的通知) jointly issued by the MOF and State Administration of Taxation on November 16, 2011, the MOF and the State Administration of Taxation introduced two new band rates of 11% (transportation and construction industries) and 6% (part of modern service industries) on the basis of the standard value-added tax rate of 17% and the lesser value-added tax rate of 13% first commenced in Shanghai on January 1, 2012. Furthermore, nine cities and provinces have also officially applied to participate, specifically Tianjin, Chongqing, Jiangsu, Anhui, Fujian, Xiamen, Shenzhen, Hunan and Hainan in accordance with the Circular on Implementing the Pilot Policy of Transition on business tax to value-added tax in eight cities and provinces including Beijing jointly issued by the MOF and State Administration of Taxation.

The policy was implemented on November 1, 2012 according to the Circular for Taxpayers Handling the Taxes Issues in Shenzhen as a Pilot City on Transition from business tax to value-added tax issued by Shenzhen Municipal Office of the State Administration of Taxation and Administration of Local Taxation of Shenzhen Municipality on August 31, 2012. The transportation and part of the modern service industries are included in the scope of business tax to value-added tax. The advertisement and storage and other logistics services provided by our Company are subject to the policy of the transition from business tax to value-added tax.

On March 23, 2016, the MOF and the State Administration of Taxation jointly issued the “Notice on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax” (財政部、國家稅務總局關於全面推開營業稅改征增值稅試點的通知), under which the business tax was totally replaced by value-added tax in an All-round Manner. In particular, the provision of services in transportation, construction or real property lease, the sale of real property are subject to the rate of 11%; the provision of advisement and other modern services are subject to the rate of 6%.

Based on the Decision of the State Council to Repeal the Interim Regulation of the People’s Republic of China on Business Tax and Amend the Interim Regulation of the People’s Republic of China on Value-Added Tax (國務院關於廢止《中華人民共和國營業稅暫行條例》和修改《中華人民共和國增值稅暫行條例》的決定) issued by the State Council on November 19, 2017, the Business Tax is no longer applicable, and the VAT rate would be 11% for taxpayers providing transportation, postal, basic telecommunications, construction, or immovable leasing services, selling immovable or transferring the rights to use land, among other things.

Land Appreciation Tax

Under PRC laws and regulations, PRC companies that engage in integrated logistics and trade center development activities are subject to land appreciation tax. Land appreciation tax is levied on us by local tax authorities in accordance with the Notice on the Levy of Land Appreciation Tax in Shenzhen Municipality, issued by the Shenzhen Local Taxation Bureau on November 9, 2005, which provides that all enterprises and individuals, domestic and foreign, who receive income as a result of a grant of land use rights are subject to payment of land appreciation tax. Land appreciation tax is levied upon the “appreciation value” of property, as defined in the relevant tax laws. All taxable gains from the sale or transfer of land use rights, buildings and related facilities in China are subject to land appreciation tax at progressive rates that range from 30% to 60% of the gain but not to exceed 50% to 200% of the sum of deductible items, which include: (1) amount paid for obtaining the land use rights; (2) costs and expenses for the development of the land; (3) costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions; (4) related tax payable for the transfer of property; and (5) other deductible items as specified by the MOF.

On December 28, 2006, the State Administration of Taxation issued the Notice on the Administration of the Settlement of Land Appreciation Tax of Property Development Enterprises (國家稅務總局關於房地產開發企業土地增值稅清算管理有關問題的通知) (the “LAT Notice”), which came into effect on February 1, 2007 and was amended on June 15, 2018, and sets forth methods of calculating land appreciation tax and the time frame for settlement of land appreciation tax. The LAT Notice provides that land appreciation tax must be settled if: (1) the property development project has been completed and fully sold; (2) the property development enterprise transfers the whole uncompleted development project; or (3) the land use rights with respect to the project are transferred. In addition, the relevant tax authorities may require the property development enterprise to settle the land appreciation tax if: (1) for completed property development projects, the transferred GFA represents more than 85% of total saleable GFA, or the proportion represented is less than 85%, but the remaining saleable GFA has been leased out or used by the property development enterprise; (2) the project has not been completed sold more than three years after obtaining the sale permit or pre-sale permit; (3) the property development enterprise applies for cancellation of the tax registration without having settled the relevant land appreciation tax; or (4) other conditions stipulated by the tax authorities.

The State Administration of Taxation issued the Administrative Rules for the Settlement of Land Appreciation Tax (土地增值稅清算管理規程) (the “Settlement Rules”) on May 12, 2009 and amended on July 7, 2016, which re-affirm the circumstances under which the land appreciation tax must be settled, the criteria that are to be met for relevant tax authorities to require the settlement of land appreciation tax and the circumstances under which the tax authorities must levy and collect land appreciation tax as prescribed by the Notice. The Settlement Rules further stipulate detailed procedures for the examination and verification of the settlement of land appreciation tax to be carried out by relevant tax authorities.

On May 19, 2010, the State Administration of Taxation issued the Circular on Issuers Concerning Settlement of Land Appreciation Tax (關於土地增值稅清算有關問題的通知) to strengthen the settlement of land appreciation tax. The circular clarifies certain issues with respect to calculation and settlement of the land appreciation tax, such as: (1) the recognition of the revenue upon the settlement of land appreciation tax; and (2) the deduction of fees incurred in connection with the property development.

On May 25, 2010, the State Administration of Taxation issued the Notice on Strengthening the Collection Land Appreciation Tax (關於加強土地增值稅徵管工作的通知), which requires that the minimum land appreciation tax prepayment rate must be 2% for provinces in the eastern region, 1.5% for provinces in the central and northeastern regions, and 1% for provinces in the western region. The local tax bureaus must determine the applicable land appreciation tax prepayment rates based on the types of the properties.

Deed Tax

Pursuant to the Interim Regulations of the People’s Republic of China on Deed Tax (中華人民共和國契稅暫行條例), the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC must be subject to the payment of deed tax at a rate of 3% to 5%. The relevant government authorities will determine their effective tax rates. Pursuant to the Notice on Strengthen the Management of Deed Tax Administration by the Shenzhen tax authority in 2006, the rate of deed tax in Shenzhen is 3%.

Urban Land Use Tax

Pursuant to the Provisional Regulations of the People’s Republic of China Governing Land Use Tax in Urban Areas (中華人民共和國城鎮土地使用稅暫行條例), land use tax of urban land is levied according to the area of relevant land. As of January 1, 2007, the annual tax on every sq.m. of urban land collected from foreign-invested enterprises must be between RMB0.6 and RMB30.0.

Building Tax

Under the Interim Regulations of the People's Republic of China on Building Tax (中華人民共和國房產稅暫行條例), a building tax must be levied at a rate of 1.2% if it is calculated on the basis of the residual value of a building, and at a rate of 12% if it is calculated on the basis of the rental payments for the lease of the building.

According to the Circular Concerning the Levy of Building Tax on Foreign Enterprises and Foreigners (關於對外資企業及外籍個人徵收房產稅有關問題的通知) promulgated by the MOF on January 12, 2009, and the Circular Concerning the Implementation of the Levy of Building Tax on Foreign-Invested Enterprise and Foreign Individuals (關於做好外資企業及外籍個人房產稅徵管工作的通知) issued by the State Administration of Taxation on January 6, 2009, domestic and foreign-invested enterprises and foreign individuals will be subject to the Interim Regulations of the People's Republic of China on Building Tax from January 1, 2009.

Municipal Maintenance Tax and Education Surcharge

According to the Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises and Citizens issued by the State Council on October 18, 2010, as of December 1, 2010, foreign-invested enterprises, foreign enterprises and foreign persons are no longer exempt from payment of municipal maintenance tax and education surcharges imposed at the local government level. Municipal maintenance tax and education surcharges are calculated with reference to a taxpayers' value-added tax, business tax and sales tax.

Dividends from our China Operations

Under PRC tax laws, regulations and rulings applicable to years prior to 2008, dividends from a PRC company paid to its overseas investor were exempt from any PRC withholding or income tax. The EIT Law as currently in effect provides that a withholding tax rate of 20% will normally be applicable to dividends payable to non-PRC investors that are derived from sources within the PRC, but with a possibility of exemption or reduction. The Implementation Regulations reduce the withholding tax rate for non-PRC residents to 10%. As a result, effective from January 1, 2008, dividends paid by foreign investment enterprises to non-PRC resident shareholders are subject to withholding tax at an ordinary rate of 10%, unless otherwise exempted or reduced by PRC laws and regulations or in accordance with arrangements or treaties between the PRC government and the government of any other jurisdiction where such non-PRC resident shareholder is registered.

MANAGEMENT

Directors and Executive Officers

The following tables set forth the names, ages and current positions of our directors and members of senior management as of the date of this offering memorandum.

Board of Directors

Name	Age	Position
Mr. Cheng Chung Hing ⁽²⁾⁽³⁾	59	Executive Director (Chairman)
Mr. Fung Sing Hong Stephen (FCPA)	54	Executive Director (Vice Chairman)
Mr. Zhao Lidong	48	Executive Director (Chief Executive Officer)
Ms. Cheng Ka Man Carman	30	Executive Director
Dr. Ma Kai Cheung, <i>SBS, BBS</i>	77	Non-executive Director
Mr. Cheng Tai Po	67	Non-executive Director
Mr. Lin Ching Hua	47	Non-executive Director
Mr. Leung Kwan Yuen Andrew, <i>GBS, SBS, JP⁽¹⁾⁽²⁾⁽³⁾</i>	68	Independent Non-executive Director
Mr. Li Wai Keung ⁽¹⁾⁽²⁾⁽³⁾	62	Independent Non-executive Director
Mr. Hui Chiu Chung, <i>JP⁽¹⁾</i>	72	Independent Non-executive Director
Mr. Yung Wing Ki Samuel, <i>SBS, MH, JP⁽¹⁾</i>	61	Independent Non-executive Director

Senior Management

Name	Age	Position
Mr. Chan Mau Cheong Bryan (CPA and CFA)	41	Group's Chief Financial Officer
Ms. Jiang Ling	46	Group's Vice President
Ms. Tse Man Yu Michelle (FCPA)	48	Deputy Chief Financial Officer and Company Secretary
Mr. Qiu Wen	46	Investment Development Division's Executive Vice President
Mr. Chen Weiguo	52	Business Management Division's Executive Vice President

Notes:

- (1) Member of the audit committee.
- (2) Member of the remuneration committee.
- (3) Member of the nomination committee.

The biographical details of each director and senior management are provided below.

Executive Directors

Mr. CHENG Chung Hing (鄭松興先生), aged 59, is our Chairman and an Executive Director. He is a co-founder of our Group and has been a Director since August 2, 2002. He acted as Co-Chairman of the Group from September 30, 2009 until he was re-designated as Chairman of the Group on July 25, 2017. Mr. Cheng is primarily responsible for formulating the overall strategies and assessing the performance of the Group as well as providing leadership for the Board. He has more than 37 years of management experience in the manufacturing, wholesale and distribution businesses. Mr. Cheng has been awarded the “Young Industrialist Awards of Hong Kong 1997” from the Federation of Hong Kong Industries, the Distinguished International Entrepreneur of the Year Award 1997 from San Francisco State University and the Chinese Outstanding Entrepreneur Award 2008 from the China Enterprise Confederation and the China Enterprise Directors Association. Mr. Cheng is the vice chairman of the China Chamber of International Commerce, a member of the 10th and a standing member of the 11th Guangxi Zhuang Autonomous Region Committee of the Chinese People’s Political Consultative Conference and a member of the 3rd, the 4th and the 5th Shenzhen Committee of the Chinese People’s Political Consultative Conference. Mr. Cheng is also presently the foundation honorary chairman of Gem and Jewelry Committee of China General Chamber of Commerce, a standing member of the China Enterprise Confederation and the China Enterprise Directors Association, vice president of the China Federation of Logistics and Purchasing, vice president of the Guangxi Zhuang Autonomous Region Federation of Industry and Commerce, vice president of the Guangxi Overseas Friendship Association, vice president of the China Chamber of International Commerce Shenzhen, honorary chairman of the Shenzhen Logistics and Supply Chain Management Association, vice chairman of the Federation of Shenzhen Industries, honorary life president of the Hong Kong Gemstone Manufacturers’ Association Limited, honorary chairman of Zhejiang Pearl Trade Association and member of the Shenzhen Overseas Friendship Association. Mr. Cheng was the chairman and non-executive director of Man Sang Jewellery Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1466) until December 10, 2016. Mr. Cheng is the father of Ms. Cheng Ka Man Carman, an Executive Director, and is a younger brother of Mr. Cheng Tai Po, a Non-Executive Director of the Company.

Mr. FUNG Sing Hong Stephen (馮星航先生), aged 54, is our Group’s Vice Chairman and an Executive Director. Mr. Fung joined our Group in July 2006 and since then he acted as the Group’s Chief Financial Officer until May 19, 2016. He has been an Executive Director since August 2014. Mr. Fung had been the Chief Executive Officer of the Group since January 1, 2016 until he was appointed as the Group’s Vice Chairman on May 4, 2017. Mr. Fung is primarily responsible for assisting the Chairman in formulating the overall development planning and strategies of the Group and will be responsible for formulating capital market financing, merger and acquisition strategies, as well as strategic cooperations in e-commerce, logistics and commercial operations, including extending the cooperations with Tencent. Mr. Fung graduated from the University of Wales, United Kingdom with a Master degree in Business Administration. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the American Institute of Certified Public Accountants and the Chartered Global Management Accountants, a fellow member of the Hong Kong Institute of Directors and a member of the Hong Kong Professional And Senior Executive Association. Mr. Fung has more than 26 years of experience in financial management, mergers and acquisitions, capital markets financing and corporate restructuring. Mr. Fung is a member of the 5th Chongqing Committee of the Chinese People’s Political Consultative Conference. He is also an Advisor of National Management Accounting Advisory Committee, Ministry of Finance, the director & vice president of Hong Kong Business Accountants Association, a consultant of the 2nd Accounting Professional Committee of Council for the Promotion of Guangdong – Hong Kong – Macao Cooperation and the vice president of Hong Kong Chongqing Friendship Federation. Prior to joining our Group, Mr. Fung was an executive director and the chief financial officer of Guangdong Investment Limited (“GDI”). Before joining GDI, Mr. Fung served as an executive director and the chief financial officer of Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) (“GDL”). Both GDI and GDL are companies listed on the Main Board of The Hong Kong Stock Exchange (stock codes: 270 and 124, respectively). Mr. Fung was also a key member of the Guangdong Enterprises (Holdings) Limited (“GDE”) restructuring team and has been extensively involved in the US\$5.3 billion debt restructuring of GDE.

Mr. ZHAO Lidong (趙立東先生), aged 48, is our Executive Director and Chief Executive Officer. Mr. Zhao joined the Group as the Chief Operating Officer in November 2018, and he has been appointed as an Executive Director of the Company and the Chief Executive Officer of the Group with effect from February 1, 2019. He is primarily responsible for the overall operation and management of the Group. Mr. Zhao was graduated from Dalian University in 1992 with a diploma in Thermal Power Engineering and graduated from Dalian University of Technology in 1999 with a Bachelor's degree in Computer and Applications. Mr. Zhao obtained the qualification of Heating and Ventilation Engineer in November 2000. Before joining the Group, Mr. Zhao was the president of China Glorious City Holdings Group Co., Ltd. from April 2017 to November 2018, he was the president of 華董(中國)有限公司 (Hua Dong (China) Co. Ltd.) from September 2016 to April 2017. During the period of November 2011 to September 2016, Mr. Zhao worked with Wuzhou International Holdings Limited, a company listed on the Main Board of The Hong Kong Stock Exchange (stock code: 1369) as executive director and executive president. During the period from 2003 to 2011, Mr. Zhao served as deputy general manager of Wuhan Wanda Plaza Commercial Management Co., Ltd. and Tianjin Wanda Plaza Commercial Management Co., Ltd. and general manager of property management department, construction department and preparatory department of 萬達集團商業管理有限公司 (Wanda Group Commercial Management Co., Ltd.), etc.

Ms. CHENG Ka Man Carman (鄭嘉汶女士), aged 30, has been an Executive Director since May 4, 2017. She is primarily responsible for the administration and operations of the Group. Ms. Cheng graduated from the University of London with a Bachelor of Science degree in Financial and Business Economics. She also obtained a Master of Science degree in Management from the Imperial College London and a Master of Philosophy degree in Real Estate Finance from the University of Cambridge. Prior to joining the Group, Ms. Cheng was an executive director of Man Sang International Limited, a company listed on the Main Board of The Hong Kong Stock Exchange (stock code: 938). She had also worked in a leading investment firm in Asia. Ms. Cheng is the daughter of Mr. Cheng Chung Hing, the Chairman and Executive Director and the niece of Mr. Cheng Tai Po, a Non-Executive Director of the Company.

Non-Executive Directors

Dr. MA Kai Cheung (馬介璋博士), SBS, BBS, aged 77, is a Non-Executive Director. He is a co-founder of our Group and has been a Director since August 2, 2002. He acted as Co-Chairman of the Group from September 30, 2009 to July 25, 2017. He is primarily responsible for advising on the formulation of the Group's general business models, development strategies and the resolution of major issues. Dr. Ma has more than 47 years of management experience in garment distribution and manufacturing businesses. Dr. Ma was awarded a Bronze Bauhinia Star (BBS) and a Silver Bauhinia Star (SBS) by the Government of Hong Kong Special Administrative Region in 2003 and 2009 respectively. He was also a member of the 9th, the 10th and the 11th National Committee of the Chinese People's Political Consultative Conference. Dr. Ma is currently the permanent honorary president of Shenzhen Overseas Chinese International Association, the permanent honorary president of Hong Kong Chiu Chow Chamber of Commerce Limited, the permanent honorary president of Federation of Hong Kong Guangdong Community Organizations, the permanent honorary president of Hong Kong & Kowloon Chiu Chow Public Association and the permanent honorary chairman of Federation of Hong Kong Chiu Chow Community Organizations. Dr. Ma received an Honorary Doctoral degree in Philosophy from the Morrison University in the United States in 2004. He received a fellowship from the Asian Knowledge Management Association in 2008. Dr. Ma is also the honorary chairman and non-executive director of Carrianna Group Holdings Company Limited, a company listed on the Main Board of The Hong Kong Stock Exchange (stock code: 126).

Mr. CHENG Tai Po (鄭大報先生), aged 67, is a Non-Executive Director. He has been a Director since April 30, 2010 and is primarily responsible for advising on the formulation of the Group's general business models, development strategies and the resolution of major issues. Mr. Cheng has over 36 years of experience in manufacturing, wholesale and distribution businesses. He is a board member of the Zhanjiang Ocean University, China, a general committee member of the Hong Kong Jewelry Manufacturers' Association, the chairman of Hong Kong Overseas Puning Sheshan Clansmen Association and the permanent honorary president of Hong Kong Association of Jie Yang Federation of

Returned Overseas Chinese Limited. Mr. Cheng has been the executive director and deputy chairman of Man Sang International Limited, a company listed on the Main Board of The Hong Kong Stock Exchange (stock code: 938), since August 1997 and has been re-designated as chairman and non-executive director since October 16, 2014 until his retirement effective from March 31, 2016, and the director and vice chairman of China Metro-Rural Holdings Limited (formerly known as Man Sang International (B.V.I.) Limited), a company listed on the New York Stock Exchange MKT (ticker symbol: CNR) until his retirement effective from September 5, 2014. Mr. Cheng is an elder brother of Mr. Cheng Chung Hing, the Chairman and Executive Director and is an uncle of Ms. Cheng Ka Man Carman, an Executive Director of the Company.

Mr. LIN Ching Hua (林璟驊先生), aged 47, has been a Non-Executive Director since June 28, 2014. He is primarily responsible for advising on the formulation of the Group's general business models, development strategies and the resolution of major issues. Mr. Lin joined Tencent Group ("Tencent Group" includes Tencent Holdings Limited, shares of which are listed on the Main Board of The Hong Kong Stock Exchange with stock code no. 700, and its subsidiaries) in April 2013. He is currently the vice president of Tencent Group and is the general manager of Strategy Development Department and Social and Performance Advertisement Department. Mr. Lin is mainly responsible to establish the strategic platform of Tencent, to formulate the business development strategies of the Tencent Group, and to lead the research and development of various business models in the Tencent Group and the business cooperation with external strategic partners who the Tencent Group has equity investments. Mr. Lin has taken a crucial and leading role in promoting Tencent's strategic initiatives, including Weixin commercialization, important strategic investments and cooperations, and the business planning and development in internet finance, and resources integration and product innovation on social advertisement. Before joining Tencent, Mr. Lin was a partner at McKinsey & Company, Inc. ("McKinsey") and general manager of its branch in Taiwan. Mr. Lin mainly served clients and performed research in technology sector, including hi-tech manufacturing, internet service, telecommunication and media during his 12 years with McKinsey. His various research received wide coverage in a number of Business and Financial media in China. Before joining McKinsey, Mr. Lin worked at Deloitte Consulting Inc., Taiwan Office, as a consultant. He received his Master of Business Administration degree from Harvard Business School in 2001.

Independent Non-Executive Directors

Mr. LEUNG Kwan Yuen Andrew (梁君彥先生), *GBS, SBS, JP*, aged 68, has been an Independent Non-Executive Director since September 4, 2009. He has more than 39 years of management experience in the textile manufacturing, wholesale and distribution businesses. Mr. Leung was elected as the President of the Sixth Legislative Council of Hong Kong on October 12, 2016 and he is currently a member of the Industrial (First) Functional Constituency of the Legislative Council of Hong Kong and is also a member of the National Committee of the Chinese People's Political Consultative Conference. Mr. Leung is currently the honorary chairman of Textile Council of Hong Kong, the honorary president of the Federation of Hong Kong Industries, a fellow member of the Textiles Institute as well as the Clothing and Footwear Institute in the United Kingdom. He was a council member of the Hong Kong Trade Development Council. In addition, Mr. Leung is an independent non-executive director of Wharf Real Estate Investment Company Limited (stock code 197) and Dah Sing Financial Holdings Limited (stock code 440), both are companies listed on the Main Board of the Hong Kong Stock Exchange. Mr. Leung was an independent non-executive director of Dah Sing Banking Group Limited (stock code: 2356) and Harbour Centre Development Limited (stock code: 51) until his resignation effective from December 20, 2017 and May 4, 2018 respectively. He was the chairman and director of Sun Hing Knitting Factory Limited until his resignation effective from February 28, 2017.

Mr. LI Wai Keung (李偉強先生), aged 62, has been an Independent Non-Executive Director since September 4, 2009. Mr. Li has more than 41 years of experience in financial management. Mr. Li graduated from the Hong Kong Polytechnic and holds a Master degree in Business Administration from the University of East Asia, Macau, currently known as the University of Macau. He was appointed a member of the Chinese People's Political Consultative Conference Guangdong Provincial Committee on January 17, 2018 and was subsequently appointed a standing member on January 27, 2018. He is a fellow

member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, and re-designated as the honorary president and remains as director of Hong Kong Business Accountants Association on August 2, 2018. Mr. Li is the chief financial officer of GDH Limited, executive director of Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) (“GDL”), non-executive director of Guangdong Investment Limited (“GDI”) and an independent non-executive director of Shenzhen Investment Limited (“SZ Investment”) and Hans Energy Company Limited (“Hans”). GDL, GDI, SZ Investment and Hans are companies listed on the Main Board of The Hong Kong Stock Exchange (stock codes: 124, 270, 604 and 554 respectively). He is the chairman of the Council of the Hong Kong Chinese Orchestra Limited, a member of China Overseas Friendship Association and the vice chairman and secretary of the Financial and Accounting Affairs Steering Committee of the Hong Kong Chinese Enterprises Association. He was appointed as Advisor of Management Accounting of the Ministry of Finance of the PRC since July 21, 2014. Mr. Li had worked for Henderson Land Development Company Limited (stock code: 12).

Mr. HUI Chiu Chung (許照中先生), *JP*, aged 72, has been an Independent Non-Executive Director since April 11, 2011. Mr. Hui has over 48 years of experience in the securities and investment industry. He has served as a council member and vice chairman of The Hong Kong Stock Exchange, a member of the Advisory Committee of the Hong Kong Securities and Futures Commission, a director of the Hong Kong Securities Clearing Company Limited, a member of the Listing Committee of the Hong Kong Exchanges and Clearing Limited, an appointed member of the Securities and Futures Appeal Tribunal, a member of the Standing Committee on Company Law Reform and an appointed member of the Hong Kong Institute of Certified Public Accountants Investigation Panel A for a number of years. He was also a member of the Committee on Real Estate Investment Trusts of the Hong Kong Securities and Futures Commission and a member of Government “Appointees” (independent member) of Appeal Panel of the Travel Industry Council of Hong Kong. Mr. Hui was appointed by the Government of the Hong Kong Special Administrative Region a Justice of the Peace (*JP*) in 2004 and was also appointed as a member of the Zhuhai Municipal Committee of the Chinese People’s Political Consultative Conference from 2006 to 2017. He is a fellow member of The Hong Kong Institute of Directors and a senior fellow member of Hong Kong Securities and Investment Institute. Mr. Hui also serves as a non-executive director of Luk Fook Holdings (International) Limited (stock code: 590) and an independent non-executive director of Zhuhai Holdings Investment Group Limited (formerly known as Jiuzhou Development Company Limited) (stock code: 908), Lifestyle International Holdings Limited (stock code: 1212), Gemdale Properties and Investment Corporation Limited (formerly known as Frasers Property (China) Limited) (stock code: 535), SINOPEC Engineering (Group) Co., Limited (stock code: 2386), Agile Property Holdings Limited (stock code: 3383) and FSE Engineering Holdings Limited (stock code: 331), whose shares are listed on The Hong Kong Stock Exchange. He was an independent non-executive director of Chun Wo Development Holdings Limited (now known as Asia Allied Infrastructure Holdings Limited) (stock code: 711) and Hong Kong Exchanges and Clearing Limited (stock code: 388) until his resignation effective from February 1, 2015 and his retirement effective from April 29, 2015 respectively.

Mr. YUNG Wing Ki Samuel (容永祺先生), *SBS, MH, JP*, aged 61, has been an Independent Non-Executive Director since March 1, 2013. Mr. Yung has over 38 years of experience in insurance sector. He was awarded an EMBA from the Hong Kong University of Science and Technology and has attained certain professional qualifications, including Certified Financial Planner, Registered Financial Consultant, Fellow Chartered Financial Practitioner, Chartered Life Practitioner, Certified Manager of Financial Advisor and Chartered Insurance Agency Manager. Mr. Yung is currently an executive district director of AIA International Limited and an independent non-executive director of China Overseas Insurance Limited, a wholly-owned subsidiary of China Overseas Holdings Group, and is also an independent non-executive director of China Overseas Property Holdings Limited (stock code: 2669), a company listed on the Main Board of The Hong Kong Stock Exchange. He was an independent non-executive director of Camsing International Holding Limited (formerly known as Fittec International Group Limited) (stock code: 2662) until his resignation effective from May 31, 2016, a company listed on the Main Board of The Hong Kong Stock Exchange. Mr. Yung is also presently a member of the National Committee of the Chinese People’s Political Consultative Conference, the vice chairman of the Committee for Economic Affairs (CEA) of the CPPCC National Committee, the founding president of

Hong Kong Professionals and Senior Executives Association, the chairman of Hong Kong Examinations and Assessment Authority and the chairman or committee member of several Government committees and non-governmental organizations. Mr. Yung was elected the “Ten Outstanding Young Persons Award” in 1994. He was also a Municipal Commission standing member of the Chinese People’s Political Consultative Conference of Jilin, Standing Committee member of All-China Youth Federation, member of Commission on Strategic Development of the HKSAR, member of Central Policy Unit, chairman of Hong Kong United Youth Association, chairman of The Outstanding Young Persons’ Association, director and chairman of International Committee of General Agents & Managers Association International, co-chairman of the Asia Pacific Financial Services Association and president of The Life Underwriters Association of Hong Kong, president of General Agents and Managers Association of Hong Kong and chairman of Betting and Lotteries Commission.

Senior Management

Mr. Chan Mau Cheong Bryan (陳茂昌先生), aged 41, has been appointed as the Group’s Chief Financial Officer since November 15, 2019. Mr. Chan is primarily responsible for the overall financial management of the Group, establishing and maintaining investor relations and executing the Group’s capital market financing, mergers and acquisitions and business cooperation projects. Mr. Chan has more than 18 years of experience in financial management, specializing in auditing, accounting, financial due diligence and investments management. Mr. Chan graduated from The Chinese University of Hong Kong with a first class honours degree in Bachelor of Business Administration. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a Chartered Financial Analyst. Prior to joining the Group, Mr. Chan was a chief financial officer of a Hong Kong based family office. Mr. Chan had worked in Big 4 international accounting firms, Arthur Andersen & Co. Hong Kong, PricewaterhouseCoopers Ltd. and PricewaterhouseCoopers Consultants (Shenzhen) Co., Ltd. Shanghai Branch for about 15 years.

Ms. JIANG Ling (姜玲女士), aged 46, is the Group’s Vice President. Ms. Jiang joined our Group in November 2003, and is responsible for the Group’s strategic development, including policy research, project planning, land resources planning and management and public relations. Ms. Jiang graduated from the Department of Journalism, Huazhong University of Science and Technology in 1994. She later completed Advanced Business Management Course at HSBC Business School, Peking University in 2009, the postgraduate course in fashion buying at Hong Kong Institute of Fashion Buying in 2011 and the Advanced Capital Management (Investment and Financing) Course at Shenzhen Tsinghua University Research Institute in 2016. She has also attained the qualification of senior planner from the Ministry of Labor and Social Security of the People’s Republic of China (which has been renamed as the Ministry of Human Resources and Social Security of the People’s Republic of China). Ms. Jiang has over 19 years of management experience in the property industry and has experience in the media industry. She was the manager of the development department of Shanghai Chenghuang Temple Fuyoumen Small-Commodities Market Corporation Limited, the director of Shenzhen Column Editorial Department, Hong Kong Ta Kung Pao and the general manager of Shenzhen Tongyuan Nanling Cultural and Creative Park Corporation Limited.

Ms. TSE Man Yu (謝文瑜女士), aged 48, is the Company Secretary and the Group’s Deputy Chief Financial Officer. Ms. Tse joined our Group in February 2008. She assists the Chief Financial Officer in offshore financing, merger and acquisition, business cooperation of the Group, and is responsible for company secretarial duties and investor relations. Ms. Tse is also a director of certain subsidiaries of the Group. Ms. Tse graduated from the City University of Hong Kong with a Bachelor of Science (Honours) degree in Finance. She is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Ms. Tse has more than 23 years of experience in financial management, mergers and acquisitions, corporate finance and asset management. Prior to joining our Group, Ms. Tse was the assistant chief financial officer of GDI which is a company listed on the Main Board of The Hong Kong Stock Exchange (stock code: 270). Ms. Tse was an alternate director of Guangdong Development Fund Limited (“GDF”), which is a company listed on the London Stock Exchange (code: gdf), and a director of Guangdong Investment Management Limited, which is the fund manager of GDF. Ms. Tse had also been a senior corporate finance executive of Tung Fong Hung (Holdings) Limited (stock code: 279) and Sing Pao Media Group Limited (stock code: 164), both companies were listed on the Main Board of The Hong Kong Stock Exchange.

Mr. QIU Wen (邱文先生), aged 46, is the Investment Development Division's Executive Vice President. Mr. Qiu joined our Group in July 2016 and served as the General Manager of CSC Shenzhen. He has been the Investment Development Division's Vice President in December 2018, and was then appointed as the Executive Vice President in June 2019, responsible for the operation and management of the Investment Development Group. Mr. Qiu has extensive experience in construction management, cost control, real estate sales planning and corporate management. Mr. Qiu graduated from the Industrial and Civil Architecture College of Huanghe S&T University, and obtained an Executive Master of Business Administration degree from Lingnan (University) College. Prior to joining the Group, Mr. Qiu was a general manager of Guangzhou region in Hopson Development Holdings Limited, a company listed on the Main Board of The Hong Kong Stock Exchange (stock code: 754). He also worked in Guangdong Pearl River Engineering General Contractor Limited, and served as a deputy general manager of Beijing region in Zhujiang Investment Co., Ltd, and a general manager of Beijing office in Guangdong Han Jian Construction & Installing Engineering Co., Ltd.

Mr. CHEN Weiguo (陳衛國先生), aged 52, is the Business Management Division's Executive Vice President. Mr. Chen joined our Group as the General Manager of CSC Nanning in February 2018. In December 2018, he was appointed as the Business Management Division's Executive Vice President, responsible for merchants recruitment, operation and property management. Mr. Chen graduated from Chemistry Department, Hanshan Normal University. Mr. Chen has extensive experience in merchants recruitment and management in the wholesale market. Prior to joining the Group, Mr. Chen worked as managing director of China Pearls and Jewellery International City Co., Ltd. (a subsidiary of Man Sang International Limited, a company listed on the Main Board of The Hong Kong Stock Exchange, stock code: 938). He had also worked with Man Hing Industry Development (Shenzhen) Co., Ltd.

The Board of Directors

Our board of directors (the "Board"), is responsible for overall strategic formulation and performance monitoring of the Group's business. Mr. Cheng Chung Hing, the Chairman, is responsible for providing leadership for the Board and he, with the support of the other board members and senior management, is responsible for carrying and implementation of the Group's policy. The daily day-to-day operations of the Company are delegated to respective Directors and senior management within the control and authority framework set by the Board.

The Board meets regularly, and at least four times a year at approximately quarterly intervals. Prior to the scheduled meetings, the Directors are provided with agenda and relevant materials related to the agenda. Every board member can access to senior management and company secretary of the Company at all time and upon reasonable request, seek independent professional advice. When required, additional board meetings will be arranged.

The Company's articles of association provide rotation and re-election for all Directors. As provided by the Articles, at each annual general meeting of the Company one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation.

Each of the Executive Directors has entered into service contract with the Company while each of the Non-Executive Director and Independent Non-Executive Directors has entered into a letter of appointment with the Company for a term of three years. None of the Directors has entered into any service contract with us which is not determinable by us within one year without payment of compensation, other than statutory compensation.

Board Committees

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, to handle particular responsibilities of the Board and the Company's affairs. All board committees of the Company are established with specific written terms of reference which have been published at the websites of The Hong Kong Stock Exchange and the Company respectively. The board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

Audit Committee

The Audit Committee is responsible for the review and supervision of our Group's financial reporting process, risk management and internal controls system, review of the Company's financial statements and review of the Company's policies and practices on corporate governance. The audit committee consists of Mr. Li Wai Keung as chairman, Mr. Leung Kwan Yuen Andrew, Mr. Hui Chiu Chung and Mr. Yung Wing Ki Samuel. All the audit committee members are Independent Non-Executive Directors. There were two meetings of the audit committee held for the year ended March 31, 2019 to review the annual and interim results before recommending to the Board for approval.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations on the Directors' and senior management's remuneration packages and other benefits. The remuneration committee comprises two Independent Non-Executive Directors and one Executive Director, including Mr. Li Wai Keung as chairman, Mr. Leung Kwan Yuen Andrew and Mr. Cheng Chung Hing.

Nomination Committee

The Nomination Committee is responsible for making recommendations on the nomination of Directors with a view to appointing suitable individuals with relevant expertise and experience to enhance the constitution of the Board and to contribute to the Board. The nomination committee comprises two Independent Non-Executive Directors and one Executive Director, including Mr. Leung Kwan Yuen Andrew as chairman, Mr. Li Wai Keung and Mr. Cheng Chung Hing.

Directors' Compensation

In the fiscal years ended March 31, 2017, 2018 and 2019, the total amount of directors' compensation (comprising directors' fees, basic salaries, allowances, benefits-in-kind, performance related bonus, employee share option benefits and pension scheme contributions) was HK\$67,522,000, HK\$100,274,000 and HK\$73,353,000, respectively.

The amount of directors' compensation is determined by the Board based on their contribution to us and with reference to their duties and responsibilities, time spent on our matters and market conditions. The remuneration committee will determine the remuneration policies for the directors with reference to similar factors and other factors such as salaries paid by comparable companies, time commitment and responsibilities of directors elsewhere in us and desirability of performance-based remuneration, in accordance with the terms of reference for the remuneration committee and the requirements under the relevant regulation and rules.

Directors' and Chief Executive's Interests in Securities

As at September 30, 2019, the interests and short positions of the Directors in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company under section 352 of the SFO or as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of Directors	Class of Shares	Number of Shares held					Approximate percentage of the Company's total number of issued Shares ⁽⁵⁾
		Corporate interest	Personal interest	Family interest	Share Options	Total	
Cheng Chung Hing	Ordinary Shares	2,224,920,458 ⁽¹⁾	81,633,333	–	–	2,306,553,791 ⁽¹⁾	28.45%
Cheng Tai Po	Ordinary Shares	588,984,145 ⁽²⁾	4,936,000	–	–	593,920,145	7.32%
Ma Kai Cheung	Ordinary Shares	138,966,649 ⁽³⁾	–	–	–	138,966,649	1.71%
Fung Sing Hong Stephen	Ordinary Shares/Share Options	–	9,200,000	–	159,990,000 ⁽⁴⁾	169,190,000	2.08%
Leung Kwan Yuen Andrew	Share Options	–	–	–	2,000,000 ⁽⁴⁾	2,000,000	0.02%
Li Wai Keung	Share Options	–	–	–	2,000,000 ⁽⁴⁾	2,000,000	0.02%
Hui Chiu Chung	Share Options	–	–	–	2,000,000 ⁽⁴⁾	2,000,000	0.02%
Yung Wing Ki Samuel	Share Options	–	–	–	2,000,000 ⁽⁴⁾	2,000,000	0.02%

Notes:

- (1) Mr. Cheng Chung Hing is interested in 100% of the issued share capital of Accurate Gain Developments Limited which in turn was deemed to have interests in 2,224,920,458 Shares. As informed by Mr. Cheng Chung Hing, he had voting rights and certain other rights over 1,446,666,666 Shares, pursuant to certain swap funding arrangements between Accurate Gain Developments Limited and PAG Holdings Limited.

Mr. Cheng Chung Hing is a director of Accurate Gain Developments Limited. He is the father of Ms. Cheng Ka Man Carman and the younger brother of Mr. Cheng Tai Po.

- (2) Mr. Cheng Tai Po is interested in 100% of the issued share capital of Proficient Success Limited which in turn holds 588,984,145 Shares and is therefore deemed to be interested in the aforesaid 588,984,145 Shares. Mr. Cheng is a director of Proficient Success Limited. Mr. Cheng Tai Po is the elder brother of Mr. Cheng Chung Hing and the uncle of Ms. Cheng Ka Man Carman.

- (3) Dr. Ma Kai Cheung, as beneficial owner and beneficiary of trust and through the interest of his spouse, being interested in 40.83% of the issued share capital of Carrianna Group Holdings Company Limited which through a number of intermediaries, wholly owns Carrianna Development Limited, Dr. Ma Kai Cheung is therefore deemed to be interested and duplicated interests in an aggregate of 138,966,649 Shares held by Carrianna Development Limited via its holding company. Dr. Ma is a director of each of Carrianna Group Holdings Company Limited, Carrianna Development Limited, Sincere United Holdings Limited, Carrianna Holdings Limited, Gartrend Development Limited and Carrianna (BVI) Limited.

- (4) The relevant interests are share options granted to Mr. Fung Sing Hong Stephen, Mr. Leung Kwan Yuen Andrew, Mr. Li Wai Keung, Mr. Hui Chiu Chung and Mr. Yung Wing Ki Samuel pursuant to the Company's share option scheme adopted on September 4, 2009. Further details of the share option scheme are set out in "Principle Shareholders – Share Option Scheme".

- (5) Saved as stated above, the information provided above and the percentage calculated were based on information as at September 30, 2019, upon which, the total issued shares of the Company was 8,107,228,848 Shares.

Save as disclosed above, as at September 30, 2019, to the knowledge of the Directors, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be: (i) notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

PRINCIPAL SHAREHOLDERS

Interested Persons

As at September 30, 2019, the interested persons, other than the Directors or chief executive of the Company, in the Shares and the underlying Shares of the Company representing 5% or more of the nominal value of shares comprised in the relevant share capital of the Company as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

Name	Nature of interest	Number of shares or underlying shares held	Approximate percentage of the Company's total issued share capital ⁽⁴⁾
Accurate Gain Developments Limited . . .	Beneficial owner	2,224,920,458 ⁽¹⁾	27.44%
Tencent Holdings Limited	Deemed interest in controlled corporation	955,936,666 ⁽²⁾	11.79%
THL H Limited	Beneficial owner	955,936,666 ⁽²⁾	11.79%
Proficient Success Limited	Beneficial owner	588,984,145 ⁽³⁾	7.26%

Notes:

- (1) As informed by Accurate Gain Developments Limited, it was interested in 778,253,792 Shares in the capacity of a beneficial owner and had 1,446,666,666 Shares in respect of derivative interests under certain swap funding agreements with PAG Holdings Limited. Therefore, Accurate Gain Developments Limited was deemed to have interests in 2,224,920,458 Shares.

As informed by PAG Holdings Limited, through its ultimately controlled corporations, Pacific Alliance Group Limited, Pacific Alliance Investment Management Limited, Pacific Alliance Group Asset Management Limited, Pacific Alliance Asia Opportunity Fund L.P. and PA Eminent Opportunity VII Limited, it was deemed to have interest in 1,446,666,666 Shares.
- (2) THL H Limited is wholly owned by Tencent Holdings Limited.
- (3) Mr. Cheng Tai Po owns 100% of the issued share capital of Proficient Success Limited.
- (4) Saved as stated above, the information provided above and the percentage calculated were based on information as at September 30, 2019, upon which, the total issued shares of the Company was 8,117,130,848 Shares.

Save as disclosed above, as at September 30, 2019, to the knowledge of the Directors or chief executive of the Company, no other person (other than a Director or chief executive of the Company) had, or were deemed or taken to have an interest or short position in the shares or underlying shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register kept by the Company pursuant to Section 336 of the SFO.

Share Option Scheme

2009 Share Option Scheme

We adopted a share option scheme on September 4, 2009 became effective on September 30, 2009 and expired on September 29, 2019 (the "2009 Share Option Scheme"). The major terms of the 2009 Share Option Scheme are summarized as follows: (1) the purpose of the Share Option Scheme is to provide incentives to eligible persons for their contribution to us and to enable us to recruit high-calibre employees and attract human resources that are valuable us; and (2) our Board may at its discretion grant options to our Directors, employees, officers, agents, consultants or representatives.

The total number of Shares which may be issued upon exercise of all share options granted and yet to be exercised under the 2009 Share Option Scheme must not exceed 30% of the Shares in issue from time to time. The total number of Shares in respect of which options granted under the 2009 Share Option Scheme was not permitted to exceed 10% in nominal amount of the issued Shares as at the date of commencement of the listing of Shares on The Hong Kong Stock Exchange unless with the prior approval from the Shareholders. The 2009 Share Option Scheme limit was refreshed at the annual general meeting of the Company held on August 21, 2013.

The total number of shares issued upon the exercise of share options granted under the 2009 Share Option Scheme (including exercised, canceled and outstanding share options) to each grantee in any 12-month period up to the date of grant should not exceed 1% of the issued share capital as at the date of grant.

The period during which a share option may be exercised would be determined by our Directors at their absolute discretion, save that no share option may be exercised more than 10 years after grant.

In light of the expiration of the 2009 Share Option Scheme, a new share option scheme was adopted by the shareholders at the annual general meeting of the Company held on September 13, 2019, after which the Company obtained the conditional listing approval from The Hong Kong Stock Exchange (the “2019 Share Option Scheme”). No options can further be granted under the 2009 Share Option Scheme which has expired on September 13, 2019. However, for the outstanding 215,490,000 share options granted and yet to be exercised under the 2009 Share Option Scheme remain valid and exercisable in accordance with the terms of the 2009 Share Option Scheme, representing approximately 2.65% of the total number of issued Shares of the Company as at September 30, 2019.

2019 Share Option Scheme

The major terms of the 2019 Share Option Scheme are summarized as follows: (1) the purpose of the 2019 Share Option Scheme is to provide incentives to eligible participants to contribution to the Company and to enable to the Company to recruit high-calibre employees and attract human resources that are valuable to the Group; and (2) the Board may at its discretion grant options to Directors (including Executive and Non-Executive Directors), employees, officers, agents or consultants of the Company and any subsidiary.

The total number of Shares which may be issued upon exercise of all share options granted and yet to be exercised under the 2019 Share Option Scheme and all outstanding options must not exceed 30% of the Shares in issue from time to time. The total number of Shares in respect of which options may be granted under the 2019 Share Option Scheme is not permitted to exceed 10% of the issued Shares on the adoption date that is 810,722,884 Shares, representing approximately 10% of the total number of issued Shares of the Company as at September 30, 2019.

The total number of Shares issued and to be issued upon the exercise of share options granted under the 2019 Share Option Scheme (including exercised, canceled and outstanding share options) to each grantee in any 12-month period up to the date of grant shall not exceed 1% of the number share in issued of the Company as at the date of grant. Any further grant of share options in excess of this limit is subject to approval of our shareholders.

The period during which a share option may be exercised will be determined by our Directors at their absolute discretion, save that no share option may be exercised more than 10 years after grant.

RELATED PARTY TRANSACTIONS

The following discussion describes certain of our material related party transactions for the fiscal years ended March 31, 2017, 2018 and 2019.

The following table sets forth certain material transactions between us and our related parties for the periods indicated.

	Fiscal Year Ended March 31,		
	2017	2018	2019
	(HK\$ in thousands)		
Rental expense and related service fees for an office property paid to companies of which a director of the Company was a controlling shareholder ⁽¹⁾	1,959	–	–

Note:

- (1) The rental expense and related service fees for an office property were related to the leasing of office property provided to us by a related party. The fees were based on terms mutually agreed between both parties.

The following is a brief description of our material related party transactions.

Rental Expenses and Related Service Fees for Office Property and Trade Centers

We pay the rental expenses and related service fees for the leasing of office property provided to us by related companies. One of the related companies was Man Sang Jewellery Company Limited, in which Mr. Cheng Chung Hing was a controlling shareholder until December 10, 2016. The rental expenses and related service fees were based on terms mutually agreed between us and the related companies. The rental expenses and related service fees for our office space were HK\$2.0 million, none and none for the fiscal years ended March 31, 2017, 2018 and 2019, respectively.

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

To fund our existing projects and to finance our working capital requirements, we have entered into financing arrangements with various financial institutions. As of September 30, 2019, the total outstanding balance of the consolidated interest-bearing bank and other borrowings, senior notes, short-term notes, medium-term notes, corporate bonds and domestic company bonds of the Company and its subsidiaries amounted to HK\$32,500.1 million, of which HK\$15,963.7 million was secured. We set forth below a summary of the material terms and conditions of these loans and other material indebtedness.

Project Construction Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including, but not limited to, Industrial and Commercial Bank of China, Bank of China, Bank of Communications, China Construction Bank, Huaxia Bank, PingAn Bank, Bank of Xi'An and Agricultural Bank of China. These loans typically are secured project loans to finance the construction of our projects and have terms ranging from two years to ten years, which generally correspond to the construction periods of the particular projects. Our PRC bank loans are typically secured by mortgages over a portion of our land use rights and a portion of our properties and/or guaranteed by China South International, our wholly owned subsidiary. The Notes will be structurally subordinated to these loans and any other indebtedness incurred by our PRC subsidiaries.

Interest

The principal amounts outstanding under the project loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to review by the lenders annually. Interest payments generally are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these project loans, our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on their properties or assets;
- altering the nature or scope of their business operations in any material respect;
- making major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions or reorganizations;
- reducing their registered capital;
- making other changes to the company's status, such as by liquidation or dissolution;
- transferring part or all of the liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing assets;
- transferring a substantial equity interest in the borrower; and
- incurring other indebtedness or granting guarantees to third parties that would adversely affect their ability to repay their loans.

Dividend Restriction

Pursuant to the project loans with certain of our lenders, some of our PRC subsidiaries have also agreed not to distribute any dividends:

- before the due portion of the principal amount of and accrued interest on the relevant project loan have been fully paid; or
- if the borrower's after-tax profit is nil or negative, or not sufficient to compensate for accumulated losses of previous years.

Events of Default

The loan agreements contain certain customary events of default, such as failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires its approval, material breach of the terms of the loan agreement and acceleration of repayment obligations under other loan or financing documents. Upon the occurrence of an event of default, the lenders may terminate the loan agreement and demand immediate repayment.

Guarantee and Security

China South International has entered into guarantee agreements with the PRC banks identified above in connection with some of the project loans pursuant to which China South International has guaranteed all liabilities of the subsidiary borrowers under these loans. Our obligations under the loan agreements are typically secured by mortgages over properties and the land use rights relating to the relevant projects.

Working Capital and Term Loan Agreements

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks, including, but not limited to, the Agricultural Bank of China, Bank of Communication, Bank of Xi'an, Bank of Beijing, China Citic Bank, Bank of China, Industrial and Commercial Bank of China, Huaxia Bank, China Guangfa Bank Co., Ltd. and China Minsheng Bank. These loans typically have terms ranging from one year to two years, and are either credit loans or loans secured by mortgages over a portion of our land use rights and a portion of our properties. The Notes will be structurally subordinated to these loans and any other indebtedness incurred by our PRC subsidiaries.

Interest

The principal amounts outstanding under these loans generally bear interest at floating rates calculated with reference to the PBOC benchmark interest rate. Floating interest rates are generally subject to monthly, quarterly, or annual review by the lenders. Interest payments are typically payable monthly and must be made on each payment date as provided in the particular loan agreement.

Covenants

Under these loans, our subsidiary borrowers have agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating encumbrances on their properties or assets;
- altering the nature or scope of their business operations in any material respect;
- making major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions or reorganizations;

- reducing their registered capital;
- making other changes to the company's status, such as by liquidation or dissolution;
- transferring part or all of the liabilities under the loans to a third party;
- prepaying the loans;
- selling or disposing assets;
- transferring substantial equity interest in the borrower; and
- incurring other indebtedness or granting guarantees to third parties that would adversely affect their ability to repay their loans.

Dividend Restriction

Pursuant to the working capital and term loans with certain of our lenders, some of our PRC subsidiaries have also agreed not to distribute any dividends if the borrower's after-tax profit is nil or negative, if the amount of the dividends exceed 30% of the after-tax profit of the borrowers, or if the borrower's after-tax profit is not sufficient to compensate for accumulated losses of previous years.

Events of Default

The working capital and term loan agreements contain certain customary events of default, such as failure to pay the amount payable on the due date, unauthorized use of loan proceeds, failure to obtain the lender's approval for an act that requires its approval, material breach of the terms of the loan agreement and acceleration of repayment obligations under other loan or financing documents. Upon the occurrence of an event of default, the lenders may terminate the loan agreement and demand immediate repayment.

Guarantee and Security

Some of our working capital and term loans are credit loans. In addition, China South International has entered into guarantee agreements with the PRC banks identified above in connection with some of our working capital and term loans pursuant to which China South International has guaranteed all liabilities of the subsidiary borrowers under these loans. Our obligations under the loan agreements are typically secured by mortgages over a portion of properties and a portion of the land use rights owned by China South International.

Syndicated Revolving Credit Facility

China South International has entered into facility agreements in connection with separate revolving loan facilities with the Industrial and Commercial Bank of China Shenzhen. The proceeds of these credit facilities have been used for the purpose of funding our projects and meeting our working capital needs. We have entered and will continue to enter into separate loan agreements when utilizing the credit facilities.

Interest and Maturity

Under the facility agreements, the interest rate applicable for each loan will be prescribed in the separate loan agreements. The credit facilities under these facility agreements by their terms expire within 12 months of the date of the agreements.

Covenants

Pursuant to these facility agreements, China South International has agreed, among other things, not to take the following actions without obtaining the relevant lender's prior consent:

- creating mortgages or other repayment guarantees on the finished or ongoing construction projects at the China South International Industrial Materials City and relevant cash-flow;
- obtaining financing from other banks for its new projects;
- making major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions or reorganizations;
- reducing its registered capital;
- transferring or disposing, or threatening to transfer or dispose, important parts of its assets; and
- granting guarantees to third parties or mortgaging or pledging its major assets where doing so would adversely affect its ability to repay its loan(s) under the facility agreement.

Events of Default

The facility agreements contain certain customary events of default, including providing fraudulent statements of financial position, statement of profit or loss or other financial information, providing statements of financial position, statement of profit or loss or other financial information with material information missing, unauthorized use of loan proceeds, and failure to obtain the lender's approval for an act that requires its approval. The lenders are entitled to demand repayment of part or all of the loans and/or cancel the unutilized facility upon occurrence of an event of default.

Short-Term Notes

On September 9, 2015, China South International completed the issuance of the first tranche of short-term notes of 2015 ("2015 First Tranche STN") with a total principal amount of RMB2.1 billion with a maturity period of 1 year and at an interest rate of 4.3% per annum. The proceeds were to be used for replacement of bank borrowings of our Group. The 2015 First Tranche STN have been repaid in September 2016.

On September 13, 2016, China South International completed the issuance of the 2016 First Tranche STN with a total principal amount of RMB1.2 billion with a maturity period of 1 year and at an interest rate of 4.9% per annum. The proceeds were to be used for general corporate purposes and for repaying a portion of the bank borrowings of our Group. The 2016 First Tranche STN have been repaid in September 2017.

On June 26, 2017, China South International completed the issuance of the first tranches of the PRC short-term notes of 2017 with a total principal amount of RMB500 million with a maturity period of 270 days and at an interest rate of 6.5% per annum. The proceeds were to be used for general corporate purposes and for repaying a portion of the bank borrowings of our Group. The first tranches of the PRC short-term notes of 2017 have been repaid in March 2018.

On August 30, 2017, China South International completed the issuance of the second tranches of the PRC short-term notes of 2017 with a total principal amount of RMB500 million with a maturity period of 270 days and at an interest rate of 6.5% per annum. The proceeds were to be used for general corporate purpose and for repaying a portion of the bank borrowings of our Group. The second tranches of the PRC short-term notes of 2017 have been repaid in May 2018.

Medium Term Notes

In April 2014, China South International obtained the relevant approval for issuing medium-term notes in the national inter-bank market in the PRC with a maximum principal amount of RMB4 billion.

On May 9, 2014, China South International completed the issuance of the first tranche of medium-term notes of 2014 (the “2014 First tranche MTN”) with a total principal amount of RMB1 billion in the national inter-bank market of the PRC. The 2014 First tranche MTN carry interest at the rate of 7.5% per annum and with a maturity period of 5 years, payable annually on May 9 in arrears. The proceeds were to be used for repaying part of the short-term bank loans of our Group. The 2014 First Tranche MTN has been repaid in May 2019.

On September 12, 2014, China South International completed the issuance of the second tranche of medium-term notes of 2014 (the “2014 Second tranche MTN”) with a total principal amount of RMB1 billion in the national interbank market of the PRC. The 2014 Second tranche MTN carry interest at the rate of 8.4% per annum and with a maturity period of 5 years, payable annually on September 12 in arrears. The proceeds were to be used for repaying part of bank loans of our Group. The 2014 Second Tranche MTN has been repaid in September 2019.

On July 13, 2015, China South International completed the issuance of the first tranche of medium-term notes of 2015 (the “2015 First tranche MTN”) with a total principal amount of RMB2 billion in the national inter-bank market of the PRC. The 2015 First tranche MTN carry interest at the rate of 7.0% per annum and with a maturity period of 3 years, payable annually on July 13 in arrears. The proceeds were to be used for replacement of bank loans of our Group and the development of China South City Nanning project. The 2015 First Tranche MTN has been repaid in July 2018.

In April 2017, China South International obtained another approval for issuing the medium term notes with a maximum principal amount of RMB3.0 billion. In April 2019, China South International issued the first tranche of the medium-term notes of 2019 with a total principal amount of RMB600 million with a maximum maturity period of 3 years and at an interest rate of 8.5% per annum. The proceeds thereof were to be used for refinancing existing borrowings of the Group.

Corporate Bonds

On April 13, 2015, China South International completed the issuance of the corporate bonds with a total principal amount of RMB1.5 billion and with a term of up to 6 years in maximum on the Shanghai Stock Exchange of the PRC. The corporate bonds carry interest at the rate of 7.0% per annum, payable annually on April 13 in arrears, and will mature on April 13, 2021. The proceeds were to be used for funding the development of China South City Zhengzhou project. On April 13, 2018, we repaid RMB1,499 million of corporate bonds. The remaining portion of RMB482,000, of which the interest rate was 8.05% per annum, was early repaid in full in April 2019.

Domestic Company Bonds

In December 2015, China South International obtained the relevant approval for issuing the domestic company bonds in a maximum principal amount of RMB4.4 billion in the PRC.

On January 14, 2016, China South International issued the first tranche of domestic company bonds of 2016 (“2016 First Tranche DCB”) with the total principal amount of RMB3 billion with a term of 3 years and at an interest rate of 5.98% per annum. The proceeds were to be used for repaying part of bank loans of the Group and for general corporate purposes. The 2016 First Tranche DCB was repaid in January 2019.

On May 4, 2016, China South International issued the second tranche of domestic company bonds of 2016 (“2016 Second Tranche DCB”) with the total principal amount of RMB1.4 billion with a term of 3 years and at an interest rate of 6.85% per annum. The proceeds were to be used for repaying part of bank loans of the Group and general working capital. The 2016 Second Tranche DCB was repaid in May 2019.

In April 2019, China South International obtained another approvals for issuing the domestic company bonds with a maximum principal amount of RMB4.4 billion in total in the PRC. In August 2019, China South International issued the first and second tranche of the domestic company bonds of 2019 with an aggregate principal amount of RMB1.4 billion with a maximum maturity period of 3 years and at an interest rate of 8% per annum. The proceeds thereof were to be used for repayment of existing borrowings of the Group. China South International may issue remaining new domestic company bonds as when appropriate.

Senior Notes

2012 Notes

On October 17, 2012, we entered into an indenture (as supplemented by a supplemental indenture dated February 27, 2013) pursuant to which we issued US\$125 million principal amount of 13.5% senior notes due 2017. We used the net proceeds to fund our properties under development and properties planned for future development (including land grant fees), refinance a portion of our existing debt and for general corporate purposes. On April 15, 2016, we fully redeemed all of the 2012 Notes.

2014 Notes

On January 29, 2014, we issued 8.25% senior notes due 2019 in an aggregate principal amount of US\$400 million pursuant to an indenture. We used the net proceeds to fund our properties under development and properties planned for future development (including land grant fees), refinance a portion of our existing debt and for general corporate purposes. A partial redemption of US\$200 million of the 2014 Notes was made on February 9, 2017 and we redeemed the remaining principal amount of US\$200 million of the 2014 Notes outstanding on April 13, 2017.

2016 Notes

On September 13, 2016, we issued 6.75% senior notes due 2021 an aggregate principal amount of US\$200 million pursuant to an indenture. On October 3, 2016 we issued additional 6.75% senior notes due 2021 in an aggregate principal amount of US\$150 million (which were consolidated and formed a single series with the US\$200 million 6.75% senior notes due 2021) pursuant to a supplemental indenture upon which we had an aggregate principal amount of US\$350 million of the 2016 Notes outstanding. We used the net proceeds to refinance a portion of our existing debt and for general corporate purposes. The Company repurchased an aggregate principal amount of US\$9.3 million of the 2016 Notes and have them canceled by January 2020. After the cancellation, the principal amount of the 2016 Notes outstanding is US\$340.7 million.

2017 March Notes

On March 9, 2017, we issued 5.75% senior notes due 2020 in an aggregate principal amount of US\$300 million pursuant to an indenture. We used the net proceeds to refinance a portion of our existing debt and for general corporate purposes. The Company repurchased an aggregate principal amount of US\$51.5 million of the 2017 Notes and have them canceled by January 2020. After the cancellation, the principal amount of the 2017 March Notes outstanding is US\$248.5 million.

2017 November Notes

On November 20, 2017, we issued 7.25% senior notes due 2022 in an aggregate principal amount of US\$300 million pursuant to an indenture. We used the net proceeds to refinance a portion of our existing debt and for general corporate purposes. The Company repurchased an aggregate principal of US\$13.5 million of the 2017 November Notes and have them canceled by September 2018. After the cancellation, the principal amount of the 2017 November Notes outstanding is US\$286.5 million.

2018 January Notes

On January 25, 2018, we issued 7.25% senior notes due 2021 in an aggregate principal amount of US\$250 million pursuant to an indenture. We used the net proceeds to refinance existing indebtedness in relation to the construction and development of the Company's projects and for general corporate purposes. The Company repurchased an aggregate principal amount of US\$21.0 million of the 2018 January Notes and have them canceled by February 2020. After the cancellation, the principal amount of the 2018 January Notes outstanding is US\$229.0 million.

2018 May Notes

In May and June 2018, we issued senior notes due in August 2020 with a nominal value of US\$150 million and US\$100 million respectively, in a total of US\$250 million. These notes were consolidated and formed a single series at a coupon rate of 10.875% per annum. The net proceeds of the issue was mainly for the purpose of refinancing existing indebtedness in relation to the construction and developing of our projects and for general corporate purposes. The Company repurchased an aggregate principal amount of US\$9.0 million of the 2018 May Notes and have them canceled by December 2019. After the cancellation, the principal amount of the 2018 May Notes outstanding is US\$241.0 million.

2019 March Notes

In March and June 2019, we issued senior notes due in March 2021 with a nominal value of US\$200 million and US\$60 million respectively, in a total of US\$260 million. These notes were consolidated and formed a single series at a coupon rate of 11.875% per annum. The net proceed of the issue was mainly for the purpose of refinancing existing indebtedness in relation to the construction and development of our projects and for general corporate purposes. The Company repurchased an aggregate principal amount of US\$8.0 million of the 2019 March Notes and have them canceled by January 2020. After the cancellation, the principal amount of the 2019 March Notes outstanding is US\$252.0 million.

2019 December Notes

In December 2019 and January 2020, we issued senior notes due in February 2022 with a nominal value of US\$150 million and US\$200 million respectively, in a total of US\$350 million. These notes were consolidated and formed a single series at a coupon rate of 11.5% per annum. The net proceeds of the issue was mainly for the purpose of refinancing existing indebtedness and for general corporate purposes.

Guarantee

The obligations pursuant to the 2016 Notes are guaranteed by our existing subsidiaries (the “2016 Subsidiary Guarantors”) other than those organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a guarantee by a 2016 Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2016 Notes Indenture. Each of the 2016 Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2016 Notes, provided that any JV Subsidiary Guarantee will be limited to a JV entitlement amount.

The obligations pursuant to the 2017 March Notes are guaranteed by our existing subsidiaries (the “2017 March Subsidiary Guarantors”) other than those organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a guarantee by a 2017 March Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2017 March Notes Indenture. Each of the 2017 March Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2017 March Notes, provided that any JV Subsidiary Guarantee will be limited to a JV entitlement amount.

The obligations pursuant to the 2017 November Notes are guaranteed by our existing subsidiaries (the “2017 November Subsidiary Guarantors”) other than those organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a guarantee by a 2017 November Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2017 November Notes Indenture. Each of the 2017 November Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2017 November Notes, provided that any JV Subsidiary Guarantee will be limited to a JV entitlement amount.

The obligations pursuant to the 2018 January Notes are guaranteed by our existing subsidiaries (the “2018 January Subsidiary Guarantors”) other than those organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a guarantee by a 2018 January Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2018 January Notes Indenture. Each of the 2018 January Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2018 January Notes, provided that any JV Subsidiary Guarantee will be limited to a JV entitlement amount.

The obligations pursuant to the 2018 May Notes are guaranteed by our existing subsidiaries (the “2018 May Subsidiary Guarantors”) other than those organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a guarantee by a 2018 May Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2018 May Notes Indenture. Each of the 2018 May Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2018 May Notes, provided that any JV Subsidiary Guarantee will be limited to a JV entitlement amount.

The obligations pursuant to the 2019 March Notes are guaranteed by our existing subsidiaries (the “2019 March Subsidiary Guarantors”) other than those organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a guarantee by a 2019 March Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2019 March Notes Indenture. Each of the 2019 March Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2019 March Notes, provided that any JV Subsidiary Guarantee will be limited to a JV entitlement amount.

The obligations pursuant to the 2019 December Notes are guaranteed by our existing subsidiaries (the “2019 December Subsidiary Guarantors”) other than those organized under the laws of the PRC. Under certain circumstances and subject to certain conditions, a guarantee by a 2019 December Subsidiary Guarantor may be replaced by a limited-recourse guarantee, referred to as a JV Subsidiary Guarantee in the 2019 December Notes Indenture. Each of the 2019 December Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), jointly and severally, guarantees the due and punctual payment of the principal, any premium, and interest on, and all other amounts payable under, the 2019 December Notes, provided that any JV Subsidiary Guarantee will be limited to a JV entitlement amount.

Collateral

In order to secure the obligations under the 2016 Notes, the Company and the subsidiary guarantor pledgors under the 2016 Notes Indenture pledged the capital stock of all such 2016 Subsidiary Guarantors for the benefit of the holders of the 2016 Notes (the “2016 Collateral”). Subject to the provisions of the Intercreditor Agreement (as defined below), the 2016 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2016 Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2016 Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2016 Notes Indenture.

In order to secure the obligations under the 2017 March Notes, the Company and the subsidiary guarantor pledgors under the 2017 March Notes Indenture pledged the capital stock of all such 2017 March Subsidiary Guarantors for the benefit of the holders of the 2017 March Notes (the “2017 March Collateral”). Subject to the provisions of the Intercreditor Agreement (as defined below), the 2017 Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2017 March Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2017 March Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2017 March Notes Indenture.

In order to secure the obligations under the 2017 November Notes, the Company and the subsidiary guarantor pledgors under the 2017 November Notes Indenture pledged the capital stock of all such 2017 November Subsidiary Guarantors for the benefit of the holders of the 2017 November Notes (the “2017 November Collateral”). Subject to the provisions of the Intercreditor Agreement (as defined below), the 2017 November Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2017 November Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2017 November Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2017 November Notes Indenture.

In order to secure the obligations under the 2018 January Notes, the Company and the subsidiary guarantor pledgors under the 2018 January Notes Indenture pledged the capital stock of all such 2018 January Subsidiary Guarantors for the benefit of the holders of the 2018 January Notes (the “2018 January Collateral”). Subject to the provisions of the Intercreditor Agreement (as defined below), the 2018 January Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2018 January Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2018 January Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2018 January Notes Indenture.

In order to secure the obligations under the 2018 May Notes, the Company and the subsidiary guarantor pledgors under the 2018 May Notes Indenture pledged the capital stock of all such 2018 May Subsidiary Guarantors for the benefit of the holders of the 2018 May Notes (the “2018 May Collateral”). Subject to the provisions of the Intercreditor Agreement (as defined below), the 2018 May Collateral may be released or reduced in the event of certain asset sales and certain other circumstances. In addition, the Company and each subsidiary guarantor pledgor under the 2018 May Notes Indenture may, subject to certain conditions, incur additional indebtedness provided that such indebtedness would be on a *pari passu* basis with the 2018 May Notes and the related subsidiary guarantees, and other *pari passu* secured indebtedness permitted under the 2018 May Notes Indenture.

Interest

The 2016 Notes bear an interest rate of 6.75% per annum. Interest is payable semi-annually in arrear.

The 2017 March Notes bear an interest rate of 5.75% per annum. Interest is payable semi-annually in arrear.

The 2017 November Notes bear an interest rate of 7.25% per annum. Interest is payable semi-annually in arrear.

The 2018 January Notes bear an interest rate of 7.25% per annum. Interest is payable semi-annually in arrear.

The 2018 May Notes bear an interest rate of 10.875% per annum. Interest is payable semi-annually in arrear.

The 2019 March Notes bear an interest rate of 11.875% per annum. Interest is payable semi-annually in arrear.

The 2019 December Notes bear an interest rate of 11.5% per annum. Interest is payable semi-annually in arrear, except that the first payment of interest, to be made on August 12, 2020, will be in respect of the period from and including December 12, 2019 to but excluding August 12, 2020.

Covenants

Subject to certain conditions and exceptions, the 2016 Notes Indenture, the 2017 March Notes Indenture, the 2017 November Notes Indenture, the 2018 January Notes Indenture, the 2018 May Notes Indenture, the 2019 March Notes Indenture and the 2019 December Notes Indenture contain certain covenants, which restrict our ability and the ability of each of the related restricted subsidiaries to, among other things:

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

Events of Default

The 2016 Notes Indenture, the 2017 March Notes Indenture, the 2017 November Notes Indenture, the 2018 January Notes Indenture, the 2018 May Notes Indenture, the 2019 March Notes Indenture and the 2019 December Notes Indenture each contain certain customary events of default, including default in the payment of principal, or of any premium, on the 2016 Notes, the 2017 March Notes, the 2017 November Notes, the 2018 January Notes, the 2018 May Notes, the 2019 March Notes or the 2019 December Notes, as applicable, when such payments become due, default in payment of interest which continues for 30 consecutive days, breaches of covenants, insolvency and other events of default specified in the 2016 Notes Indenture, the 2017 March Notes Indenture, the 2017 November Notes Indenture, the 2018 January Notes Indenture, the 2018 May Notes Indenture, the 2019 March Notes Indenture and the 2019 December Notes Indenture, as applicable. If an event of default occurs and is continuing, the 2016 Notes Trustee (in the case of the 2016 Notes), the 2017 March Notes Trustee (in the case of the 2017 March Notes), the 2017 November Notes Trustee (in the case of the 2017 November Notes), the 2018 January Notes Trustee (in the case of the 2018 January Notes), the 2018 May Notes Trustee (in the case of the 2018 May Notes), the 2019 March Notes Trustee (in the case of the 2019 March Notes) or the 2019 December Notes Trustee (in the case of the 2019 December Notes), the holders of at least 25% of the outstanding 2016 Notes (in the case of the 2016 Notes), the holders of at least 25% of the outstanding 2017 March Notes (in the case of the 2017 March Notes) or the holders of at least 25% of the outstanding 2017 November Notes (in the case of the 2017 November Notes), the holders of at least 25% of the outstanding 2018 January Notes (in the case of the 2018 January Notes), the holders of at least 25% of the outstanding 2018 May Notes (in the case of the 2018 May Notes), the holders of at least 25% of the outstanding 2019 March Notes or the holders of at least 25% of the outstanding 2019 December Notes may declare the principal of the 2016 Notes, the 2017 March Notes, the 2017 November Notes, the 2018 January Notes, the 2018 May Notes, the 2019 March Notes or the 2019 December Notes, as applicable, plus any accrued and unpaid interest and premium (if any) to be immediately due and payable. However, if an event of default occurs because of insolvency, the principal of, premium if any, and accrued and

unpaid interest on the 2016 Notes, the 2017 March Notes, the 2017 November Notes, the 2018 January Notes, the 2018 May Notes, the 2019 March Notes or the 2019 December Notes, as applicable, then outstanding shall automatically be due and payable without any declaration or other act on the part of the 2016 Notes Trustee (in the case of the 2016 Notes) or a holder of the 2016 Notes (in the case of the 2016 Notes), the 2017 March Notes Trustee (in the case of the 2017 March Notes) or a holder of the 2017 March Notes (in the case of the 2017 March Notes), the 2017 November Notes Trustee (in the case of the 2017 November Notes) or a holder of the 2017 November Notes (in the case of the 2017 November Notes), the 2018 January Notes Trustee (in the case of the 2018 January Notes) or a holder of the 2018 January Notes (in the case of the 2018 January Notes), the 2018 May Notes Trustee (in the case of the 2018 May Notes) or a holder of the 2018 May Notes (in the case of the 2018 May Notes), the 2019 March Notes Trustee (in the case of the 2019 March Notes) or a holder of the 2019 March Notes (in the case of the 2019 March Notes) and the 2019 December Notes Trustee (in the case of the 2019 December Notes) or a holder of the 2019 December Notes (in the case of the 2019 December Notes).

Change of Control

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2016 Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2017 March Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2017 November Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2018 January Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2018 May Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2019 March Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Upon the occurrence of a certain event of change of control and a rating decline, we are obligated to make an offer to repurchase all outstanding 2019 December Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

2016 Notes

The maturity date of the 2016 Notes is September 13, 2021. At any time on or after September 13, 2019, we may redeem the 2016 Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth in the table below if redeemed during each period indicated below, plus any accrued and unpaid interest to (but not including) the redemption date:

Period	Redemption Period
2019	103.375%
2020 and thereafter	101.6875%

At any time prior to September 13, 2019, we may redeem the 2016 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2016 Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to September 13, 2019, we may redeem up to 35% of the aggregate principal amount of the 2016 Notes at a redemption price equal to 106.75% of the principal amount of the 2016 Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2016 Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2016 Notes at a redemption price equal to 100% of the principal amount of the 2016 Notes, plus any accrued and unpaid interest, subject to certain exceptions.

2017 March Notes

The maturity date of the 2017 March Notes is March 9, 2020.

At any time prior to March 9, 2020, we may redeem the 2017 March Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2017 March Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to March 9, 2020, we may redeem up to 35% of the aggregate principal amount of the 2017 March Notes at a redemption price equal to 105.75% of the principal amount of the 2017 March Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2017 March Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2017 March Notes at a redemption price equal to 100% of the principal amount of the 2017 March Notes, plus any accrued and unpaid interest, subject to certain exceptions.

2017 November Notes

The maturity date of the 2017 November Notes is November 20, 2022.

At any time prior to November 22, 2020, we may redeem the 2017 November Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2017 November Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to November 22, 2022, we may redeem up to 35% of the aggregate principal amount of the 2017 November Notes at a redemption price equal to 107.25% of the principal amount of the 2017 November Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2017 November Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2017 November Notes at a redemption price equal to 100% of the principal amount of the 2017 November Notes, plus any accrued and unpaid interest, subject to certain exceptions.

2018 January Notes

The maturity date of the 2018 January Notes is January 25, 2021.

At any time prior to January 25, 2021, we may redeem the 2018 January Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2018 January Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to January 25, 2021, we may redeem up to 35% of the aggregate principal amount of the 2018 January Notes at a redemption price equal to 107.25% of the principal amount of the 2018 January Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2018 January Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2018 January Notes at a redemption price equal to 100% of the principal amount of the 2018 January Notes, plus any accrued and unpaid interest, subject to certain exceptions.

2018 May Notes

The maturity date of the 2018 May Notes is August 24, 2020.

At any time prior to August 24, 2020, we may redeem the 2018 May Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2018 May Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to August 24, 2020, we may redeem up to 35% of the aggregate principal amount of the 2018 May Notes at a redemption price equal to 110.875% of the principal amount of the 2018 May Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2018 May Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2018 May Notes at a redemption price equal to 100% of the principal amount of the 2018 May Notes, plus any accrued and unpaid interest, subject to certain exceptions.

2019 March Notes

The maturity date of the 2019 March Notes is March 27, 2021.

At any time prior to March 27, 2021, we may redeem the 2019 March Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2019 March Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to March 27, 2021, we may redeem up to 35% of the aggregate principal amount of the 2019 March Notes at a redemption price equal to 111.875% of the principal amount of the 2019 March Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2019 March Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2019 March Notes at a redemption price equal to 100% of the principal amount of the 2019 March Notes, plus any accrued and unpaid interest, subject to certain exceptions.

2019 December Notes

The maturity date of the 2019 December Notes is February 12, 2022.

At any time prior to February 12, 2022, we may redeem the 2019 December Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2019 December Notes, plus a premium and any accrued and unpaid interest to the redemption date.

At any time prior to February 12, 2022, we may redeem up to 35% of the aggregate principal amount of the 2019 December Notes at a redemption price equal to 111.5% of the principal amount of the 2019 December Notes, plus any accrued and unpaid interest with the proceeds from sales of certain kinds of the Company's capital stock, subject to certain conditions.

Additionally, if we or a subsidiary guarantor under the 2019 December Notes Indenture would become obligated to pay certain additional amounts as a result of certain changes in specified tax law, we may redeem the 2019 December Notes at a redemption price equal to 100% of the principal amount of the 2019 December Notes, plus any accrued and unpaid interest, subject to certain exceptions.

Intercreditor Agreement

In connection with the offering of the 2012 Notes, the Company entered into an intercreditor agreement on October 17, 2012 (as amended by an amendment dated on or about April 9, 2013, as supplemented by the first supplement dated on or about April 9, 2013, as supplemented by the second supplement dated on January 29, 2014 and as amended and restated on September 13, 2016, and as amended and supplemented from time to time, the "Intercreditor Agreement"), pursuant to which the parties thereto agreed, among others, to share the collateral securing the 2012 Notes, the 2014 Notes, the 2016 Notes, the 2017 March Notes, the 2017 November Notes, the 2018 January Notes and the 2018 May Notes on an equal and ratable basis. On April 15, 2016, we redeemed the full outstanding principal amount of the 2012 Notes. On February 9, 2017, we partially redeemed US\$200 million of the 2014 Notes. On April 13, 2017, we redeemed the remaining principal amount of US\$200 million of the 2014 Notes outstanding.

Other Guarantees

In line with industry practice, we provide guarantees to mortgagee banks in respect of mortgage loans taken out by purchasers of our properties. Such guarantee obligations typically terminate upon the delivery of the relevant property ownership certificates on the underlying property to the bank and the completion of the relevant mortgage registration process. As of September 30, 2019, the aggregate outstanding amount guaranteed was approximately HK\$14,516.3 million.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “Company” refers only to China South City Holdings Limited, and any successor obligor on the Notes, and not to any of its subsidiaries. Each Subsidiary of the Company which guarantees the Notes is referred to as a “Subsidiary Guarantor,” and each such guarantee is referred to as a “Subsidiary Guarantee.” Each Subsidiary of the Company that in the future provides a JV Subsidiary Guarantee (as defined herein) is referred to as a “JV Subsidiary Guarantor.”

The Notes are to be issued under an indenture (the “Indenture”), to be dated as of the Original Issue Date, among the Company, the Subsidiary Guarantors, as guarantors, and Citicorp International Limited as trustee (the “Trustee”). Citibank, N.A., London Branch will act as principal paying agent (the “Paying Agent”), registrar (the “Registrar”) and transfer agent (the “Transfer Agent” and, together with the Registrar, the Paying Agent and the other paying agents and transfer agents appointed under the Indenture, the “Agents,” which term shall include, where applicable, the Singapore Agent (as defined herein)). The term “Indenture” refers to the Indenture as amended or supplemented on or prior to the date on which the Notes are issued.

The following is a summary of certain provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection on or after the Original Issue Date 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 NOTES

The Notes are:

- general obligations of the Company;
- senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the Notes;
- at least *pari passu* in right of payment with the Existing Notes and all other unsubordinated Indebtedness of the Company (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law);
- guaranteed by the Subsidiary Guarantors on a senior basis, subject to the limitations described below under “— The Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees”;
- effectively subordinated to the secured obligations of the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors, including the Existing Secured Notes 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) and Unrestricted Subsidiaries (as defined below).

The Notes will mature on June 26, 2022 unless earlier redeemed pursuant to the terms thereof and the Indenture.

The Indenture allows additional Notes to be issued from time to time (the “Additional Notes”), subject to certain limitations described under “— Further Issues.” Unless the context requires otherwise, references to the “Notes” for all purposes of the Indenture and this “Description of the Notes” include any Additional Notes that are actually issued.

The Notes will bear interest at 10.875% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrear on June 26 and December 26 of each year (each an “Interest Payment Date”), commencing on June 26, 2020, except that the first payment of interest, to be made on June 26, 2020, will be in respect of the period from and including February 26, 2020 to but excluding June 26, 2020. The Notes will mature on June 26, 2022. Interest on the Notes will be paid to Holders of record at the close of business on June 11 or December 11 immediately preceding an Interest Payment Date (each, a “Record Date”), notwithstanding any transfer, exchange or cancellation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months. So long as the Notes are held in global form, each payment in respect of the Global Note will be made to the person shown as the holder of the Notes in the 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.

Except as described under “Optional Redemption” and “Redemption for Taxation Reasons” and as otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Company).

In any case in which the date of the payment of principal of, premium on or interest on the Notes is not a Business Day in the relevant place of payment or in the place of business of the Paying Agent, then payment of such principal, premium or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day shall have the same force and effect as if made on the date on which such payment is due and no interest on the Notes shall accrue for the period after such date.

The Notes will be issued only in fully registered form, without coupons, in denominations of US\$200,000 and integral multiples of US\$1,000 in excess thereof. No service charge will be made for any registration of transfer or exchange of Notes, but the Company may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars by the Company at the office or agency of the Company maintained for that purpose (which initially will be the specified office of the Paying Agent), and the Notes may be presented for registration of transfer or exchange at such office or agency; provided that, if the Notes are in definitive form and the Company acts as its own paying agent, payment of interest may be made by check mailed to the address of the Holders as such address appears in the Note Register maintained by the Registrar or by wire transfer. Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants on the Business Day following payment thereof.

No transfer of a Note will be valid unless and until entered on the Note Register.

THE SUBSIDIARY GUARANTEES

The initial Subsidiary Guarantors that will execute the Indenture on the Original Issue Date will consist of all of the Company's Restricted Subsidiaries other than the Non-Guarantor Subsidiaries (as defined below). All of the Subsidiary Guarantors are holding companies that do not have significant operations.

None of the existing Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee on the Original Issue Date or at any time in the future and no future Restricted Subsidiaries organized under the laws of the PRC will provide a Subsidiary Guarantee or JV Subsidiary Guarantee at any time in the future. None of the Exempted Subsidiaries (as long as they continue to be Exempted Subsidiaries) will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. No Listed Subsidiary (as long as it continues to be a Listed Subsidiary) will provide a Subsidiary Guarantee or a JV Subsidiary Guarantee on the Original Issue Date or at any time in the future. Although the Indenture contains limitations on the amount of additional Indebtedness that Restricted 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.

The Company will cause each of its future Restricted Subsidiaries (other than Persons organized under the laws of the PRC or Exempted Subsidiaries or any Listed Subsidiaries), as soon as practicable after becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will Guarantee the payment of the Notes as either a Subsidiary Guarantor or a JV Subsidiary Guarantor. The Company will cause (x) each of its Restricted Subsidiaries that is an Exempted Subsidiary, as soon as practicable after ceasing to be an Exempted Subsidiary, and (y) each of its Restricted Subsidiaries that is a Listed Subsidiary, as soon as practicable after ceasing to be 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 (x) any existing or future Restricted Subsidiary organized outside the PRC, or (y) as soon as practicable after an Exempted Subsidiary ceases to be an Exempted Subsidiary, such Exempted Subsidiary, or (z) as soon as practicable after a Listed Subsidiary ceases to be a Listed Subsidiary, such Listed Subsidiary, not provide a Subsidiary Guarantee or JV Subsidiary Guarantee (each a "Designated Non-Guarantor Subsidiary," together with any Restricted Subsidiary organized under the laws of the PRC, any Exempted Subsidiary and any Listed Subsidiary, the "Non-Guarantor Subsidiaries") provided that, after giving effect to the Consolidated Assets of such Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries organized outside the PRC that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Exempted Subsidiaries and the Listed Subsidiaries) do not account for more than 20% of the Total Assets of the Company.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date other than a JV Subsidiary Guarantor is referred to as a "Future Subsidiary Guarantor" and upon execution of the applicable supplemental indenture to the Indenture will be a "Subsidiary Guarantor."

In the case of a future Restricted Subsidiary (i) that is, or is proposed by the Company or any of its Restricted Subsidiaries to be, established after the Original Issue Date, (ii) that is organized in any jurisdiction other than the PRC and (iii) in respect of which the Company or any of its Restricted Subsidiaries (x) is proposing to sell, whether through the sale of existing shares or the issuance of new shares, no less than 20.0% and no more than 49.9% of the Capital Stock of such Restricted Subsidiary or (y) is proposing to purchase no less than 50.1% of the Capital Stock of an Independent Third Party and designate such entity as a Restricted Subsidiary, the Company may, concurrently with the consummation of such sale or purchase, cause the provision of a JV Subsidiary Guarantee instead of a Subsidiary

Guarantee for (a) such Restricted Subsidiary and (b) the Restricted Subsidiaries of such Restricted Subsidiary that are organized in any jurisdiction other than the PRC, if the following conditions, in the case of both (a) and (b), are satisfied:

- as of the date of execution of the JV Subsidiary Guarantee, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee or (b) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in place a guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale or issuance of Capital Stock is made to, or such purchase of Capital Stock is purchased from, an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;
- as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor;
- 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, 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 Officer’s Certificate certifying a copy of the Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iii) a legal opinion by a law firm of recognized international standing addressed to the Trustee 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 September 30, 2019, the total outstanding balance of the consolidated interest-bearing bank and other borrowings of the Company and its subsidiaries, amounted to approximately HK\$17,719.4 million, of which approximately HK\$15,963.7 million was secured.

The Subsidiary Guarantee of each Subsidiary Guarantor:

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

As of the date of this offering memorandum, each of the Company, ASEAN City (BVI) Limited, China Central City (BVI) Limited, Chongqing China South City Limited, Grow Rich Holdings Limited, Hefei China South City Limited, Alliance Century Limited, Trade Depot Limited, China South City E-commerce Investments Limited, Sheen Profits Limited, Insight Summit Holdings Limited, Bartow Investments Limited, Stanwick Holdings Limited, Newlyn Corporate Limited, Virtual Dragon Investments Limited and Ever Accord Investments Limited (other than the Company, collectively, “Subsidiary Guarantor Pledgors of the Existing Secured Notes”) has, for the benefit of (among others) the holders of the Existing Secured Notes, pledged the Capital Stock of all of the Subsidiary Guarantors owned by the Company or the Subsidiary Guarantor Pledgors of the Existing Secured Notes on a first priority basis in order to secure the obligations of the Company under, inter alia, the Existing Secured Notes and of such Subsidiary Guarantor Pledgor of the Existing Secured Notes under, inter alia, its subsidiary guarantee provided to the Existing Secured Notes. See “Risk Factors — Risks Relating to the Notes — Our obligations under the Notes are subordinated to our secured indebtedness, including the Existing Secured Notes.”

If any is provided, the JV Subsidiary Guarantee of each JV Subsidiary Guarantor will:

- be a general obligation of such JV Subsidiary Guarantor;
- be enforceable only up to the JV Entitlement Amount;
- be effectively subordinated to secured obligations of such JV Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor;
- be limited to the JV Entitlement Amount, and will be senior in right of payment to all future obligations of such JV Subsidiary Guarantor expressly subordinated in right of payment to such JV Subsidiary Guarantee; and
- be limited to the JV Entitlement Amount, and will rank at least *pari passu* with all other unsubordinated Indebtedness of such JV Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law).

The JV Subsidiary Guarantee of each JV Subsidiary Guarantor will not be secured.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors and JV Subsidiary Guarantors (if any) will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes; *provided* that any JV Subsidiary Guarantee will be limited to the JV Entitlement Amount. The Subsidiary Guarantors and JV Subsidiary Guarantors will (1) agree that their respective obligations under the Subsidiary Guarantees and JV Subsidiary Guarantees, as the case may be, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive their respective rights to require the Trustee to pursue or exhaust its legal or equitable remedies against the Company prior to exercising its rights under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid, the rights of the Holders under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, will be reinstated with respect to such payment as though such payment had not been made. All payments under the Subsidiary Guarantees and the JV Subsidiary Guarantees, as the case may be, are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable,

- each Subsidiary Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally; and
- each JV Subsidiary Guarantee will be limited to an amount which is the lower of (i) the JV Entitlement Amount and (ii) an amount not to exceed the maximum amount that can be guaranteed by the applicable JV Subsidiary Guarantor without rendering the JV Subsidiary Guarantee, as it relates to such JV Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

No assurance can be given that the preceding provision limiting the maximum amount of each Subsidiary Guarantee or JV Subsidiary Guarantee will be given effect. If a Subsidiary Guarantee or JV Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee or a JV Subsidiary Guarantor's liability on its JV Subsidiary Guarantee, as the case may be, could in each case be reduced to zero.

The obligations of each Subsidiary Guarantor under its Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. Similarly, the obligations of each JV Subsidiary Guarantor under its JV Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Subsidiary Guarantees and the JV Subsidiary Guarantees — The Subsidiary Guarantees or JV Subsidiary Guarantees (if any) may be challenged under applicable insolvency or fraudulent transfer laws or similar laws, which could impair the enforceability of the Subsidiary Guarantees or any JV Subsidiary Guarantees."

Release of the Subsidiary Guarantees and JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor and a JV Subsidiary Guarantee given by a JV Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance — Defeasance and Discharge";
- upon the designation by the Company of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, as an Unrestricted Subsidiary in compliance with the terms of the Indenture;

- upon the sale of a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, in compliance with the terms of the Indenture (including the covenants described under “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Certain Covenants — Limitation on Asset Sales” and “— Consolidation, Merger and Sale of Assets”) resulting in such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is simultaneously released from its obligations in respect of any of the Company’s other Indebtedness or any Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture;
- in the case of a Subsidiary Guarantee, upon the replacement of a Subsidiary Guarantee with a JV Subsidiary Guarantee; or
- upon the designation by the Company of a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, as a Designated Non-Guarantor 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 that are not Subsidiary Guarantors or JV Subsidiary Guarantors (other than Exempted Subsidiaries and the Listed Subsidiaries) do not account for more than 20% of the Total Assets of the Company.

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 such release is authorized and permitted by the terms of the Indenture. The Trustee shall be entitled to rely without liability upon such Officer’s Certificate as sufficient evidence thereof in which event it shall be conclusive and binding on the Holders.

Replacement of Subsidiary Guarantees with JV Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released following the sale or issuance by the Company or any of its Restricted Subsidiaries of Capital Stock in (a) such Subsidiary Guarantor or (b) any other Subsidiary Guarantor that, directly or indirectly, owns a majority of the Capital Stock of such Subsidiary Guarantor, in each case where such sale or issuance, whether through the sale of existing shares or the issuance of new shares, is for no less than 20.0% and no more than 49.9% of the issued Capital Stock of the relevant Subsidiary Guarantor, provided that the following conditions are satisfied or complied with:

- as of the date of such proposed release, no document exists that is binding on the Company or any of the Restricted Subsidiaries that would have the effect of (a) prohibiting the Company or any of the Restricted Subsidiaries from releasing such Subsidiary Guarantee,
- prohibiting the Company or any of the Restricted Subsidiaries from providing such JV Subsidiary Guarantee, or (c) requiring the Company or any of the Restricted Subsidiaries to deliver or keep in force a replacement guarantee on terms that are more favorable to the recipients of such guarantee than the JV Subsidiary Guarantee;
- such sale is made to an Independent Third Party at a consideration that is not less than the appraised value of such Capital Stock by an independent appraisal firm of recognized international standing appointed by the Company;

- as of the date of execution of the JV Subsidiary Guarantee, after giving effect to the issuance or sale of Capital Stock in such JV Subsidiary Guarantor, the Non-Guaranteed Portion with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries does not exceed 10.0% of Total Assets;
- all capital contributions (by way of transfer of cash or other property or any payment for property or services for the use of others or otherwise) to be made into a JV Subsidiary Guarantor from the date of the sale of existing Capital Stock or issuance of new Capital Stock as referred to above, shall be made directly or by contribution of assets or services having an equivalent Fair Market Value by (i) the Company and its Restricted Subsidiaries and (ii) such Independent Third Party that purchased or subscribed for Capital Stock in the JV Subsidiary Guarantor in proportion to their respective direct or indirect ownership percentages of the Capital Stock of such JV Subsidiary Guarantor;
- 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 Officer's Certificate certifying a copy of a Board Resolution to the effect that such JV Subsidiary Guarantee has been approved by a majority of the disinterested members of the Board of Directors; and
 - (iii) a legal opinion by a law firm of recognized international standing addressed to the Trustee confirming that under New York law such JV Subsidiary Guarantee is valid, binding and enforceable against the JV Subsidiary Guarantor providing such JV Subsidiary Guarantee (subject to customary qualifications and assumptions).

Notwithstanding the foregoing paragraph, any such sale or issuance of the Capital Stock of the relevant Subsidiary Guarantor (including where such sale results in the relevant Subsidiary Guarantor ceasing to be a Restricted Subsidiary) will need to comply with the other covenants set forth in the Indenture, including, without limitation, the “— Limitation on Asset Sales” and “— Limitation on Restricted Payments” covenants.

Any Net Cash Proceeds from the sale of such Capital Stock shall be applied by the Company (or any Restricted Subsidiary) in accordance with the “— Limitation on Asset Sales” covenant.

As of the date of the Indenture, all of the Company's Subsidiaries except Rosy Fountain Investments Limited will be “Restricted Subsidiaries.” However, under the circumstances described below under “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries,” the Company will be permitted to designate certain of its other Subsidiaries as “Unrestricted Subsidiaries.” The Company's Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture. The Company's Unrestricted Subsidiaries will not Guarantee the Notes.

FURTHER ISSUES

Subject to the covenants described below and in accordance with the terms of the Indenture, the Company may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Subsidiary Guarantees and JV Subsidiary Guarantees) in all respects (or in all respects except for the issue date, issue price and the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; provided that the issuance of any such Additional Notes shall then be permitted under the “— Limitation on Indebtedness and Preferred Stock” covenant described below. Citicorp International Limited may serve as Trustee with respect to any Additional Notes.

OPTIONAL REDEMPTION

At any time prior to June 26, 2022, the Company may at its option redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents shall be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to June 26, 2022 the Company may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of the Company in an Equity Offering at a redemption price of 110.875% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering.

Selection and Notice

The Company will give not less than 30 days’ nor more than 60 days’ notice of any redemption to the Holders and the Trustee. If less than all of the Notes are to be redeemed at any time, the Notes will be selected for redemption as follows:

- (1) if the Notes are listed on any recognized securities exchange and/or are held through any clearing systems, in compliance with the requirements of such recognized securities exchange on which the Notes are listed (if any) and/or the requirements of the clearing system through which the Notes are held, as applicable; or
- (2) if the Notes are not listed on any recognized securities exchange or held through any clearing systems, on a pro rata basis (with adjustments to prevent fractions), by lot or by such 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. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

REPURCHASE OF NOTES UPON A CHANGE OF CONTROL TRIGGERING EVENT

Not later than 30 days following a Change of Control Triggering Event, the Company will make an Offer to Purchase all outstanding Notes (a “Change of Control Offer”) at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Company has agreed in the Indenture that it will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. Notwithstanding this agreement of the Company, it is important to note that if the Company is unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the Company’s failure to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the Notes will also constitute an event of default under certain debt instruments of the Company and its Subsidiaries. Future debt of the Company may also (1) prohibit the Company from purchasing Notes in the event of a Change of Control Triggering Event; (2) provide that a Change of Control Triggering Event is a default; or (3) require repurchase of such debt upon a Change of Control Triggering Event. Moreover, the exercise by the Holders of their right to require the Company to purchase the Notes could cause a default under other indebtedness, even if the Change of Control Triggering Event itself does not, due to the financial effect of the purchase on the Company. The Company’s ability to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Company’s, the Subsidiary Guarantors’ and the JV Subsidiary Guarantors’ then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See “Risk Factors — Risks Relating to the Notes — We may not be able to repurchase the Notes or any series of the Existing 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.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

MANDATORY REDEMPTION OR SINKING FUND

There will be no mandatory redemption or sinking fund payments for the Notes.

ADDITIONAL AMOUNTS

All payments of principal of, and premium (if any) and interest on the Notes or under the Subsidiary Guarantees and JV Subsidiary Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Company, a Surviving Person (as defined under “— 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 Taxing Jurisdiction”), or any jurisdiction through which payments are made (together with each Relevant Taxing Jurisdiction, a “Relevant Jurisdiction”), unless such withholding or deduction is required by law

or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Company, a Surviving Person or the applicable Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, will pay such additional amounts (“Additional Amounts”) as will result in receipt by the Holder of each Note, the Subsidiary Guarantees or the JV Subsidiary Guarantees, as the case may be, 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, Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, and the Relevant Taxing Jurisdiction (other than merely acquiring or holding such Note or the receipt of payments or enforcement of rights thereunder or under a Subsidiary Guarantee or JV Subsidiary Guarantee), including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;
 - (ii) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, and interest on such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on the last day of such 30-day period;
 - (iii) the failure of the Holder or beneficial owner to comply with a timely request of the Company, a Surviving Person, any Subsidiary Guarantor or any JV Subsidiary Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request 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, and such request is made to a Holder or a beneficial owner at least 60 days before it will be required to comply with such request; or
 - (iv) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;
- (b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;
- (c) any tax, assessment 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 Subsidiary Guarantees or JV Subsidiary Guarantees (if any);
- (d) any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal, premium (if any) or interest on the Notes

if such tax, assessment or other governmental charge results from the presentation of such Note for payment (in cases in which presentation is required) and the payment can be made without such withholding or deduction by the presentation of such Note for payment to another available paying agent of the Company;

- (e) any tax, assessment, withholding or deduction required by sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (“FATCA”), any current or future Treasury Regulations or rulings promulgated thereunder, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, any law, regulation or other official guidance enacted in any jurisdiction implementing such an intergovernmental agreement or FATCA, or any agreement with the U.S. Internal Revenue Service under FATCA; or
 - (f) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (a), (b), (c), (d) and (e); or
- (2) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner or beneficial owner been the Holder thereof.

As a result of these provisions, there are circumstances in which taxes could be withheld or deducted but Additional Amounts would not be payable to some or all beneficial owners of Notes.

Whenever there is mentioned in any context the payment of principal of, and any premium or interest on, any Note or under any Subsidiary Guarantee or JV Subsidiary Guarantee, such mention shall be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

REDEMPTION FOR TAXATION REASONS

The Notes may be redeemed, at the option of the Company or a Surviving Person with respect to the Company, as a whole but not in part, upon giving not less than 30 days’ nor more than 60 days’ notice to the Holders (which notice shall be irrevocable) and upon reasonable notice in advance of such notice to Holders to the Trustee and the Paying Agent, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to the date fixed by the Company or the Surviving Person, as the case may be, for redemption if, as a result of:

- (1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction affecting taxation; or
- (2) any change in the existing official position or the stating of an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is proposed and becomes effective (or in the case of an official position, is announced) (i) with respect to the Company or any initial Subsidiary Guarantor, on or after the Original Issue Date, or (ii) with respect to any Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, on or after the date such Future Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person becomes a Subsidiary Guarantor, JV Subsidiary Guarantor or Surviving Person, with respect to any payment due or to become due under the Notes or the Indenture, the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Company, a Surviving Person, a Subsidiary Guarantor or JV

Subsidiary Guarantor, as the case may be; provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company, a Surviving Person, a Subsidiary Guarantor or a JV Subsidiary Guarantor, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company, 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 Officer's Certificate stating that such change, amendment, or stating of an official position referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Company, a Surviving Person or a Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel or an opinion of a tax consultant, in either case of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction stating that the requirement to pay such Additional Amounts results from such change, amendment or stating of an official position referred to in the prior paragraph.

The Trustee shall be entitled to rely on such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above 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 canceled.

CERTAIN COVENANTS

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (1) The Company will not, and will not permit any Restricted Subsidiary to, Incur any Indebtedness (including Acquired Indebtedness), and the Company will not permit any Restricted Subsidiary to issue Preferred Stock, provided that the Company and any Subsidiary Guarantor or JV Subsidiary Guarantor may Incur 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 be not less than 2.5 to 1.0. Notwithstanding the foregoing, the Company will not permit any Restricted Subsidiary to Incur any Disqualified Stock (other than Disqualified Stock held by the Company or a Subsidiary Guarantor, so long as it is so held).
- (2) Notwithstanding the foregoing, the Company and, to the extent provided below, any Restricted Subsidiary may Incur each and all of the following ("Permitted Indebtedness"):
 - (a) Indebtedness under the Notes (excluding any Additional Notes) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (b) any Pari Passu Subsidiary Guarantees by any Subsidiary Guarantor or any JV Subsidiary Guarantor;
 - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d); provided that such Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors or JV Subsidiary Guarantors) 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 Company is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, and if a Subsidiary Guarantor or a JV Subsidiary Guarantor is the obligor on such Indebtedness and the Company is not the obligee, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor or the JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be;
- (e) Indebtedness (“Permitted Refinancing Indebtedness”) issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “refinance” and “refinances” and “refinanced” shall have a correlative meaning), then outstanding Indebtedness Incurred under the immediately preceding paragraph (1) or clauses (a), (b), (c), (h), (o), (p) or (q) of this paragraph (2) and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); provided that (i) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, or (B) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Subsidiary Guarantee or such JV Subsidiary Guarantee, (ii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be refinanced or refunded, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded, (iii) in no event may Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor or a JV Subsidiary Guarantor, and (iv) in no event may Indebtedness of the Company or any Subsidiary Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any JV Subsidiary Guarantor;
- (f) Indebtedness Incurred by the Company or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect the Company or any of its Restricted Subsidiaries from fluctuations in interest rates, currencies or the price of commodities and not for speculation;
- (g) Pre-Registration Mortgage Guarantees or Purchase Guarantees Incurred 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 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 property or completion of such development, construction or improvement and (C) on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (a) the aggregate principal amount outstanding of all such Indebtedness permitted by this clause (h) (together with refinancings thereof, but excluding any Contractor Guarantee or Guarantee Incurred under this clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) and (b) the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clause (n)(y) below, clauses (o), (p), (q) and (u) below (together with any refinancing thereof, but excluding any Guarantee Incurred under these clauses to the extent the amount of such Guarantee Incurred is reflected in such aggregate principal amount) and clause (r) below, 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 or trade guarantees issued in the ordinary course of business to the extent that such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than the 30 days following receipt by the Company or such Restricted Subsidiary of a demand for reimbursement;
- (k) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from Guarantees or letters of credit, surety bonds or performance bonds securing any obligation of the Company or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Restricted Subsidiary, other than Guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; provided that the maximum aggregate liability in respect of all such Indebtedness in the nature of such Guarantee shall at no time exceed the gross proceeds actually received from the sale of such business, assets or Restricted Subsidiary;
- (l) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business provided, however, that such Indebtedness is extinguished within five Business Days of Incurrence;

- (m) (i) Guarantees by 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 under clauses (f) or (h) above or clauses (n) or (o) below 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 with a maturity of one year or less used by the Company or any Restricted Subsidiary for working capital; provided that the aggregate principal amount of Indebtedness permitted by this clause (n) at any time outstanding does not exceed the sum of (x) US\$20.0 million (or the Dollar Equivalent Thereof) and (y) 35.0% of Total Assets; provided further that on the date of Incurrence of such Indebtedness permitted by this clause (n)(y) and after giving effect thereto, the sum of (a) the aggregate principal amount outstanding of Indebtedness permitted by this clause (n)(y) and (b) the aggregate principal amount outstanding of Indebtedness permitted by clause (h) above (together with any refinancing thereof, but excluding any Contractor Guarantee or Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount), clauses (o), (p), (q) and (u) below (together with any refinancing thereof, but excluding any Guarantee Incurred under these clauses to the extent the amount of such Guarantee Incurred is reflected in such aggregate principal amount) and clause (r) below, does not exceed an amount equal to 35.0% of Total Assets;
- (o) Cross Border Secured Indebtedness Incurred by the Company or any of its Restricted Subsidiaries, provided that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of (a) the aggregate principal amount outstanding of such Indebtedness permitted by this clause (o) (together with any refinancing thereof, but excluding any Guarantee Incurred under this clause to the extent the amount of such Guarantee Incurred is reflected in such aggregate principal amount) and (b) the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clause (h) above (together with any refinancing thereof, but excluding any Contractor Guarantee or Guarantee Incurred under clause (h) to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount), clause (n)(y) above, clauses (p), (q) and (u) below (together with any refinancing thereof, but excluding any Guarantee Incurred under this clause to the extent the amount of such Guarantee Incurred is reflected in such aggregate principal amount) and clause (r) below, does not exceed an amount equal to 35.0% of Total Assets;
- (p) Indebtedness Incurred by the Company or any Restricted Subsidiary arising from any Investment made by a Trust Company Investor in a PRC Restricted Subsidiary; provided that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of (a) the aggregate principal amount outstanding of such Indebtedness permitted by this clause (p) (together with any refinancing thereof, but excluding any Guarantee Incurred under this clause to the extent the amount of such Guarantee Incurred is reflected in such aggregate principal amount) and (b) the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clause (n)(y) above, clauses (h) and (o) above and clauses (q) and (u) below (together with any refinancing thereof, but excluding any Contractor Guarantee or Guarantee Incurred under these clauses to the extent the amount of such Contractor Guarantee or Guarantee Incurred is reflected in such aggregate principal amount) and clause (r) below, does not exceed an amount equal to 35.0% of Total Assets;

- (q) Indebtedness Incurred by any PRC Restricted Subsidiary which is secured by Investment Properties, and Guarantees thereof by the Company or any such Restricted Subsidiary; provided that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of (a) the aggregate principal amount outstanding of such Indebtedness permitted by this clause (q) (together with any refinancing thereof, but excluding any Guarantee Incurred under this clause to the extent the amount of such Guarantee Incurred is reflected in such aggregate principal amount) and (b) the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clause (n)(y) above, clauses (h), (o) and (p) above and clause (u) below (together with any refinancing thereof, but excluding any Contractor Guarantee or Guarantee Incurred under these clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount) and clause (r) below, does not exceed an amount equal to 35.0% of Total Assets;
 - (r) Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a Guarantee of Indebtedness of an Associate by the Company or such Restricted Subsidiary; provided that on the date of Incurrence of such Indebtedness and after giving effect thereto, the sum of (a) the aggregate principal amount outstanding of such Indebtedness permitted by this clause (r) and (b) the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clause (n)(y) above and clauses (h), (o), (p) and (q) above and clause (u) below (together with any refinancing thereof, but excluding any Contractor Guarantee or Guarantee Incurred under these clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets;
 - (s) Indebtedness of the Company or any Restricted Subsidiary constituting an obligation to pay the deferred purchase price of Capital Stock in a Restricted Subsidiary pursuant to a Staged Acquisition Agreement, to the extent that such deferred purchase price is paid within 18 months after the date the Company or such Restricted Subsidiary enters into such Staged Acquisition Agreement;
 - (t) 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\$15.0 million (or the Dollar Equivalent thereof);
 - (u) Indebtedness Incurred by the Company or any Restricted Subsidiary under Credit Facilities; provided that on the date of the Incurrence of such Indebtedness and after giving effect thereto, the sum of (a) the aggregate principal amount outstanding of such Indebtedness permitted by this clause (u) and (b) the aggregate principal amount outstanding of Indebtedness that was permitted to be Incurred under clause (n)(y) above and clauses (h), (o), (p), (q) and (r) above (together with any refinancing thereof, but excluding any Contractor Guarantee or Guarantee Incurred under these clauses to the extent the amount of such Contractor Guarantee or Guarantee is otherwise reflected in such aggregate principal amount), does not exceed an amount equal to 35.0% of Total Assets.
- (3) For purposes of determining compliance with this “— Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in clause (1) above, the Company, in its sole discretion, shall classify, and from time to time may reclassify, such item of Indebtedness in one or more types of Indebtedness described above.

Limitation on Restricted Payments

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “Restricted Payments”):

- (1) declare or pay any dividend or make any distribution on or with respect to the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than dividends or distributions payable or paid in shares of the Company’s or any of its Restricted Subsidiaries’ Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Company or any Wholly Owned Restricted Subsidiary;
- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of the Company or any Restricted Subsidiary (including options, warrants or other rights to acquire such shares of Capital Stock) or any direct or indirect parent of the Company held by any Persons other than the Company or any Wholly Owned Restricted Subsidiary (other than the purchase of Capital Stock of any PRC Restricted Subsidiary held by any Trust Company Investor in connection with Indebtedness Incurred under clause (2)(p) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”);
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any of the Subsidiary Guarantees or any of the JV Subsidiary Guarantees (excluding any intercompany Indebtedness between or among the Company and any of its Wholly Owned Restricted Subsidiaries); or
- (4) make any Investment, other than a Permitted Investment;

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (a) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (b) the Company could not Incur at least US\$1.00 of Indebtedness under the proviso in clause (1) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”; or
- (c) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Company and its Restricted Subsidiaries after the Measurement Date, shall exceed the sum of:
 - (i) 50% of the aggregate amount of the Consolidated Net Income of the Company (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the Measurement Date and ending on the last day of the Company’s most recently ended fiscal quarter for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may include internal consolidated financial statements); plus
 - (ii) 100% of the aggregate Net Cash Proceeds received by the Company after the Measurement Date as a capital contribution to its common equity or from the issuance and sale of its Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of the Company, including any such Net Cash Proceeds received upon (A) the conversion of any Indebtedness (other than Subordinated Indebtedness) of the

Company into Capital Stock (other than Disqualified Stock) of the Company, or (B) the exercise by a Person who is not a Subsidiary of the Company of any options, warrants or other rights to acquire Capital Stock of the Company (other than Disqualified Stock) in each case excluding the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of the Company; plus

- (iii) the amount by which Indebtedness of the Company or any of its Restricted Subsidiaries is reduced on the Company's consolidated statement of financial position upon the conversion or exchange (other than by a Subsidiary of the Company) subsequent to the Measurement Date of any Indebtedness of the Company or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of the Company (less the amount of any cash, or the Fair Market Value of any other property, distributed by the Company upon such conversion or exchange); plus
- (iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Measurement Date in any Person resulting from (A) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to the Company or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income) after the Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement Date was, after such date, or is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, 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 Measurement Date in any such Person; plus
- (v) US\$25.0 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 Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase or other acquisition of Capital Stock of the Company or any Subsidiary Guarantor or JV Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or a sale (other than to a Subsidiary of the Company) of, shares of the Capital Stock (other than Disqualified Stock) of the Company or any Subsidiary Guarantor (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);
- (4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of the Company or any of the Subsidiary Guarantors or JV

Subsidiary Guarantors in exchange for, or out of the Net Cash Proceeds of, a substantially concurrent capital contribution or sale (other than to a Subsidiary of the Company) of, shares of Capital Stock (other than Disqualified Stock) of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors (or options, warrants or other rights to acquire such Capital Stock); provided that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (c)(ii) of the preceding paragraph, provided however that any item that has been excluded pursuant to clause (c)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);

- (5) dividends paid to any Trust Company Investor in respect of any Indebtedness outstanding on the Original Issue Date or permitted to be Incurred under clause (2)(p) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (6) the purchase of Capital Stock of a Person pursuant to a Staged Acquisition Agreement;
- (7) 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;
- (8) (x) the declaration and payment of dividends on the Company’s Common Stock by the Company or (y) the purchase, repurchase, redemption, retirement or other acquisition for value of any shares of Common Stock of the Company or any Listed Subsidiary to the extent such shares of Common Stock are listed on a Qualified Exchange or quoted on the National Equities Exchange and Quotation System in the PRC, to the extent such amounts under clauses (x) and (y) with respect to any financial year do not, in the aggregate, exceed 20% of the Company’s net profits in such financial year determined in conformity with GAAP; provided that, other than in connection with the distribution, as a dividend or otherwise, of shares of Capital Stock in connection with a Qualified IPO, the conditions of clause (c) of the preceding paragraph would not be violated as a consequence of such declaration and payment of dividends under clause (x) or such acquisition of shares under clause (y);
- (9) the distribution, as a dividend or otherwise, of shares of Capital Stock of Unrestricted Subsidiaries;
- (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 (x) such purchase occurs within 12 months after such Restricted Subsidiary acquires the real property or land use rights it was formed to acquire and (y) the Company delivers to the Trustee a Board Resolution set forth in an Officers’ Certificate confirming that, in the opinion of the Board of Directors, the purchase price of such Capital Stock is less than or equal to the Fair Market Value of such Capital Stock; provided further that the aggregate principal amount paid by the Company or its Restricted Subsidiaries for any purchase made pursuant to this clause does not exceed an amount equal to 10% of Total Assets; or
- (11) (A) the repurchase, redemption or other acquisition or retirement for value of the Capital Stock of the Company or any Restricted Subsidiary (directly or indirectly, including through any trustee, agent or nominee) in connection with an employee benefit plan, and any corresponding Investment by the Company or any Restricted Subsidiary in any trust or similar arrangements to the extent of such repurchased, redeemed, acquired or retired Capital Stock, or (B) the repurchase, redemption or other acquisition or retirement for value of any Capital Stock of the Company or any Restricted Subsidiary held by an employee benefit plan of the Company or any Restricted Subsidiary, any current or former officer, director, consultant, or employee of the Company or any Restricted Subsidiary (or permitted transferees, estates or heirs of any of the foregoing); provided that the aggregate

consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US\$20 million (or the Dollar Equivalent thereof using the Original Issue Date as the date of determination);

provided that, in the case of clause (2), (3), (4) or (8) 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.

Each Restricted Payment permitted pursuant to clause (1) and (8) of the preceding paragraph shall be included in calculating whether the conditions of clause (4)(c) of the first paragraph of this “— Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be their Fair Market Value. The Board of Directors’ determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US\$10.0 million (or the Dollar Equivalent thereof), the Company will deliver to the Trustee an Officer’s Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this “— Limitation on Restricted Payments” covenant were computed, together with a copy of any opinion or appraisal required by the Indenture.

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 distribution on any Capital Stock of such Restricted Subsidiary owned by the Company or any other Restricted Subsidiary;
 - (b) pay any Indebtedness or other obligation owed to the Company or any other Restricted Subsidiary;
 - (c) make loans or advances to the Company or any other Restricted Subsidiary; or
 - (d) sell, lease or transfer any of its property or assets to the Company or any other Restricted Subsidiary.
- (2) The provisions of paragraph (1) do not apply to any encumbrances or restrictions:
 - (a) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture, Pari Passu Subsidiary Guarantee of any Subsidiary Guarantor or any JV Subsidiary Guarantor, and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
 - (b) existing under or by reason of applicable law, rule, regulation or order;
 - (c) existing with respect to any Person or the property or assets of such Person acquired by the Company or any Restricted Subsidiary, at the time of such acquisition and not

incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; provided that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;

- (d) that otherwise would be prohibited by the provision described in clause (1)(d) of this covenant if they arise, or are agreed to, in the ordinary course of business and, that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, or (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to, any property or assets of the Company or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of 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 (1), clause (2)(h) or permitted under clause (2)(n), (2)(p) or (2)(u) 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 Company to make required payment on the Notes and, with respect to Indebtedness of the type described in clause (1), clause (2)(h) or permitted under clause (2)(n), (2)(p) or (2)(u) of the “— Limitation on Indebtedness and Preferred Stock” covenant, 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 shareholders agreement, joint venture agreements and other similar agreements, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture and if (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially and adversely affect (x) the ability of the Issuer to make the required payments on the Notes, (y) the Parent Guarantor to make the required payments on the Parent Guarantee, or (z) any Subsidiary Guarantor or JV Subsidiary Guarantor to make required payments under its Subsidiary Guarantee or JV Subsidiary Guarantee; provided further that, the Board of Directors is empowered to determine as to whether the conditions set forth in clauses (i) and (ii) are met, which determination shall be conclusive if evidenced by a Board Resolution; or

- (h) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such former Unrestricted Subsidiary or its subsidiaries or the property or assets of such former Unrestricted Subsidiary or its subsidiaries, and any extensions, refinancing, renewals or replacements thereof; provided that, the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Company will not sell, and will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to the Company or a Wholly Owned Restricted Subsidiary, or in the case of a Restricted Subsidiary that is not Wholly Owned, pro rata to its shareholders or incorporators;
- (2) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than the Company or a Wholly Owned Restricted Subsidiary;
- (3) for the sale of shares of all the Capital Stock of a Restricted Subsidiary if permitted under, and made in accordance with, the "— Limitation on Asset Sales" covenant;
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and provided that the Company complies with the "— Limitation on Asset Sales" covenant; or
- (5) 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 a Subsidiary Guarantor or a JV Subsidiary Guarantor, directly or indirectly, to Guarantee any Indebtedness ("Guaranteed Indebtedness") of the 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 and such Guaranteed Indebtedness are permitted by clauses (2)(c), (2)(d), (2)(m)(ii), (2)(o) or (2)(q) (other than in the case of clause (2)(m)(ii) or (2)(q) a Guarantee by a PRC Restricted Subsidiary of the Indebtedness of a non-PRC Restricted Subsidiary) of the covenant described under "— Limitation on Indebtedness and Preferred Stock."

If the Guaranteed Indebtedness (1) ranks pari passu in right of payment with the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall rank pari passu in right of payment with, or subordinated to, the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, or (2) is subordinated in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, then the Guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Subsidiary Guarantee or the JV Subsidiary Guarantee, as the case may be, at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes, the Subsidiary Guarantee or the JV Subsidiary Guarantee.

The Company will not permit any JV Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness of the Company or any other Restricted Subsidiary unless the aggregate claims of the creditor under such guarantee will be limited to the JV Entitlement Amount. If any JV Subsidiary Guarantor guarantees any Indebtedness of the Company or any other Restricted Subsidiary where the aggregate claims of the creditor under such guarantee exceeds the JV Entitlement Amount, such JV Subsidiary Guarantee shall be replaced with a Subsidiary Guarantee given by a Subsidiary Guarantor.

Limitation on Transactions with Shareholders and Affiliates

The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or (y) any Affiliate of the Company (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or the relevant Restricted Subsidiary with a Person that is not an Affiliate of the Company; and
- (2) the Company delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$15.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officer’s Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$20.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion addressed to the Trustee as to the fairness to the Company or the relevant Restricted Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and shall not apply to:

- (1) the payment of reasonable and customary regular fees to directors of the Company who are not employees of the Company;
- (2) transactions between or among the Company and any of its Wholly Owned Restricted Subsidiaries or between or among Wholly Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clauses (1) or (2) of the first paragraph of the covenant described 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 employees, officers and directors of the Company or any Restricted Subsidiary pursuant to an employee stock or share option scheme, so long as such scheme is in compliance with the listing rules of The Stock Exchange of Hong Kong Limited, which as of the Original Issue Date require a majority shareholder approval of any such scheme;
- (6) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into in connection with the Restructuring, including but not limited to transactions entered into for purposes of any reorganization in connection with the Restructuring and the entry into, and the performance thereof, of any underwriting agreement or other transaction documents in connection with the Restructuring;
- (7) any transaction between (A) the Company or any Restricted Subsidiary and (B) any entity in the Restructuring Group entered into on arm's length basis and on fair and reasonable terms and in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's ordinary shares are then listed for trading;
- (8) any transaction or arrangement between or among the Company or any Restricted Subsidiary and any entity in the Restructuring Group or any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of the Company or any Affiliate of the Company entered into in connection with a Qualified IPO to enable or assist holders of the Company's Capital Stock to participate in such Qualified IPO, through a distribution, as a dividend or otherwise, or in a preferential offering or otherwise, in compliance with the rules of The Stock Exchange of Hong Kong Limited or any other relevant Qualified Exchange; and
- (9) any transaction in connection with (including any purchase or sale of) any bonds, debentures, notes or similar debt securities of the Company issued in a public offering or a private placement in compliance with, to the extent applicable, relevant laws, regulations and rules of a Qualified Exchange.

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 and any Investment in any Associate made in compliance with clause (18) of the definition of "Permitted Investment," (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this offering memorandum, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is not more disadvantageous to the Company and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) any transaction (a) between or among any of the Company or a Wholly Owned Restricted Subsidiary and any Restricted Subsidiary that is not a Wholly Owned Restricted Subsidiary or between or among Restricted Subsidiaries that are not Wholly Owned Restricted Subsidiaries, (b) between or among the Company or any Restricted Subsidiary on the one hand and any Associate on the other hand and (c) between or among the Company or any Restricted Subsidiary on the one hand and Tencent Holdings Limited or any of its Subsidiaries on the other hand; provided that in the case of clause (iii), (A) such transaction is entered into on an arm's length basis and on fair and reasonable terms, (B) in the case of a non-Wholly-Owned Restricted Subsidiary, none of the minority shareholders or minority partners of or in such Restricted Subsidiary that is not a Wholly Owned Subsidiary Guarantor (other than Tencent Holdings Limited or any of its Subsidiaries) is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Restricted Subsidiary) and in the case of an Associate, none of the holders of Capital Stock which beneficially owns more than 10.0% of the Capital Stock of or in such Associate (other than Tencent Holdings Limited or any of its Subsidiaries) is a Person described in clauses (x) or (y) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Associate).

Limitation on Liens

The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien 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 equally and ratably secured by such Lien.

Any Lien created for the benefit of the holders of the Notes pursuant to this covenant shall be deemed automatically and unconditionally released and discharged upon the release of the Lien that gives rise to the obligation to secure the Notes.

Limitation on Sale and Leaseback Transactions

The Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction; provided that the Company may enter into a Sale and Leaseback Transaction if:

- (1) the Company could have (a) Incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the first paragraph of the covenant described above under “— Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described under “— Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and the Company 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 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 statement of financial position, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment,

novation or similar agreement that releases the Company or such Restricted Subsidiary from further liability; and

- (b) any securities, notes or other obligations received by the Company or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the Company or any Restricted Subsidiary may apply such Net Cash Proceeds to:

- (1) permanently repay Senior Indebtedness of the Company or a Subsidiary Guarantor or any Indebtedness of a Restricted Subsidiary that is not a Subsidiary Guarantor (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than the Company or a Restricted Subsidiary; or
- (2) acquire properties and assets that replace the properties and assets that were the subject of such Asset Sale, or to acquire Replacement Assets or to use otherwise for purposes relating to the Permitted Business.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in clauses (1) and (2) in the immediately preceding paragraph will constitute “Excess Proceeds.” Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by;
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all pari passu Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US\$1,000.00.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Company may use those Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes (and any other pari passu Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes (and such other pari passu Indebtedness) shall be purchased in accordance with the provisions described under “— Optional Redemption — Selection and Notice.” Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

The requirements set forth in the second and third paragraphs under “— Limitation on Asset Sales” above shall not apply to an issuance of Capital Stock by a Restricted Subsidiary or a sale of Capital Stock of a Subsidiary in a Qualified IPO in connection with the Restructuring or any further offerings of Capital Stock after such Qualified IPO to the extent that the Net Cash Proceeds from such Asset Sale are used for such purposes as disclosed in the listing particulars or prospectus or any announcement, circulars, proposals or similar disclosure document used or made in connection with such Qualified IPO or any further offerings of Capital Stock after such Qualified IPO.

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 described under “— Limitation on Restricted Payments.”

Use of Proceeds

The Company will not, and will not permit any Restricted Subsidiary to, use the net proceeds from the sale of the Notes, in any amount, for any purpose other than (1) in the approximate amounts and for the purposes specified, including any adjustment in response to changes in acquisition or development plans as contemplated, under the caption “Use of Proceeds” in this offering memorandum and (2) pending the application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary; provided that (1) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (2) neither the Company nor any Restricted Subsidiary provides credit support for the Indebtedness of such Restricted Subsidiary (other than any Guarantee in compliance with clause (5) below); (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.”

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, 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.

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 Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor to perform its obligations under the Notes, the relevant Subsidiary Guarantee, the relevant JV Subsidiary Guarantee or the Indenture.

Anti-Layering

The Company will not Incur, and will not permit any Subsidiary Guarantor or JV Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Company, such Subsidiary Guarantor or such JV Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the applicable Subsidiary Guarantee or the applicable JV Subsidiary Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or Guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If, on any date following the date of the Indenture, the Notes have a rating of Investment Grade from two of the three 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 at least two of the three Rating Agencies, the provisions of the Indenture described under the following captions will be suspended:

- (1) “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (2) “— Certain Covenants — Limitation on Restricted Payments”;
- (3) “— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries”;
- (4) “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries”;
- (5) “— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries”;
- (6) “— Certain Covenants — Limitation on the Company’s Business Activities”;
- (7) “— Certain Covenants — Limitation on Sale and Leaseback Transactions”;
- (8) “— Certain Covenants — Limitation on Asset Sales.”

During any period that the foregoing covenants have been suspended, the Board of Directors may not designate any of the Restricted Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described under “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” or the definition of “Unrestricted Subsidiary.” Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect.

Such covenants will not, however, be of any effect with regard to actions of the Company or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant described under “— Certain Covenants — Limitation on Restricted Payments” will be made as if such covenant had been in effect since the date of the Indenture except that no Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve a rating of Investment Grade or that any such rating will be maintained.

Provision of Financial Statements and Reports

- (1) So long as any of the Notes remain outstanding, the Company will file with the Trustee and furnish to the Holders upon request, as soon as they are available but in any event not more than 10 calendar days after they are filed with The Stock Exchange of Hong Kong Limited or any other recognized exchange on which the Company's common shares are at any time listed for trading, true and correct copies of any financial or other report in the English language filed with such exchange; provided that if at any time the Common Stock of the Company ceases to be listed for trading on a recognized stock exchange, the Company will file with the Trustee in the English language 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, which is March 31 (subject to change as notified by the Company from time to time), copies of its financial statements (on a consolidated basis) in respect of such financial year (including a statement of comprehensive income, statement of financial position and statement of cash flows) audited by a member firm of an internationally-recognized firm of independent accountants;
 - (b) as soon as they are available, but in any event within 45 calendar days after the end of the second financial quarter of the Company, copies of its financial statements (on a consolidated basis) in respect of such half-year period (including a statement of comprehensive income, statement of financial position and statement of cash flows) reviewed by a member firm of an internationally-recognized firm of independent accountants; and
 - (c) as soon as they are available, but in any event within 45 calendar days after the end of each of the first and third financial quarter of the Company, copies of its unaudited financial statements (on a consolidated basis) in respect of such quarterly period (including a statement of comprehensive income, statement of financial position and statement of cash flows), prepared on a basis consistent with the audited financial statements of the Company together with a certificate signed by the person then authorized to sign financial statements on behalf of the Company to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company as at the end of, and the results of its operations for, the relevant quarterly period.
- (2) In addition, so long as any of the Notes remain outstanding, the Company will provide to the Trustee (a) within 120 days after the close of each fiscal year, an Officer's Certificate stating the Fixed Charge Coverage Ratio with respect to the two most recent fiscal semi-annual periods and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from the Company's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation; and (b) as soon as possible and in any event within 30 days after the Company becomes aware or should reasonably become aware of the occurrence of a Default, an Officer's Certificate setting forth the details of the Default, and the action which the Company proposes to take with respect thereto.

EVENTS OF DEFAULT

The following events will be defined as "Events of Default" in the Indenture:

- (1) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (2) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

- (3) default in the performance or breach of the provisions of the covenants described under “— Consolidation, Merger and Sale of Assets,” the failure by the Company to make or consummate an Offer to Purchase in the manner described under “— Repurchase of Notes upon a Change of Control Triggering Event” or “— 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 Trustee or the Holders of 25% or more in aggregate principal amount of the Notes then outstanding;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$20.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or shall hereafter be created, (a) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (b) the failure to make a principal payment when due;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$20.0 million (or the Dollar Equivalent thereof) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (7) an involuntary case or other proceeding is commenced against the Company or any Significant Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of the Company or any Significant Restricted Subsidiary or for any substantial part of the property and assets of the Company or any Significant Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against the Company or any Significant Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;
- (8) the Company or any 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 Company or any Significant Restricted Subsidiary or for all or substantially all of the property and assets of the Company or any Significant Restricted Subsidiary or (c) effects any general assignment for the benefit of creditors; or
- (9) any Subsidiary Guarantor or JV Subsidiary Guarantor denies or disaffirms its obligations under its Subsidiary Guarantee or JV Subsidiary Guarantee or, except as permitted by the Indenture, any Subsidiary Guarantee or JV Subsidiary Guarantee is determined to be unenforceable or invalid or shall for any reason cease to be in full force and effect.

If an Event of Default (other than an Event of Default specified in clause (7) or (8) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes then outstanding, by written notice to the Company (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the request of such Holders shall (subject to the Trustee

first being indemnified, secured and/or prefunded to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest shall be immediately due and payable. If an Event of Default specified in clause (7) or (8) above occurs with respect to the Company or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding shall automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

- (1) all existing Events of Default, other than the nonpayment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (2) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. However, the Trustee may refuse to follow any direction that conflicts with law or the Indenture, that may involve the Trustee in personal liability, or that may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not reasonably believe that reimbursement or satisfactory indemnification and/or security and/or prefunding 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 request to the Trustee to pursue the remedy;
- (3) such Holder or Holders provide the Trustee indemnity, security and/or prefunding satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such written request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the written request and the indemnity and/or security and/or prefunding; 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 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, or otherwise within 14 business days of request made by the Trustee, 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 each of the 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 promptly notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture. See "— Provision of Financial Statements and Reports."

None of the Trustee or the Agents are obligated to do anything to ascertain whether any Event of Default or Default has occurred or is continuing and will not be responsible to the Holders or any other person for any loss arising from any failure by it to do so. Except if the Company fails to (a) make any payment of principal or interest due under the Notes on the relevant payment date or (b) deliver an annual compliance certificate in accordance with the terms of the Indenture, each of the Trustee and the Agents may assume that no Event of Default or Default has occurred and that the Company and the Subsidiary Guarantors are performing all of their obligations under the Indenture and the Notes unless it has been notified in writing of such Event of Default or Default.

CONSOLIDATION, MERGER AND SALE OF ASSETS

The Company will not consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) the Company shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") shall be a corporation organized and validly existing under the laws of Bermuda, the Cayman Islands, Hong Kong or the British Virgin Islands and shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Company under the Indenture and the Notes as the case may be, including the obligation to pay Additional Amounts, 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 the proviso in clause (1) of the covenant described under "— Limitation on Indebtedness and Preferred Stock"; provided, however, that this requirement does not apply if the Fixed Charge Coverage Ratio (on a pro forma basis) shall be the same as or higher than the Fixed Charge Coverage Ratio immediately prior to such transaction;
- (5) the Company delivers to the Trustee (x) an Officer's Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and

the relevant supplemental indenture complies with this covenant and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

- (6) each Subsidiary Guarantor and JV Subsidiary Guarantor, unless such Subsidiary Guarantor or JV Subsidiary Guarantor is the Person with which the Company has entered into a transaction described under “— 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) if the Notes are rated, no Rating Decline shall have occurred.

No Subsidiary Guarantor or JV Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than the Company or another Subsidiary Guarantor or, in the case of a JV Subsidiary Guarantor, other than to another JV Subsidiary Guarantor, the Company or a Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor or JV Subsidiary Guarantor shall be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or 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, as the case may be, including the obligation to pay Additional Amounts, 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 shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Company immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a pro forma basis, the Company could Incur at least US\$1.00 of Indebtedness under the proviso in clause (1) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”; provided, however, that this requirement does not apply if the Fixed Charge Coverage Ratio (on a pro forma basis) shall be the same as or higher than the Fixed Charge Coverage Ratio immediately prior to such transaction;
- (5) the Company delivers to the Trustee (x) an Officer’s Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and
- (6) if the Notes are rated, no Rating Decline shall have occurred;

provided that this paragraph shall not apply to any sale or other disposition that complies with the “— Limitation on Asset Sales” covenant or any Subsidiary Guarantor or JV Subsidiary Guarantor whose Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, is unconditionally released in accordance with the provisions described under “— The Subsidiary Guarantees — Release of the Subsidiary Guarantees.”

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing requirements shall not apply to a consolidation or merger of any Subsidiary Guarantor or JV Subsidiary Guarantor with and into the Company or any other Subsidiary Guarantor or JV Subsidiary Guarantor, so long as the Company or such Subsidiary Guarantor or JV Subsidiary Guarantor survives such consolidation or merger.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Company 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.

DEFEASANCE

Defeasance and Discharge

The Indenture will provide that the Company will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture 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 and to hold monies for payment in trust) if, among other things:

- (1) the Company (a) has deposited with the Trustee (or its agent), in trust, money and/or U.S. Government Obligations that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the Notes and (b) delivers to the Trustee an Opinion of Counsel or a certificate of an internationally-recognized firm of independent accountants to the effect that the amount deposited by the Company is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity for such payment in accordance with the terms of the Indenture;
- (2) the Company has delivered to the Trustee an Opinion of Counsel from a firm of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Company Act of 1940, as amended, and after the passage of 123 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law; and
- (3) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, shall have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance shall not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Subsidiary Guarantees and JV Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to (x) 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 (y) 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 and the satisfaction of the provisions described in clause (2) of the preceding paragraph.

Defeasance and Certain Other Events of Default In the event that the Company exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Company will remain liable for such payments.

AMENDMENTS AND WAIVER

Amendments Without Consent of Holders

The Indenture, the Notes and the Subsidiary Guarantees may be amended, without the consent of any Holder, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture and the Notes, provided that such amendment shall not 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 Subsidiary Guarantor or JV Subsidiary Guarantor, or any Subsidiary Guarantee or JV Subsidiary Guarantee, or release any Subsidiary Guarantor or JV Subsidiary Guarantor from any Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, as provided or permitted by the terms of the Indenture;
- (5) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (6) provide any collateral to secure the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, including but not limited to, any collateral that is shared with the Existing Notes;
- (7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

- (8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable securities depository or clearing system;
- (9) make any other change that does not materially and adversely affect the rights of any Holder; or
- (10) conform the text of the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision in the Indenture, the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

The Indenture, the Notes and the Subsidiary Guarantees may be amended with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes; provided, however, that no such amendment may, without the consent of not less than 75% in aggregate principal amount of the Outstanding Notes:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the place, currency or time of payment of principal of, or premium, if any, or interest on, any Note;
- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note, any Subsidiary Guarantee or any JV Subsidiary Guarantee;
- (5) reduce the above-stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Subsidiary Guarantor or JV Subsidiary Guarantor from its Subsidiary Guarantee or JV Subsidiary Guarantee, as the case may be, except as provided in the Indenture;
- (8) 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 Subsidiary 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 Company or 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, any Subsidiary Guarantee or any JV Subsidiary Guarantee in a manner which adversely affects the Holders.

UNCLAIMED MONEY

Claims against the Company for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

NO PERSONAL LIABILITY OF INCORPORATORS, STOCKHOLDERS, OFFICERS, DIRECTORS OR EMPLOYEES

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Company, any of the Subsidiary Guarantors or any of the JV Subsidiary Guarantors in the Indenture, or in any of the Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees, or because of the creation of any Indebtedness represented thereby, shall be had against any incorporator, stockholder, officer, director, employee or controlling person of the Company, any of the Subsidiary Guarantors or JV Subsidiary Guarantors, or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws.

CONCERNING THE TRUSTEE AND THE AGENTS

Citicorp International Limited has been appointed as Trustee under the Indenture and Citibank, N.A., London Branch has been appointed as the Paying Agent, Registrar and Transfer Agent 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 no implied covenant or obligation shall be read into the Indenture against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the degree of care and skill as required of it as a prudent person would exercise under the circumstances in the conduct of such person's own affairs) in its exercise of the rights and powers vested in it under the Indenture.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Company or any of the Subsidiary Guarantors or JV Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions, including normal banking and trustee relationships, with the Company and its Affiliates and shall not be obligated to account for any profits therefrom; provided, however, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

In the event that a Global Note is exchanged for individual definitive notes, the Company shall, so long as the Notes are listed on the SGX-ST and the rules of that exchange so require, at all times maintain a paying agent having a specified office in Singapore where the Notes may be presented or surrendered for payment or redemption (and such agent in Singapore shall be referred to in the Indenture as the "Singapore Agent").

BOOK-ENTRY; DELIVERY AND FORM

Upon issue, the Notes will be represented by a global note in registered form without interest coupons attached (the “Global Note”). On the Original Issue Date, the 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 Company, the Trustee, the Agents 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 Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law, in which case Additional Amounts shall be paid to the extent described under “— Additional Amounts.”

Under the terms of the Indenture, the Company, any Subsidiary Guarantor, any JV Subsidiary Guarantor, the Agents and the Trustee will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or

- Euroclear, Clearstream or any participant or indirect participant. Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

REDEMPTION OF THE 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 Company understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; provided, however, that no book-entry interest of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

ACTION BY OWNERS OF BOOK-ENTRY INTERESTS

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in 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.

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 the heading "Plan of Distribution."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

GLOBAL CLEARANCE AND SETTLEMENT UNDER THE BOOK-ENTRY SYSTEM

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

INFORMATION CONCERNING EUROCLEAR AND CLEARSTREAM

We understand as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors, the Trustee, the Agents or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

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 Company within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “— Events of Default” and the Company has received a written request from a Holder, the Company will issue individual definitive notes in registered form in exchange for the Global Note.

Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by the Trustee for delivery to Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Company and the Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

NOTICES

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor) addressed to the Company, such Subsidiary Guarantor or JV Subsidiary Guarantor, or (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.

So long as the Global Notes are held on behalf of Euroclear or Clearstream, any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

CONSENT TO JURISDICTION; SERVICE OF PROCESS

The Company and each of the Subsidiary Guarantors will irrevocably (1) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Subsidiary Guarantee, any JV Subsidiary Guarantee, the Indenture or any transaction contemplated thereby; and (2) designate and appoint Cogency Global Inc. for receipt of service of process in any such suit, action or proceeding.

GOVERNING LAW

Each of the Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York.

DEFINITIONS

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"2016 Notes" means any and all currently outstanding notes of the Company's US\$200,000,000 6.75% Senior Notes due 2021 issued on September 13, 2016 pursuant to the 2016 Notes Indenture and which term shall include, unless the context requires otherwise, an additional US\$150,000,000 6.75% Senior Notes due 2021 issued on October 3, 2016 and any further securities issued in accordance with the terms of the 2016 Notes Indenture and consolidated and forming a single series therewith.

"2016 Notes Indenture" means the indenture governing the 2016 Notes dated September 13, 2016 between, among others, the Company and the 2016 Notes Trustee, as supplemented by a supplemental indenture dated October 3, 2016 and as may be further amended, modified or supplemented from time to time.

"2016 Notes Trustee" means Citicorp International Limited as the trustee with respect to the 2016 Notes.

"2017 March Notes" means any and all currently outstanding notes of the Company's US\$300,000,000 5.75% Senior Notes due 2020 issued on March 9, 2017 pursuant to the 2017 March Notes Indenture and which term shall include, unless the context requires otherwise, any further securities issued in accordance with the terms of the 2017 March Notes Indenture and consolidated and forming a single series therewith.

“2017 March Notes Indenture” means the indenture governing the 2017 March Notes dated March 9, 2017 between, among others, the Company and the 2017 March Notes Trustee, as may be further amended, modified or supplemented from time to time.

“2017 March Notes Trustee” means Citicorp International Limited as the trustee with respect to the 2017 March Notes.

“2017 November Notes” means any and all currently outstanding notes of the Company’s US\$300,000,000 7.25% Senior Notes due 2022 issued on November 20, 2017 pursuant to the 2017 November Notes Indenture and which term shall include, unless the context requires otherwise, any further securities issued in accordance with the terms of the 2017 November Notes Indenture and consolidated and forming a single series therewith.

“2017 November Notes Indenture” means the indenture governing the 2017 November Notes dated November 20, 2017 between, among others, the Company and the 2017 November Notes Trustee, as may be further amended, modified or supplemented from time to time.

“2017 November Notes Trustee” means Citicorp International Limited as the trustee with respect to the 2017 November Notes.

“2018 January Notes” means any and all currently outstanding notes of the Company’s US\$250,000,000 7.25% Senior Notes due 2021 issued on January 25, 2018 pursuant to the 2018 January Notes Indenture and which term shall include, unless the context requires otherwise, any further securities issued in accordance with the terms of the 2018 January Notes Indenture and consolidated and forming a single series therewith.

“2018 January Notes Indenture” means the indenture governing the 2018 January Notes dated January 25, 2018 between, among others, the Company and the 2018 January Notes Trustee, as may be further amended, modified or supplemented from time to time.

“2018 January Notes Trustee” means Citicorp International Limited as the trustee with respect to the 2018 January Notes.

“2018 May Notes” means any and all currently outstanding notes of the Company’s US\$150,000,000 10.875% Senior Notes due 2020 issued on May 24, 2018 pursuant to the 2018 May Notes Indenture and which term shall include, unless the context requires otherwise, an additional US\$100,000,000 10.875% Senior Notes due 2020 issued on June 4, 2018 and any further securities issued in accordance with the terms of the 2018 May Notes Indenture and consolidated and forming a single series therewith.

“2018 May Notes Indenture” means the indenture governing the 2018 May Notes dated May 24, 2018 between, among others, the Company and the 2018 May Notes Trustee, and as may be further amended, modified or supplemented from time to time.

“2018 May Notes Trustee” means Citicorp International Limited as the trustee with respect to the 2018 May Notes.

“2019 December Notes” means any and all currently outstanding notes of the Company’s US\$150,000,000 11.5% Senior Notes due 2022 issued on December 12, 2019 pursuant to the 2019 December Notes Indenture and which term shall include, unless the context requires otherwise, an additional US\$200,000,000 11.5% Senior Notes due 2022 issued on January 21, 2020 and any further securities issued in accordance with the terms of the 2019 December Notes Indenture and consolidated and forming a single series therewith.

“2019 December Notes Indenture” means the indenture governing the 2019 December Notes dated December 12, 2019 between, among others, the Company and the 2019 December Notes Trustee, and as may be further amended, modified or supplemented from time to time.

“2019 December Notes Trustee” means Citicorp International Limited as the trustee with respect to the 2019 December Notes.

“2019 March Notes” means any and all currently outstanding notes of the Company’s US\$200,000,000 11.875% Senior Notes due 2021 issued on March 27, 2019 pursuant to the 2019 March Notes Indenture and which term shall include, unless the context requires otherwise, an additional US\$60,000,000 11.875% Senior Notes due 2021 issued on June 12, 2019 and any further securities issued in accordance with the terms of the 2019 March Notes Indenture and consolidated and forming a single series therewith.

“2019 March Notes Indenture” means the indenture governing the 2019 March Notes dated March 27, 2019 between, among others, the Company and the 2019 March Notes Trustee, and as may be further amended, modified or supplemented from time to time.

“2019 March Notes Trustee” means Citicorp International Limited as the trustee with respect to the 2019 March Notes.

“Acquired Indebtedness” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

“Adjusted Treasury Rate” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded U.S. 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 June 26, 2022, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum 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 a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of (x) the principal amount of such Note at the maturity date of the Notes, plus (y) all required remaining scheduled interest payments due on such Note through the maturity date of the Notes (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. The Applicable Premium shall be calculated by the Company and notified in writing to the Trustee and the Paying Agent.

“Asset Acquisition” means (1) an investment by the Company or any of its Restricted Subsidiaries in any other Person pursuant to which such Person shall become a Restricted Subsidiary or shall be merged into or consolidated with the Company or any of its Restricted Subsidiaries; or (2) an acquisition by the Company or any of its Restricted Subsidiaries of the property and assets of any Person other than the Company or any of its Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by the Company or any of its Restricted Subsidiaries (other than to the Company or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary; or (2) all or substantially all of the assets that constitute a division or line of business of the Company or any of its Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by the Company or any of its Restricted Subsidiaries to any Person; provided that “Asset Sale” shall not include:

- (1) sales or other dispositions of inventory, receivables and other current assets (including properties under development for sale and completed properties for sale) in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “— Limitation on Restricted Payments” covenant;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$1.0 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 covenant described under “— Consolidation, Merger and Sale of Assets”;
- (7) any sale, transfer or other disposition by the Company or any of its Restricted Subsidiaries, including the sale or issuance by the Company or any Restricted Subsidiary of any Capital Stock of any Restricted Subsidiary, to the Company or any Restricted Subsidiary;
- (8) sales of property units pursuant to Finance Lease Purchases; and
- (9) any issuance, sale or distribution of Capital Stock in, or any Indebtedness or other securities of, an Unrestricted Subsidiary.

“Attributable Indebtedness” means, in respect of a Sale and Leaseback Transaction, the present value, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction.

“Associate” means any corporation, association or other business entity primarily engaged in a Permitted Business, *provided* that either (a) 10.0% or more of the voting power of the outstanding Capital Stock is owned, directly or indirectly by the Company or any Restricted Subsidiary or (b) such corporation, association or other business entity is treated as an “associate” or “jointly controlled entity” in accordance with GAAP.

“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.

“Board of Directors” means the board of directors of the Company or any committee of such board duly authorized to take the action purported to be taken by such committee.

“Board Resolution” means any resolution of the Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

“Business Day” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London or Hong Kong (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“Capitalized Lease” means, with respect to any Person, any lease of any property (whether real, personal or mixed) which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

“Capitalized Lease Obligations” means the discounted present value of the rental obligations under a Capitalized Lease.

“Capital Stock” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“Change of Control” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation or consolidation of the Company with or into another Person or the merger or amalgamation of another Person with or into the Company, or the sale of all or substantially all the assets of the Company to another Person;
- (2) the Permitted Holders are the beneficial owners of less than 20% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;
- (4) individuals who on the Original Issue Date constituted the board of directors of the Company, together with any new directors whose election to the board of directors was approved by a vote of at least a majority of the directors then still in office who were either directors on the Original Issue Date or whose election was previously so approved, cease for any reason to constitute a majority of the board of directors of the Company then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and, provided that the Notes are rated by at least one Rating Agency, a Rating Decline.

“Clearstream” means Clearstream Banking S.A.

“Commodity Hedging Agreement” means any spot, forward or option commodity price protection agreements or other similar agreement or arrangement designed to protect against fluctuations in commodity prices.

“Common Stock” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding at the date of the Indenture, and includes, without limitation, all series and classes of such common stock or ordinary shares.

“Comparable Treasury Issue” means the U.S. Treasury security having a maturity comparable to the remaining term of the Notes to be redeemed 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 June 26, 2022.

“Comparable Treasury Price” means, with respect to any redemption date, if clause (ii) of the definition of Adjusted Treasury Rate is applicable, (a) the average of three Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest of such Reference Treasury Dealer Quotations, or (b) if fewer than three such Reference Treasury Dealer Quotations are available, the average of all such quotations.

“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 reasonably best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements).

“Consolidated EBITDA” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense,
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets), 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), less all non-cash items increasing Consolidated Net Income (other than accrual of revenue in the ordinary course of business), all as determined on a consolidated basis for the Company and its Restricted Subsidiaries in conformity with GAAP; provided that (1) if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Consolidated EBITDA shall be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the Company or any of its Restricted Subsidiaries and (2) in the case of any future PRC CJV (consolidated in accordance with GAAP), Consolidated EBITDA shall be reduced (to the extent not already reduced in accordance with GAAP) by any payments, distributions or amounts (including the Fair Market Value of any non-cash payments, distributions or amounts) required to be made or paid by such PRC CJV to the PRC CJV Partner, or to which the PRC CJV Partner otherwise has a right or is entitled, pursuant to the joint venture agreement governing such PRC CJV.

“Consolidated Fixed Charges” means, for any period, the sum (without duplication) of (1) Consolidated Interest Expense for such period and (2) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of the Company or any Restricted Subsidiary held by Persons other than the Company or any Wholly Owned Restricted Subsidiary, except for dividends payable in the Company’s Capital Stock (other than Disqualified Stock) or paid to the Company or to a Wholly Owned Restricted Subsidiary.

“Consolidated Interest Expense” means, for any period, the amount that would be included in gross interest expense on a consolidated statement of profit or loss prepared in accordance with GAAP for such period of the Company and its Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Company and its Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations, (2) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (3) the interest portion of any deferred payment obligation, (4) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (5) the net costs associated with Hedging Obligations (including the amortization of fees), (6) interest accruing on Indebtedness of any other Person (other than the Company or any Restricted Subsidiary) that is Guaranteed by, or secured by a Lien on any asset of, the Company or any Restricted Subsidiary (other than Pre-Registration Mortgage Guarantees and Purchase Guarantees) provided that, in each case of Indebtedness so Guaranteed or secured, interest accruing shall be included only to the extent that such interest has become payable by the Company or any Restricted Subsidiary, and (7) any capitalized interest, provided that interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a pro forma basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period.

“Consolidated Net Income” means, with respect to any specified Person for any period, the aggregate of the net income (or loss) of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with GAAP; provided that the following items shall be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) the Company’s equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to the Company or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and
 - (b) the Company’s equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of the Company or Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with the Company or any of its Restricted Subsidiaries or all or substantially all of the property and assets of such Person are acquired by the Company or any of its Restricted Subsidiaries;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents, or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

- (4) the cumulative effect of a change in accounting principles;
- (5) any translation gains or losses due solely to fluctuations in currency values and related tax effects; and
- (6) any net after-tax extraordinary or non-recurring gains;

provided that any net after-tax gains on Investment Properties arising from fair value adjustments made in conformity with GAAP shall be added to Consolidated Net Income.

“Consolidated Net Worth” means, at any date of determination, stockholders’ equity as set forth on the most recently available semi-annual or annual consolidated statement of financial position of the Company and its Restricted Subsidiaries, plus, to the extent not included, any Preferred Stock of the Company, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of the Company or any of its Restricted Subsidiaries, each item to be determined in conformity with GAAP.

“Contractor Guarantees” means any Guarantee by the Company or any Restricted Subsidiary of Indebtedness of any contractor, builder or other similar Person engaged by the Company or such Restricted Subsidiary in connection with the development, construction or improvement of real or personal property or equipment to be used 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.

“Cross Border Secured Indebtedness” means (i) Indebtedness the proceeds of which are disbursed in one jurisdiction but which Indebtedness or credit support therefor is guaranteed by a guarantor located in another jurisdiction, or secured by Liens over assets located in another jurisdiction, and (ii) any Guarantees or Indebtedness (including reimbursement obligations in respect of credit support) related to the Indebtedness referred to in clause (i).

“Credit Facilities” means one or more debt facilities or commercial paper facilities or indentures or trust deeds or note purchase agreements or Capitalized Lease Obligations or other indebtedness, in each case, with banks or other lenders, institutions or investors providing for revolving credit loans, term loans, letters of credit, bonds, notes, debentures or other corporate debt instruments or other financing including, without limitation, Indebtedness Incurred by the Company or any Restricted Subsidiary constituting a guarantee of Indebtedness of, or securing the Indebtedness of, any Person (other than the Company or a Restricted Subsidiary) by the Company or such Restricted Subsidiary, in each case, including all agreements, instruments and documents executed and delivered pursuant to or in connection with any of the foregoing, including but not limited to, any notes and letters of credit issued pursuant thereto and any guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledge agreements, security agreements and collateral documents, in each case as the same may be amended, supplemented, waived or otherwise modified from time to time, or refunded, refinanced, restructured, replaced, renewed, repaid, increased or extended from time to time (whether in whole or in part, whether with the original banks, lenders, institutions or investors or other banks, lenders, institutions or investors or otherwise, and whether provided under any original Credit Facility or one or more other credit agreements, indentures, financing agreements or other Credit Facilities or otherwise). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“Currency Agreement” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates.

“Default” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“Disqualified Stock” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity prior to the Stated Maturity of the Notes; provided that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the Stated Maturity of the Notes shall not constitute Disqualified Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Company’s repurchase of such Notes as are required to be repurchased pursuant to the “— Limitation on Asset Sales” and “— Repurchase of Notes upon a Change of Control Triggering Event” covenants.

“Dollar Equivalent” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York on the date of determination.

“Entrusted Loans” means borrowings by a PRC Restricted Subsidiary from a bank that are secured by a pledge of deposits made by another PRC Restricted Subsidiary to the lending bank as security for such borrowings, provided that such borrowings are not reflected on the consolidated statement of financial position of the Company.

“Equity Offering” means (i) any underwritten primary public offering or private placement of Common Stock of the Company after the Original Issue Date or (ii) any underwritten secondary public offering or secondary private placement of Common Stock of the Company beneficially owned by a Permitted Holder, after the Original Issue Date, to the extent that a Permitted Holder or a company controlled by a Permitted Holder concurrently with such public offering or private placement purchases in cash an equal amount of Common Stock from the Company at the same price as the public offering or private placing price; provided that any offering or placing referred to in (A) clause (i), (B) clause (ii), or (C) a combination of clauses (i) and (ii) results in the aggregate gross cash proceeds received by the Company being no less than US\$20.0 million (or the Dollar Equivalent thereof).

“Euroclear” means Euroclear Bank SA/NV.

“Exchange Act” means the U.S. Securities Exchange Act of 1934, as amended.

“Exempted Subsidiary” means any Restricted Subsidiary (including, for the avoidance of doubt, any Restricted Subsidiary that is not Wholly Owned by the Company) organized in any jurisdiction other than the PRC that is prohibited by applicable law or regulation from providing a Subsidiary Guarantee or a JV Subsidiary Guarantee; provided that (x) the 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.

“Existing Notes” means the 2016 Notes, the 2017 March Notes, the 2017 November Notes, the 2018 January Notes, the 2018 May Notes, the 2019 March Notes and the 2019 December Notes.

“Existing Secured Notes” means the 2016 Notes, the 2017 March Notes, the 2017 November Notes, the 2018 January Notes and the 2018 May Notes.

“Existing Secured Notes Indenture” means any of the 2016 Notes Indenture, the 2017 March Notes Indenture, the 2017 November Notes Indenture, the 2018 January Notes Indenture and the 2018 May Notes Indenture.

“Fair Market Value” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination shall be conclusive if evidenced by a Board Resolution, except in the case of a determination of the Fair Market Value of total assets for the purposes of determining a JV Entitlement Amount, in which case such price shall be determined by an accounting, appraisal or investment banking firm of recognized international standing appointed by the Company.

“Finance Lease Purchase” means a purchase by a customer of a property unit from the Company or any Restricted Subsidiary in the ordinary course of business pursuant to an arrangement that is treated as a finance lease in accordance with GAAP where the outright sale or transfer of such property unit is restricted by applicable PRC law or regulation.

“Fitch” means Fitch Ratings, Inc. and its affiliates.

“Fixed Charge Coverage Ratio” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the then most recent two fiscal semi-annual periods prior to such Transaction Date for which consolidated financial statements of the Company (which the Company shall use its reasonable best efforts to compile in a timely manner) are available (which may be internal consolidated financial statements) (the “Two Semi-Annual Period”) to (2) the aggregate Consolidated Fixed Charges during such Two Semi-Annual Period. In making the foregoing calculation:

- (a) pro forma effect shall be given to any Indebtedness, Disqualified Stock or Preferred Stock Incurred, repaid or redeemed during the period (the “Reference Period”) commencing on and including the first day of the Two Semi-Annual Period and ending on and including the Transaction Date (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement (or under any predecessor revolving credit or similar arrangement) in effect on the last day of such Two Semi-Annual Period), in each case as if such Indebtedness, Disqualified Stock or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; provided that, in the event of any such repayment or redemption, Consolidated EBITDA for such period shall be calculated as if the Company or such Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness, Disqualified Stock or Preferred Stock;
- (b) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (c) pro forma effect shall be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

- (d) pro forma effect shall be given to Asset Dispositions and Asset Acquisitions (including giving pro forma effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (e) pro forma effect shall be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into the Company or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (d) or (e) of this sentence requires that pro forma effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such pro forma calculation shall be based upon the two full fiscal semi-annual periods immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“GAAP” means generally accepted accounting principles in Hong Kong as in effect from time to time.

“Guarantee” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term “Guarantee” shall not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“Hedging Obligation” of any Person means the obligations of such Person pursuant to any Commodity Hedging Agreement, Currency Agreement or Interest Rate Agreement.

“Holder,” “holder” and “Noteholder” means the Person in whose name a Note is registered in the Note Register.

“Incur” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, Guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; provided that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount, the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock shall not be considered an Incurrence of Indebtedness. The terms “Incurrence,” “Incurred” and “Incurring” have meanings correlative with the foregoing.

“Indebtedness” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments;
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; provided that the amount of such Indebtedness shall be the lesser of (a) the Fair Market Value of such asset at such date of determination and (b) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons Guaranteed by such Person to the extent such Indebtedness is Guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations; and
- (9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase or redemption price plus accrued dividends.

For the avoidance of doubt, a mandatory put option granted to a Person that obligates the Company or any Restricted Subsidiary to repurchase the Capital Stock of any Restricted Subsidiary or any other Person shall be deemed to be “Indebtedness.”

Notwithstanding the foregoing, Indebtedness shall not include any capital commitments, deferred payment obligations, Entrusted Loans, pre-sale receipts in advance from customers or similar obligations Incurred in the ordinary course of business in connection with the acquisition, development, construction or improvement of real or personal property (including land use rights) to be used in a Permitted Business; *provided* that such Indebtedness is not reflected on the statement of financial position of the Company or any Restricted Subsidiary (contingent obligations and commitments referred to in a footnote to financial statements and not otherwise reflected as borrowings on the statement of financial position will not be deemed to be reflected on such statement of financial position).

The amount of Indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; provided

- (1) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP,
- (2) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness shall not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and
- (3) that the amount of Indebtedness with respect to any Hedging Obligation shall be: (i) zero if Incurred pursuant to clause (2)(f) under the “— Limitation on Indebtedness and Preferred Stock” covenant, or (ii) equal to the net amount payable by such Person if such Hedging Obligation terminated at that time if not Incurred pursuant to such clause.

“Independent Third Party” means any Person that is not an Affiliate of the Company.

“Interest Rate Agreement” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

“Investment” means:

- (1) any direct or indirect advance, loan or other extension of credit to another Person;
- (2) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (3) any purchase or acquisition of Capital Stock, Indebtedness, bonds, notes, debentures or other instruments or securities issued by another Person; or
- (4) any Guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent Guaranteed by such Person.

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 Fair Market Value of the Company’s proportional interest in the assets (net of the Company’s proportionate interest in the liabilities owed to any Person other than the Company or a Restricted Subsidiary and that are not Guaranteed by the Company or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, (2) if the Company or any Subsidiary of the Company sells or otherwise dispose of any Investment of any direct or indirect Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Company, the Company will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Company’s Investments in such Subsidiary that were not sold or disposed of; (3) the acquisition by the Company or any Subsidiary of the Company of a Person that holds an Investment in a third Person will be deemed to be an Investment by the Company or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person and (4) 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 (i) a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns, (ii) a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, (iii) a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest rating categories, by Moody’s, or (iv) the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Fitch or Moody’s or two or three of them, as the case may be.

“Investment Property” means any property that is owned and held by any Restricted Subsidiary incorporated under the Laws of the PRC primarily for rental yields or for capital appreciation or both, or any hotel owned by the Company or any Restricted Subsidiary from which the Company or any Restricted Subsidiary derives or expects to derive operating income.

“JV Entitlement Amount” means, with respect to any JV Subsidiary Guarantor 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 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.”

“JV Subsidiary Guarantor” means a Restricted Subsidiary that executes a JV Subsidiary Guarantee.

“Lien” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Listed Subsidiary” means any Restricted Subsidiary any class of the Capital Stock of which is listed on a Qualified Exchange or quoted on the National Equities Exchange and Quotation System in the PRC and any Subsidiary of a Listed Subsidiary;

“Measurement Date” means January 14, 2011.

“Moody’s” means Moody’s Investors Service, Inc. and its successors.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment bankers) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Company and its Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale;
 - (d) appropriate amounts to be provided by the Company or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP; and
- (2) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

“Non-Guaranteed Portion” means, at any time of determination with respect to all of the JV Subsidiary Guarantors then existing and their respective Restricted Subsidiaries, the aggregate value (without duplication) of the equity interests held by each Independent Third Party in any JV Subsidiary Guarantor as determined by multiplying (x) the total assets as shown on the statement of financial position of the relevant JV Subsidiary Guarantor for its most recently ended semi-annual period (or, in the case of the JV Subsidiary Guarantor executing such JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of the most recently ended semi-annual period, as shown on the statement of financial position of such JV Subsidiary Guarantor after giving pro forma effect to the sale or issuance of Capital Stock to the relevant Independent Third Parties) by (y) the proportionate ownership of all Capital Stock held by such Independent Third Party in such JV Subsidiary Guarantor, provided that (A) assets attributable to any Unrestricted Subsidiary of such JV Subsidiary Guarantor and (B) assets which would be eliminated from the calculation of Total Assets of the Company for the relevant semi-annual period shall be excluded from the calculation of total assets in clause (x) above.

“Non-Guarantor Subsidiaries” has the meaning assigned to such term under the caption “— The Subsidiary Guarantees”.

“Note Register” means the register of Noteholders which the Company will procure to be kept by the Registrar.

“Offer to Purchase” means an offer to purchase Notes by the Company from the Holders commenced by the Company mailing a notice by first class mail, postage prepaid, to the Trustee, the Paying Agent and each Holder at its last address appearing in the Note Register stating:

- (1) the provision in the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which shall be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the “Offer to Purchase Payment Date”);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Company defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled “Option of the Holder to Elect Purchase” on the reverse side of the Note completed, to the 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 Company shall deposit with the Tender Agent money sufficient to pay the purchase price of all Notes or portions thereof so accepted. 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 Officer’s Certificate specifying the Notes or portions thereof accepted for payment by the Company. The Tender Agent shall promptly mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee shall promptly authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued shall be in a principal amount of US\$200,000 or integral multiples of US\$1,000. The Company will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date. The Company will comply with Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable, in the event that the Company is required to repurchase Notes pursuant to an Offer to Purchase.

To the extent that the provisions of any securities laws or regulations of any jurisdiction conflict with the provisions of the Indenture governing any Offer to Purchase, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance. The Company will not be required to make an Offer to

Purchase if a third party makes the Offer to Purchase in compliance with the requirements set forth in the Indenture applicable to an Offer to Purchase made by the Company and purchases all Notes properly tendered and not withdrawn under the Offer to Purchase.

The offer is required to contain or incorporate by reference information concerning the business of the Company and its Subsidiaries which the Company in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Company to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase.

“Officer” means one of the executive officers of the Company or, in the case of a Subsidiary Guarantor or JV Subsidiary Guarantor, one of the directors or officers of such Subsidiary Guarantor or JV Subsidiary Guarantor, as the case may be.

“Officer’s Certificate” means a certificate signed by one Officer.

“Offshore Finance Subsidiary” means a Wholly Owned Restricted Subsidiary (which at all times remains Wholly Owned) established after the Original Issue Date:

- (1) which is not incorporated or located in the PRC and does not have, directly or indirectly, any Subsidiaries incorporated in the PRC;
- (2) which has Guaranteed the obligations of the Company under the Indenture and the Notes as a Subsidiary Guarantor;
- (3) which invests in or loans to the Company or its Restricted Subsidiaries at least 85% of any cash or cash equivalents raised by such Offshore Finance Subsidiary through Indebtedness which is allowed to be Incurred by it under the covenant described under “— Certain Covenants — Limitation on Indebtedness” (“SPV Indebtedness”) as soon as practicable after the Incurrence of such SPV Indebtedness, but in no event later than six months after the Offshore Finance Subsidiary receives such cash or cash equivalents;
- (4) which does not invest in, reinvest in, own, hold or trade in securities other than debt and equity securities of the Company or its Restricted Subsidiaries (including intercompany loans payable to it by such persons) or Temporary Cash Investments;
- (5) whose primary business activity is limited to (a) the Incurrence of SPV Indebtedness for the purpose of financing the business operations of the Company or its Restricted Subsidiaries and any other incidental and directly related activities in association therewith, (b) activities undertaken for the purpose of fulfilling any obligations under such SPV Indebtedness, (c) activities directly related to the establishment and/or maintenance of such Offshore Finance Subsidiary’s corporate existence and (d) the provision of subsidiary guarantees in connection with the Notes and the Existing Notes; and
- (6) which uses payments or prepayments received by it pursuant to its lending or investing of the proceeds of such SPV Indebtedness to the Company or its Restricted Subsidiaries solely to satisfy its obligations under its SPV Indebtedness.

“Opinion of Counsel” means a written opinion addressed to the Trustee from legal counsel who is, and in a form, reasonably acceptable to the Trustee.

“Original Issue Date” means the date on which the Notes are originally issued under the Indenture.

“Pari Passu Subsidiary Guarantee” means a guarantee by any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional Notes); provided that (1) the

Company was permitted to Incur such Indebtedness under the covenant described under “— Limitation on Indebtedness and Preferred Stock” and (2) such guarantee ranks pari passu with any outstanding Subsidiary Guarantee of such Subsidiary Guarantor, or with any outstanding JV Subsidiary Guarantee of such JV Subsidiary Guarantor, as the case may be.

“Payment Default” means (1) any default in the payment of interest on any Note when the same becomes due and payable, (2) any default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise, (3) the failure by the Company to make or consummate a Change of Control Offer in the manner described under “— Repurchase of Notes upon a Change of Control Triggering Event,” or an Offer to Purchase in the manner described under “— Limitation on Asset Sales” or (4) any Event of Default specified in clause (4) of the definition of Events of Default.

“Permitted Businesses” means any business which is the same as or related, ancillary or complementary to, or which have the aim or effect of enhancing the value or flexibility of or adding value or services to the customers in, any of the businesses of the Company and its Restricted Subsidiaries on the Original Issue Date, including, without limitation, internet financing, microfinance, international products sourcing and cultural, entertainment or marketing- related businesses.

“Permitted Holders” means any or all of the following:

- (1) Mr. Cheng Chung Hing, Mr. Cheng Tai Po and Mr. Leung Moon Lam;
- (2) any Affiliate (other than an Affiliate as defined in clauses (2) or (3) of the definition of Affiliate) or the estate of any of the Persons specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which (or in the case of a trust, the beneficial interests in which) are owned 80% or more by one or more of the Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) any Investment in the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, the Company or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) any Investment in cash or Temporary Cash Investments;
- (3) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with GAAP;
- (4) stock, obligations or securities received in satisfaction of judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed solely to protect the Company or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates;
- (7) receivables owing to the Company or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) Investments consisting of consideration received in connection with an Asset Sale made in compliance with the covenant described under “— Limitation on Asset Sales.”

- (9) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business or (y) otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “— Limitation on Liens”;
- (10) any Investment pursuant to Pre-Registration Mortgage Guarantees, Purchase 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 statement of financial position;
- (13) deposits of pre-sale proceeds made in order to secure the completion and delivery of pre-sold properties and issuance of the related land use title in the ordinary course of business;
- (14) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (15) deposits made in order to secure the performance of the Company or any of its Restricted Subsidiaries and prepayments made in connection with the direct or indirect acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries, in each case in the ordinary course of business;
- (16) advances or deposits paid to government authorities or government-affiliated or supervised entities in the PRC in connection with the financing of land acquisition, land development or land re-development activities in the ordinary course of business that are recorded as assets on the Company’s consolidated statement of financial position to the extent each such advance or deposit is on normal commercial terms;
- (17) repurchases of Notes;
- (18) any Investment (including without limitation any deemed Investment upon the sale of Capital Stock of a Restricted Subsidiary or the designation of a Restricted Subsidiary as an Unrestricted Subsidiary) by the Company or any Restricted Subsidiary in any Person or any Tencent Joint Venture; provided that:
 - (i) none of the other holders of Capital Stock of such Person or Tencent Joint Venture is a Person described in clauses (x) or (y) of the first paragraph of the covenant described under the caption “— Limitation on Transactions with Shareholders and Affiliates” (other than by reason of such holder being an officer or director of the Company or a Restricted Subsidiary), provided that for any Investment where Tencent Holdings Limited or any of its Subsidiaries is a holder of Capital Stock of such Person or Tencent Joint Venture, this Clause 18(i) shall not apply with respect to Tencent Holdings Limited or any of its Subsidiaries;
 - (ii) no Default has occurred and is continuing or would occur as a result of such Investment;

(iii) such Investment, together with the aggregate of all other Investments made under this clause (18) since the Original Issue Date shall not exceed in aggregate an amount equal to 30.0% of Total Assets. Such aggregate amount of Investments made under this clause (18) shall be calculated after deducting an amount equal to the net reduction in all Investments made under this clause (18) since the Original Issue Date resulting from:

- (A) receipt of payments in cash by the Company or any Restricted Subsidiary in respect of all such Investments, including interests on or repayments of loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income);
- (B) the unconditional release of a Guarantee of any obligation of such Person provided under this clause (18) after the Original Issue Date by the Company or any Restricted Subsidiary;
- (C) to the extent that an Investment made after the Original Issue Date under this clause (18) is sold or otherwise liquidated or repaid for cash or assets, or a combination of cash or assets, the lesser of (x) the 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) 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),

not to exceed, in each case, the amount of Investments made by the Company or any Restricted Subsidiary after the Original Issue Date in any such Person pursuant to this clause (18).

For purposes of clause (C) above, each of the following will be deemed to be cash: (a) any liabilities as shown on the Company’s most recent consolidated statement of financial position, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such investment pursuant to a customary, assumption, assignment novation, set off or similar agreement that releases the Company or such Restricted Subsidiary from further liability, (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 the closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion, (c) Temporary Cash Investments and (d) equity securities listed on an internationally recognized stock exchange;

- (i) if a Restricted Subsidiary is redesignated an Unrestricted Subsidiary, any Investment made by such Restricted Subsidiary pursuant to this clause (18), to the extent such Investment has not been reduced in accordance with paragraph (iv) of this clause (18), will be deemed not to have been made in accordance with this clause (18) and such Investment must at the time such Restricted Subsidiary is redesignated an Unrestricted Subsidiary satisfy the other requirements of the covenant described under “— Limitation on Restricted Payments” (including meeting the requirements of any other clauses of this “Permitted Investment” definition); and

- (ii) for any Investment made under this clause (18) into any Tencent Joint Venture, at the time such Investment is made, Tencent Holdings Limited or one of its Subsidiaries holds Capital Stock of the Company;
- (19) 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 the members of the Restructuring Group as Unrestricted Subsidiaries, provided that:
 - (i) (A) at the time of such designation, the members of the Restructuring Group remain Subsidiaries or Associates of the Company, and (B) at the time of such designation, the members of the Restructuring Group remain primarily engaged in the Permitted Businesses; and
 - (ii) the aggregate of all Investments made under this clause (19) since the Original Issue Date shall not exceed an amount equal to 30% of Total Assets (for the avoidance of doubt, any portion of such Investments exceeding 30% of Total Assets shall not constitute a Permitted Investment pursuant to this clause (19) but may be made, characterized and accounted for in accordance with the other provisions of the Indenture). Such aggregate amount of Investments made under this clause (19) 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) receipt of payments in cash by the Company or any Restricted Subsidiary in respect of all such Investments, including interests on or repayments of loans or advances, dividends or other distributions (except, in each case, to the extent any such payments are included in the calculation of Consolidated Net Income);
 - (B) to the extent that an Investment made after the Original Issue Date under this clause (19) is sold or otherwise liquidated or repaid for cash or assets, or a combination of cash or assets, the lesser of (x) the return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment; or
 - (C) to the extent the Company is deemed to make an Investment pursuant to an event described in the final proviso of this clause (19) and such Investment is made pursuant to another clause of this definition of Permitted Investment or otherwise in compliance with the covenant described under “— Limitation on Restricted Payments”;

not to exceed, in each case, the amount of Investments made by the Company or any Restricted Subsidiary after the Original Issue Date in such member(s) of the Restructuring Group pursuant to this clause (19).

provided further that, at the time when (x) any entity so designated as an Unrestricted Subsidiary is no longer deemed as a Subsidiary or Associate of the Company 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.

For purposes of clause (ii)(B) above, each of the following will be deemed to be cash: (a) any liabilities as shown on the Company’s most recent consolidated statement of financial position, of the Company or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their

terms subordinated to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee) that are assumed by the transferee of any such investment pursuant to a customary, assumption, assignment novation, set off or similar agreement that releases the Company or such Restricted Subsidiary from further liability, (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 the closing, converted by the Company or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion, (c) Temporary Cash Investments and (d) equity securities listed on an internationally recognized stock exchange.

“Permitted Liens” means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with GAAP shall have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers’ acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Company and its Restricted Subsidiaries, taken as a whole;
- (5) Liens encumbering property or assets under construction arising from progress or partial payments by a customer of the Company or its Restricted Subsidiaries relating to such property or assets;
- (6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; provided that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets acquired; provided further that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (7) Liens in favor of the Company or any Restricted Subsidiary;
- (8) Liens arising from the rendering of a final judgment or order against the Company or any Restricted Subsidiary that does not give rise to an Event of Default;
- (9) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (10) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (2)(f) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;

- (11) Liens existing on the Original Issue Date or Liens incurred pursuant to the terms of the Existing Secured Notes Indentures to secure Indebtedness under the Existing Secured Notes Indentures or any supplements or amendments thereto, including any additional notes or securities issued pursuant to the Existing Secured Notes Indentures after the Original Issue Date;
- (12) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (2)(e) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”; *provided* that such Liens do not extend to or cover any property or assets of the Company or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (13) 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 or Purchase Guarantee;
- (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 described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” and such Lien is created prior to, at the time of or within 180 days after the later of the acquisition or the completion of development, construction or improvement of such property, (b) the principal amount of the Indebtedness secured by such Lien does not exceed 100% of the cost of such property, development, construction or improvement and (c) such Lien shall not extend to or cover any property or assets other than such item of property and any improvements on such item; *provided* that, in the case of clauses (b) and (c), such Lien may cover other property or assets (instead of or in addition to such item of property or improvements) and the principal amount of Indebtedness secured by such Lien may exceed 100% of such cost if (x) such Lien is incurred in the ordinary course of business and (y) the aggregate book value of property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause (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 of its Restricted Subsidiaries in connection with the acquisition of real property or land use rights by the Company or any of its Restricted Subsidiaries 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 on current assets securing Indebtedness which is permitted to be Incurred under clause (2)(n) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (22) Liens securing Indebtedness of Restricted Subsidiaries (other than Subsidiary Guarantors or JV Subsidiary Guarantors) Incurred pursuant to clause (2)(p) of the covenant described under “— Limitation on Indebtedness and Preferred Stock”;
- (23) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;
- (24) Liens Incurred to secure Cross Border Secured Indebtedness of the type described under clause (2)(o) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock,” *provided* that, the aggregate book value of any property or assets (as reflected in the most recent available consolidated financial statements of the Company (which may be internal consolidated financial statements) or, if any such property or assets have been acquired since the date of such financial statements, the cost of such property or assets) subject to Liens incurred pursuant to this clause does not exceed 200% of the aggregate principal amount of Indebtedness secured by such Liens,
- (25) Liens on the Capital Stock of a PRC Restricted Subsidiary granted by the Company or any PRC Restricted Subsidiary in favor of any 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”;
- (26) Liens on Investment Properties securing Indebtedness of the Company or Restricted Subsidiary incorporated under the laws of the PRC permitted under clause (2)(q) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (27) Liens securing Indebtedness Incurred under clause (2)(r) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock”;
- (28) Liens on the Capital Stock of the Person that is to be acquired under the relevant Staged Acquisition Agreement securing Indebtedness permitted to be Incurred under clause (2)(s) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;” and
- (29) Liens securing Indebtedness Incurred under clause (2)(u) 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; provided that, on the date of the Incurrence of such Indebtedness and after giving effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Indebtedness (excluding the amount of any Public Indebtedness of any Non-Guarantor Subsidiary and Indebtedness of any Non-Guarantor Subsidiary permitted under clauses (2)(a), (2)(b), (2)(d), (2)(f) and (2)(g) of the covenant described under “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” does not exceed an amount equal to 30.0% of Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“PRC” means the People’s Republic of China, excluding, solely for purposes of this definition, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

“PRC CJV” means any Subsidiary that is a Sino-foreign cooperative joint venture enterprise with limited liability, established in the PRC pursuant to the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (as most recently amended on October 13, 2000) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995, as such laws may be amended.

“PRC CJV Partner” means with respect to a PRC CJV, the other party to the joint venture agreement relating to such PRC CJV with the Company or any Restricted Subsidiary.

“PRC Restricted Subsidiary” means a Restricted Subsidiary organized under the laws of the PRC. “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.

“Purchase Guarantee” means Indebtedness of the Company or any Restricted Subsidiary consisting of a Guarantee in favor of any bank or other similar financial institution in the ordinary course of business of a loan financing a Finance Lease Purchase in a principal amount not exceeding the purchase price of the relevant property unit, *provided* that, following such Finance Lease Purchase, the Company or such Restricted Subsidiary retains the land use rights and possesses the building ownership certificates in respect of such property unit.

“Qualified Exchange” means (1) The New York Stock Exchange, the London Stock Exchange, The Stock Exchange of Hong Kong Limited, the Nasdaq Stock Market or Singapore Exchange Securities Trading Limited; (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); or (3) any recognized national stock exchange in the PRC, including the National Equities Exchange and Quotation System, Japan or Taiwan.

“Qualified IPO” means an initial public offering, or a listing or quotation, of the Capital Stock of a company on a Qualified Exchange; *provided* that in the case that such listing or quotation 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) or a recognized national stock exchange in the PRC, including the National Equities Exchange and Quotation System, Japan or Taiwan, to the extent applicable, such listing or quotation shall result in a public float of no less than the percentage required by the applicable listing rules.

“Rating Agencies” means (1) S&P, (2) Fitch, (3) Moody’s and (4) any other recognized securities rating agency or agencies, as the case may be, selected by the Company, which shall be in addition to or substituted for S&P, Fitch or Moody’s, two of the three or all three 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 S&P, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); (3) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or

equivalent successor categories); and (4) the equivalent of any such category of Fitch or S&P or Moody's used by other Rating Agencies. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("+" and "-" for Fitch; "+" and "-" for S&P; "1," "2" and "3" for Moody's; or the equivalent gradations for other Rating Agencies) shall be taken into account (e.g., with respect to S&P, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"Rating Date" means (1) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control or (2) in connection with actions contemplated under "— Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"Rating Decline" means (1) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any 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 any 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 all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;
- (b) in the event the Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either of such two Rating Agencies shall be below Investment Grade;
- (c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or
- (d) in the event the Notes are rated by one or more Rating Agencies and are rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the Notes by, (i) such Rating Agency if the Notes are rated by only one Rating Agency and are not rated by any other Rating Agencies or (ii) at least two Rating Agencies if the Notes are rated by two or more Rating Agencies, shall be decreased by one or more gradations within Rating Categories as well as between Rating Categories.

"Reference Treasury Dealer" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Company in good faith.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Company, 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 to the Company 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 the Capital Stock of any Person holding such property or assets that is primarily engaged in a Permitted Business and will, upon the acquisition by the Company or any of its Restricted Subsidiaries of such Capital Stock, become a Restricted Subsidiary.

“Restricted Subsidiary” means any Subsidiary of the Company other than an Unrestricted Subsidiary.

“Restructuring” means any restructuring in relation to any Restructuring Group or the formation of any Restructuring Group and the Qualified IPO of the Capital Stock of a Subsidiary of the Company in the Restructuring Group.

“Restructuring Group” means any group(s) of Subsidiaries or Associates of the Company which are engaged in the Permitted Businesses as may be designated by the Company at its sole discretion from time to time.

“S&P” means S&P Global Ratings and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby the Company or any Restricted Subsidiary transfers such property to another Person and the Company or any Restricted Subsidiary leases it from such Person.

“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 Company, the Notes, (b) in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee, or (c) in respect of any Restricted Subsidiary that is a JV Subsidiary Guarantor, its JV Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (1) any obligation to the Company or any Restricted Subsidiary, (2) Trade Payables or (3) Indebtedness Incurred in violation of the Indenture.

“Significant Restricted Subsidiary” means a Restricted Subsidiary, including its Subsidiaries, which meets any of the following conditions:

- (1) The Company’s and its other Subsidiaries’ investments in and advances to such Restricted Subsidiary exceed 5 percent of the total assets of the Company and its Subsidiaries consolidated as of the end of the most recently completed fiscal year; or
- (2) The Company’s and its other Subsidiaries’ proportionate share of the total assets (after intercompany eliminations) of such Restricted Subsidiary exceeds 5 percent of the total assets of the Company and its Subsidiaries consolidated as of the end of the most recently completed fiscal year; or
- (3) The Company’s and its other Subsidiaries’ equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of such Restricted Subsidiary exclusive of amounts attributable to any non-controlling interest exceeds 5 percent of such income of the Company and its Subsidiaries consolidated for the most recently completed fiscal year.

For purpose of making the prescribed income test the following guidance should be applied:

- (A) When a loss exclusive of amounts attributable to any non-controlling interests has been incurred by either the Company and its Subsidiaries consolidated or the tested Restricted Subsidiary, but not both, the equity in the income or loss of the tested Restricted Subsidiary exclusive of amounts attributable to any non-controlling interests should be excluded from the income of the Company and its Subsidiaries consolidated for purpose of the computation.

- (B) If income of the Company and its Subsidiaries consolidated exclusive of amounts attributable to any non-controlling interests for the most recent fiscal year amounts attributable to any non-controlling interests for the most recent fiscal year is at least 10 percent lower than the average of the income for the last five fiscal years, such average income should be substituted for purposes of the computation. Any loss years should be omitted for purposes of computing average income.

“SGX-ST” means the Singapore Exchange Securities Trading Limited.

“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 instalment over a period of time.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor that is contractually subordinated or junior in right of payment to the Notes, any Subsidiary Guarantee or any JV Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% 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 as a result of which such corporation, association or other business entity ceases to be “controlled” by such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be an Investment by such Person in such entity, which shall be made in compliance with the covenant described under “— Limitation on Restricted Payments.”

“Subsidiary Guarantee” means any Guarantee of the obligations of the Company under the Indenture and the Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that “Subsidiary Guarantor” does not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes or (b) any JV Subsidiary Guarantor.

“Temporary Cash Investment” means any of the following:

- (1) direct obligations of the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing or obligations fully and unconditionally Guaranteed by the United States of America, any state of the European Economic Area, the People’s Republic of China and Hong Kong or any agency of any of the foregoing, in each case maturing within one year;

- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, any state of the European Economic Area or Hong Kong, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$100 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (5) securities, maturing within one year of the date of acquisition thereof, issued or fully and unconditionally Guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or Moody’s;
- (6) any money market fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and
- (7) demand or time deposit accounts, certificates of deposit, overnight or call deposits and money market deposits with (i) Agricultural Bank of China, Bank of China Limited, Bank of Communications Co., Ltd., Bank of Dongguan Corporation Limited, Bank of Guangzhou, Bank of Hangzhou, Bank of Jiangsu, Bank of Nanchang, China CITIC Bank, China Construction Bank Corporation, China Development Bank, Chinese Mercantile Bank, China Merchants Bank Co., Ltd., China Zheshang Bank Co., Ltd., Guangxi Beibu Gulf Bank, HSBC Bank (China) Company Limited, The Industrial Bank Co., Ltd., Industrial and Commercial Bank of China Limited, Nanyang Commercial Bank (China) Limited, Pingan Bank, Shanghai Pudong Development Bank Co., Ltd. and Shenzhen Development Bank Co., Ltd., (ii) any other bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong whose long-term debt is rated as high or higher than any of those banks listed in clause (i), or (iii) any other bank, trust company or other financial institution organized under the laws of the PRC or Hong Kong; *provided that*, in the case of clause (iii), such deposits do not exceed US\$10.0 million (or the Dollar Equivalent thereof) with any single bank or US\$30.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination.

“Tencent Joint Venture” means any corporation, association or other business entity, the shares of Capital Stock of which are held by (a) Tencent Holdings Limited or its Subsidiaries, on the one hand, and (b) the Company or any of its Restricted Subsidiaries, on the other hand.

“Total Assets” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent semi-annual period for which consolidated financial statements of the Company (which the Company shall use its best efforts to compile on a timely manner) are available (which may be internal consolidated financial statements); *provided that* only with respect to clause (2)(h) of “— Certain Covenants —

Limitation on Indebtedness and Preferred Stock” covenant and the definition of “Permitted Subsidiary Indebtedness,” Total Assets shall be calculated after giving pro forma effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided in good faith by the Company or any of its Restricted Subsidiaries to the bank or other similar financial institutional lender providing such Indebtedness, *provided* further that only with respect to the calculation of “Non-Guaranteed Portion,” in the case of a JV Subsidiary Guarantor executing a JV Subsidiary Guarantee and any other Restricted Subsidiary of the Company that became a JV Subsidiary Guarantor after the end of the most recently ended semi-annual or annual period, the amount of Total Assets shall be calculated after giving pro forma effect to the sale or issuance of Capital Stock to the relevant Independent Third Parties.

“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 organized under the laws of the PRC, or an Affiliate thereof, that Invests in any Capital Stock of a PRC Restricted Subsidiary.

“Unrestricted Subsidiary” means (1) as of the Original Issue Date, Rosy Fountain Investments Limited; (2) 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 (3) 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 holder 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.

TAXATION

The following is a general description of certain tax considerations relating to the Notes. It is based on law and relevant interpretations thereof in effect as at the date of this offering memorandum, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective holders of Notes who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.

Hong Kong Tax Considerations

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Notes or in respect of any capital gains arising from the sale of the Notes.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- (ii) interest on the Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;
- (iii) interest on the Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “**IRO**”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- (iv) interest on the Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Note.

British Virgin Islands Tax Considerations

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands. Payments of principal, premium or interest in respect of the Notes to persons who are not resident in the British Virgin Islands are not subject to British Virgin Island tax or withholding tax.

Capital gains realised with respect to the Notes by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the British Virgin Islands with respect to the Notes.

All instruments relating to transactions in respect of the Notes are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer does not hold an interest in real estate in the British Virgin Islands.

There are currently no government or other exchange controls in the British Virgin Islands.

Cayman Islands Tax Considerations

The Cayman Islands currently have no exchange control restrictions and no income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax applicable to the Issuer or any holder of the Notes. Accordingly, payment of principal of (including any premium) and interest on, and any transfer of, the Notes will not be subject to taxation in the Cayman Islands, no Cayman Islands withholding tax will be required on such payments to any holder of the Notes and gains derived from the sale of the Notes will not be subject to Cayman Islands capital gains tax.

No stamp duty is payable under the laws of the Cayman Islands in respect of the execution and issue of the Notes. However, an instrument of transfer in respect of the Notes is stampable if executed in or brought into the Cayman Islands.

PRC Tax Considerations

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Notes is based upon applicable laws, rules and regulations in effect as of the date of this offering memorandum, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Notes should consult their own tax advisors concerning the tax consequences of the purchase, ownership and disposition of Notes, including such possible consequences under the laws of their country of citizenship, residence or domicile.

As described in “Risks Relating to Doing Business in the PRC — We may be deemed a PRC resident enterprise under the Enterprise Income Tax Law and thus be subject to PRC taxation on our worldwide income and be obligated to withhold PRC income tax on payment of interest and certain other amounts on Notes”, we may be treated as a PRC tax resident enterprise. Under the PRC EIT Law and implementation regulations issued by the State Council, if we are treated as a PRC “resident enterprise,” withholding of PRC income tax at the rate of 10% is applicable to interest paid 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. Any gain realized on the transfer of the Notes by such investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. Non-resident individuals may be subject to a 20% withholding tax on interest payments and 20% tax on any gain realized on a transfer

of the Notes if such sums are regarded as derived from sources within the PRC. These rates may be reduced by an applicable tax treaty. However, it is unclear whether in practice non-resident holders might be able to obtain the benefits of income tax treaties entered into between PRC and their countries. As advised by Commerce & Finance Law Offices, our PRC legal counsel, there is uncertainty as to whether we will be treated as a PRC “resident enterprise” for the purpose of the EIT Law. If we are treated as a PRC “resident enterprise,” the interest we pay in respect of the Notes, and the gain any investor may realize from the transfer of the Notes, may be treated as income derived from sources within the PRC and may be subject to PRC tax (which in the case of payments of interest and any redemption premium by us may be required to be withheld at source), which may materially and adversely affect the value of investment in the Notes.

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Notes is maintained outside the PRC) of a Note.

PLAN OF DISTRIBUTION

UBS AG Hong Kong Branch, Barclays Bank PLC, Credit Suisse (Hong Kong) Limited, Guotai Junan Securities (Hong Kong) Limited, Haitong International Securities Company Limited, BOCI Asia Limited, CCB International Capital Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, CMB International Capital Limited, HeungKong Securities Limited, Kaisa Financial Group Company Limited and Orient Securities (Hong Kong) Limited are acting as Joint Bookrunners and Joint Lead Managers for the offering of the Notes and as the Initial Purchasers named below. Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, such Initial Purchasers named below have severally agreed to purchase, and we have agreed to sell to such Initial Purchasers, the principal amount of the Notes set forth opposite such Initial Purchaser's name.

Initial Purchaser	Principal Amount of Notes (U.S.\$)
UBS AG Hong Kong Branch	47,475,000
Barclays Bank PLC	31,500,000
Credit Suisse (Hong Kong) Limited	38,250,000
Guotai Junan Securities (Hong Kong) Limited	38,250,000
Haitong International Securities Company Limited	31,500,000
BOCI Asia Limited	8,100,000
CCB International Capital Limited	6,975,000
China Everbright Bank Co., Ltd., Hong Kong Branch	3,375,000
CMB International Capital Limited	3,375,000
HeungKong Securities Limited	8,100,000
Kaisa Financial Group Company Limited	0
Orient Securities (Hong Kong) Limited	8,100,000
Total	225,000,000

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Initial Purchasers propose to resell the Notes at the offering price set forth on the cover page of this offering memorandum in reliance on Regulation S. We 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. In addition, the Company has agreed with the Initial Purchasers that certain private banks will be paid a commission in connection with the purchase of the Notes by their private bank clients.

We have agreed that, for a period of 3 days from the date of the purchase agreement, we will not, without the prior written consent of the Initial Purchasers, offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by us outside the PRC. The Initial Purchasers in their sole discretion may consent to the offering and sales of debt securities by us at any time without notice.

Application will be made to the SGX-ST for listing of and quotation for the Notes. However, we cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that there will be an active trading market for the Notes. The Initial Purchasers have advised us that they currently intend to make or continue to make a market in the Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. Accordingly, we cannot assure you as to the liquidity of, or the trading market for, the Notes.

In connection with the offering, each Initial Purchaser (as "Stabilization Manager") (or any person acting for it) may directly, or through the other Initial Purchasers in coordination with the Stabilization

Manager, purchase and sell the Notes in the open market. These transactions may, to the extent permitted by applicable laws and regulations, include short sales, purchases on the open market to cover positions created by short sales and stabilizing purchases. Short sales involve the sale by a Stabilization Manager of a greater principal amount of the Notes than they are required to purchase in the offering. A Stabilization Manager must close out any short position by purchasing the Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions involve bids to purchase the Notes so long as the stabilizing bids do not exceed a specified maximum.

Similar to other purchase transactions, a Stabilization Manager's purchases to cover the syndicate short sales and stabilizing purchases may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

Neither the Company nor any of the Initial Purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, Neither the Company nor any of the Initial Purchasers makes any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

We expect to deliver the Notes against payment for the Notes on or about the date specified in the last paragraph of the cover page of this offering memorandum, which will be the fifth business day following the date of the pricing of the Notes.

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 ("Banking Services or Transactions"). Some of the Initial Purchasers or their affiliates hold our debt or equity securities from time to time. The Initial Purchasers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services and/or Transactions with us and/or our subsidiaries and affiliates for which they have received, or will receive, fees and expenses. In connection with the offering of the Notes, the Initial Purchasers or any of their affiliates may purchase the Notes for their own accounts and enter into transactions, including repackaging and other transactions.

We and the Subsidiary Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by us or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this offering memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this offering memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

PRIIPs Regulation/Prohibition of sales to EEA and UK retail investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("EEA") or in the United Kingdom.

For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (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.

United States

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) are being offered and sold outside of the United States in offshore transactions within the meaning of and in reliance on Regulation S. In addition, until 40 days after the commencement of this offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each invitation or inducement to engage in investment activity (within the meaning of Section 21 of Financial Services and Markets Act 2000 (the “FSMA”) in connection with the issue or sale of the Notes has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in circumstances in which Section 21(1) of FSMA does not apply to the Company. In addition, all applicable provisions of the FSMA with respect to anything done by the Initial Purchasers in relation to the Notes in, from or otherwise involving the United Kingdom has been complied and will be complied.

Hong Kong

The Notes has not been and will 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” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Act No. 25 of 1948) (as amended) (the “FIEL”). Accordingly, the Notes may not be offered or sold, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, or to others for reoffering or re-sale, directly or indirectly in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an 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

Each Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager has acknowledged that this offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) 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, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified before an offer of Notes, 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 CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRC

This offering memorandum does not constitute a public offer of the Notes, whether by sale or by subscription, in the PRC. The Notes may not be offered or sold within the PRC by means of this offering memorandum or any other document.

British Virgin Islands

No invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Notes and the Notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

This offering memorandum does not constitute, and there will not be, an offering of the Notes to any person in the British Virgin Islands.

Cayman Islands

No invitation has been made or will be made, whether directly or indirectly, to the public in the Cayman Islands to offer or sell the Notes.

TRANSFER RESTRICTIONS

Because of the following restrictions, we encourage you to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) (collectively, the “Securities”).

The Notes are subject to restrictions on transfer as summarized below. By purchasing the Securities, you will be deemed to have made the following acknowledgements, representations to, and agreements with, us and the Initial Purchasers:

1. You understand and acknowledge that:
 - the Securities have not been registered under the Securities Act or any other applicable securities laws;
 - the Securities are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws;
 - the Securities are being offered and sold only outside the United States in offshore transactions in reliance on Rule 903 of Regulation S under the Securities Act; and
 - unless so registered, the Securities may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws.
2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that you are purchasing the Securities in an offshore transaction in accordance with Regulation S.
3. You acknowledge that neither we nor the Initial Purchasers nor any person representing us or the Initial Purchasers has made any representation to you with respect to us or the offering of the Securities, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Securities. You agree that you have had access to such financial and other information concerning us and the Securities as you have deemed necessary in connection with your decision to purchase the Securities including an opportunity to ask questions of and request information from us.
4. You represent that you are purchasing the Securities for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Securities in violation of the Securities Act.
5. You also acknowledge that each note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION.

6. You acknowledge that we, the Initial Purchasers, the Transfer Agent and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of the Securities is no longer accurate, you will promptly notify us, the Transfer Agent and the Initial Purchasers. If you are purchasing any Securities as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

RATINGS

The Notes are expected to be rated “B” by Fitch Inc. Such 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. Additionally, we have been assigned a long-term foreign currency issuer default rating of “B” by Fitch Inc. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by such rating agencies in the future if in their judgment circumstances so warrant. We may apply for additional ratings from other rating agencies in the future. Each such rating should be evaluated independently of any other rating on the Notes, on other of our securities, or on us. See “Risk Factors — Risks Relating to the Notes — The ratings assigned to the Notes may be lowered or withdrawn in the future.”

LEGAL MATTERS

Certain legal matters will be passed upon for us by Linklaters as to matters of Hong Kong law, United States federal law and New York law, Commerce & Finance Law Offices as to matters of PRC law and Ogier as to matters of British Virgin Islands and the Cayman Islands laws. Certain legal matters will be passed upon for the Initial Purchasers by Davis Polk & Wardwell as to matters of United States federal law and New York law and Jia Yuan Law Office as to PRC law.

INDEPENDENT AUDITORS

Our consolidated financial statements as of and for the years ended March 31, 2017, 2018 and 2019 included in this offering memorandum have been audited by Ernst & Young, our Independent Auditors. The auditor's report of Ernst & Young on the consolidated financial statements as of and for the fiscal years ended March 31, 2017, 2018 and 2019 are included herein. Our unaudited interim condensed consolidated financial statements as of September 30, 2019 and for the six months ended September 30, 2018 and 2019 included in this offering memorandum have been derived from the unaudited interim condensed consolidated financial statements as of and for the six months ended September 30, 2019. The report of Ernst & Young on review of the unaudited interim condensed consolidated financial statements as of and for the six months ended September 30, 2019 (which include the unaudited interim condensed financial statements for the six months ended September 30, 2018) is included herein.

A review is substantially less in scope than an audit conducted in accordance with the applicable standards on auditing in Hong Kong. Consequently, it would not enable Ernst & Young to obtain assurance that they would become aware of all significant matters that might be identified in an audit. Accordingly, Ernst & Young does not express an audit opinion on the unaudited interim condensed consolidated financial statements.

GENERAL INFORMATION

Authorizations and Consents

We have obtained all necessary governmental consents, approvals and authorizations, as and when applicable, in Hong Kong, the British Virgin Islands and the Cayman Islands in connection with the issue and performance of the Notes and the Subsidiary Guarantees. The entering into of the Indenture and the issue of the Notes have been authorized by resolutions of our board of directors on or about February 17, 2020, and the entering into of the Indenture and the giving of the Subsidiary Guarantees have been authorized by resolutions of the board of directors of each Subsidiary Guarantor on or about February 17, 2020.

Litigation

Save 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, which are or might be material in the context of this issue of the Notes or the Subsidiary Guarantees, nor are we aware of any pending or threatened proceedings.

No Material Adverse Change

Save as disclosed in this offering memorandum, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs and/or prospects since September 30, 2019 that is material in the context of the issue of the Notes or the Subsidiary Guarantees.

Documents Available

For so long as any of the Notes are 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 Notes are outstanding, copies of our audited consolidated financial statements for the last two financial years, if any, may be obtained during normal business hours on any weekday (except public holidays) at the principal office of the Company.

Clearing System and Settlement

The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The ISIN of the Notes is XS2120092882. The Common Code of the Notes is 212009288.

Only Notes evidenced by a Global Note have been accepted for clearance through Euroclear and Clearstream.

LISTING OF THE NOTES

Application will be made to the SGX-ST for listing of and quotation for the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this offering memorandum. Admission of the Notes to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST are not to be taken as an indication of the merits of our company and subsidiaries, joint ventures and associates or the Notes, Subsidiary Guarantees or JV Subsidiary Guarantees. The Notes will be traded on the SGX-ST in a minimum board lot size of US\$200,000 (or its equivalent in foreign currencies) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, we shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange shall be made by or on behalf of us through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Unaudited Interim Condensed Consolidated Financial Statements for the Six Months Ended September 30, 2019 ⁽¹⁾	
Report on Review of Interim Condensed Consolidated Financial Statements	F-2
Interim Condensed Consolidated Statement of Profit or Loss	F-3
Interim Condensed Consolidated Statement of Comprehensive Income	F-4
Interim Condensed Consolidated Statement of Financial Position	F-5
Interim Condensed Consolidated Statement of Changes in Equity	F-7
Interim Condensed Consolidated Statement of Cash Flows	F-9
Notes to Interim Condensed Consolidated Financial Information	F-11
 Audited Consolidated Financial Statements for the Year Ended March 31, 2019	
Independent Auditor's Report	F-58
Consolidated Statement of Profit or Loss	F-65
Consolidated Statement of Comprehensive Income	F-66
Consolidated Statement of Financial Position	F-67
Consolidated Statement of Changes in Equity	F-69
Consolidated Statement of Cash Flows	F-71
Notes to Financial Statements	F-73
 Audited Consolidated Financial Statements for the Year Ended March 31, 2018	
Independent Auditor's Report ⁽¹⁾	F-218
Consolidated Statement of Profit or Loss	F-225
Consolidated Statement of Comprehensive Income	F-226
Consolidated Statement of Financial Position	F-227
Consolidated Statement of Changes in Equity	F-229
Consolidated Statement of Cash Flows	F-231
Notes to Financial Statements	F-233
 Audited Consolidated Financial Statements for the Year Ended March 31, 2017	
Independent Auditor's Report ⁽¹⁾	F-346
Consolidated Statement of Profit or Loss	F-353
Consolidated Statement of Comprehensive Income	F-354
Consolidated Statement of Financial Position	F-355
Consolidated Statement of Changes in Equity	F-357
Consolidated Statement of Cash Flows	F-359
Notes to Financial Statements	F-361

⁽¹⁾ The independent auditor's report, as the case may be, on the Company's consolidated financial statements set out herein is re-produced from the Company's interim or annual report as the case may be, for the respective period. Page references referred to in the above-named reports refer to pages set out in such interim or annual report.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

中期簡明綜合財務報表審閱報告



Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

安永會計師事務所
香港中環添美道1號
中信大廈22樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the board of directors of China South City Holdings Limited
(Incorporated in Hong Kong with limited liability)

致華南城控股有限公司董事會
(於香港註冊成立的有限公司)

Introduction

We have reviewed the interim financial information set out on pages 66 to 120, which comprises the condensed consolidated statement of financial position of China South City Holdings Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 September 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and other 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 (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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.

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 HKICPA. A review of interim financial information 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
20 November 2019

緒言

吾等已審閱第66至120頁所載的中期財務資料，當中包括華南城控股有限公司（「貴公司」）及其附屬公司（「貴集團」）於2019年9月30日的簡明綜合財務狀況表，與截至該日止六個月期間的相關簡明綜合損益表、全面收益表、權益變動表及現金流量表，以及其他說明附註。香港聯合交易所有限公司證券上市規則規定，就中期財務資料編製報告須符合當中的相關條文，以及由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號編製及呈報此中期財務資料。吾等的責任是根據吾等的審閱工作，對此中期財務資料作出結論，並按照雙方所協定的委聘書條款僅向閣下（作為整體）報告，除此之外本報告別無其他目的。吾等不會就本報告的內容向任何其他人士負責或承擔任何責任。

審閱範圍

吾等依據香港會計師公會頒佈的香港審閱委聘準則第2410號「實體的獨立核數師對中期財務資料的審閱」進行吾等的審閱工作。審閱中期財務資料包括主要向負責財務和會計事務的人員作出查詢，以及進行分析性和其他審閱程序。由於審閱的範圍遠較根據香港審計準則進行審核的範圍為小，故吾等不保證可知悉所有在審核中可能發現的重大事項。因此，吾等不會發表審核意見。

結論

根據吾等的審閱工作，並無發現任何事項令吾等相信中期財務資料在任何重大方面未有根據香港會計準則第34號編製。

安永會計師事務所
執業會計師
香港
2019年11月20日

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

中期簡明綜合損益表

For the six months ended 30 September 2019 截至2019年9月30日止六個月

			For the six months ended 30 September 截至9月30日止六個月	
			2019 2019年 HK\$'000 千港元 (Unaudited) (未經審核)	2018 2018年 HK\$'000 千港元 (Unaudited) (未經審核)
		Notes 附註		
REVENUE	收入	5	5,827,158	5,212,447
Cost of sales	銷售成本		(3,580,070)	(3,095,492)
Gross profit	毛利		2,247,088	2,116,955
Other income and gains	其他收入及收益	5	172,276	392,978
Fair value gains on investment properties	投資物業公平值收益	5	278,361	875,971
Selling and distribution expenses	銷售及分銷開支		(323,881)	(348,027)
Administrative expenses	行政開支		(555,651)	(598,414)
Other expenses	其他開支		(94,383)	(218,178)
Finance costs	融資成本	6	(302,333)	(302,074)
PROFIT BEFORE TAX	稅前利潤	7	1,421,477	1,919,211
Income tax expenses	所得稅開支	8	(791,236)	(1,070,202)
PROFIT FOR THE PERIOD	期內利潤		630,241	849,009
Attributable to:	下列各方應佔：			
Owners of the parent	母公司擁有人		628,170	848,179
Non-controlling interests	非控股權益		2,071	830
			630,241	849,009
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	歸屬於母公司普通股權益 持有人之每股盈利	9		
Basic	基本			
– For profit for the period	一期內利潤		HK7.75 cents 港仙	HK10.59 cents 港仙
Diluted	攤薄			
– For profit for the period	一期內利潤		HK7.75 cents 港仙	HK10.59 cents 港仙

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

中期簡明綜合全面收益表

For the six months ended 30 September 2019 截至2019年9月30日止六個月

		For the six months ended 30 September 截至9月30日止六個月	
		2019 2019年 HK\$'000 千港元 (Unaudited) (未經審核)	2018 2018年 HK\$'000 千港元 (Unaudited) (未經審核)
PROFIT FOR THE PERIOD	期內利潤	630,241	849,009
OTHER COMPREHENSIVE LOSS	其他全面虧損		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:	將於期後期間有可能重分類至損益的其他全面虧損：		
Exchange differences on translation of foreign operations	換算海外業務的匯兌差額	(2,483,907)	(4,124,995)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	期內除稅後其他全面虧損	(2,483,907)	(4,124,995)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	期內總全面虧損	(1,853,666)	(3,275,986)
Attributable to:	下列各方應佔：		
Owners of the parent	母公司擁有人	(1,850,538)	(3,259,566)
Non-controlling interests	非控股權益	(3,128)	(16,420)
		(1,853,666)	(3,275,986)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

中期簡明綜合財務狀況表

As at 30 September 2019 於2019年9月30日

			30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
	Notes 附註			
NON-CURRENT ASSETS		非流動資產		
Property, plant and equipment	11	物業、廠房及設備	1,331,613	1,400,177
Investment properties	12	投資物業	48,393,576	52,464,934
Properties under development	13	發展中物業	921,103	979,151
Right-of-use assets		使用權資產	1,286,853	–
Prepaid land lease payments		預付土地出租金	–	1,328,747
Goodwill		商譽	49,111	49,111
Financial assets at fair value through profit or loss	16	透過損益以公平值列賬之 金融資產	12,551	12,965
Other long term receivables		其他長期應收款項	242,550	21,904
Deposits paid for purchase of land use rights and property		購買土地使用權及物業支付 的按金	30,183	31,740
Deferred tax assets		遞延稅項資產	3,609,340	3,578,802
Total non-current assets		非流動資產總值	55,876,880	59,867,531
CURRENT ASSETS		流動資產		
Properties held for finance lease	14	持作融資租賃物業	272,309	295,545
Properties held for sale	14	持作銷售物業	41,562,800	39,155,078
Contract assets		合約資產	97,317	99,621
Inventories		存貨	118,087	133,427
Trade receivables	15	應收貿易賬款	596,746	1,064,890
Prepayments, other receivables and other assets		預付款項、其他應收款項及 其他資產	2,724,531	2,847,730
Financial assets at fair value through profit or loss	16	透過損益以公平值列賬之 金融資產	152,283	283,368
Cash and cash equivalents and restricted cash	17	現金及現金等價物及受限制現金	9,279,660	9,359,772
Total current assets		流動資產總值	54,803,733	53,239,431
CURRENT LIABILITIES		流動負債		
Trade and other payables	18	貿易及其他應付款項	17,202,651	15,729,226
Contract liabilities		合約負債	14,192,465	13,655,066
Interest-bearing bank and other borrowings	19	計息銀行及其他借貸	8,748,435	8,778,903
Senior notes	20	優先票據	4,210,442	2,314,682
Medium-term notes	21	中期票據	–	2,459,903
Corporate bonds	22	企業債券	–	562
Domestic company bonds	23	境內公司債券	1,556,063	1,733,161
Tax payables		應付稅項	4,048,986	4,202,083
Total current liabilities		流動負債總額	49,959,042	48,873,586
NET CURRENT ASSETS		流動資產淨值	4,844,691	4,365,845
TOTAL ASSETS LESS CURRENT LIABILITIES		資產總值減流動負債	60,721,571	64,233,376

Interim Condensed Consolidated Statement of Financial Position (Continued)
 中期簡明綜合財務狀況表(續)

As at 30 September 2019 於2019年9月30日

			30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
	Notes 附註			
NON-CURRENT LIABILITIES		非流動負債		
Interest-bearing bank and other borrowings	19	計息銀行及其他借貸	8,970,975	8,959,775
Senior notes	20	優先票據	8,327,117	10,017,690
Medium-term notes	21	中期票據	687,064	–
Deferred tax liabilities		遞延稅項負債	8,868,052	9,106,084
Other long term payables		其他長期應付款	49,434	–
Total non-current liabilities		非流動負債總額	26,902,642	28,083,549
Net assets		資產淨值	33,818,929	36,149,827
EQUITY		權益		
Equity attributable to owners of the parent		母公司擁有人應佔權益		
Share capital	24	股本	7,222,312	7,222,312
Other reserves		其他儲備	26,525,287	28,768,281
			33,747,599	35,990,593
Non-controlling interests		非控股權益	71,330	159,234
Total equity		權益總額	33,818,929	36,149,827

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

中期簡明綜合權益變動表

For the six months ended 30 September 2019 截至2019年9月30日止六個月

		Attributable to owners of the parent 母公司擁有人應佔								Non-controlling interests 非控股權益	
		Share capital 股本	Statutory surplus reserve 法定盈餘儲備	Share option reserve 購股權儲備	Exchange fluctuation reserve 匯兌波動儲備	Capital reserve 資本儲備	Revaluation reserve 重估儲備	Retained profits 保留利潤	Total		Total equity 權益總額
Note 附註		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 April 2018 (audited)	於2018年4月1日(經審核)	7,060,973	2,001,711	202,795	2,295,221	(275,841)	286,456	24,647,029	36,218,344	182,410	36,400,754
Opening adjustments from adoption of HKFRS 9 and HKFRS 15	採納香港財務報告準則第9條及香港財務報告準則第15號所產生之期初調整	-	-	-	-	-	-	13,916	13,916	-	13,916
Profit for the period	期內利潤	-	-	-	-	-	-	848,179	848,179	830	849,009
Other comprehensive loss for the period:	期內其他全面虧損：										
Exchange differences on translation of foreign operations	換算海外業務的匯兌差額	-	-	-	(4,107,745)	-	-	-	(4,107,745)	(17,250)	(4,124,995)
Total comprehensive loss	全面虧損總額	-	-	-	(4,107,745)	-	-	848,179	(3,259,566)	(16,420)	(3,275,986)
Disposal of subsidiaries	出售附屬公司	-	(1,543)	-	(6,119)	-	-	-	(7,662)	-	(7,662)
Acquisition of a subsidiary	收購一家附屬公司	-	-	-	-	-	-	-	-	(6,401)	(6,401)
Equity-settled share option arrangement	以權益結算的購股權安排	25	-	13,568	-	-	-	-	13,568	-	13,568
Lapse of share options	購股權失效	-	-	(9,250)	-	-	-	9,250	-	-	-
Final 2017/18 dividend	2017/18末期股息	-	-	-	-	-	-	(239,140)	(239,140)	-	(239,140)
Transfer from retained profits	轉發自保留利潤	-	162,191	-	-	-	-	(162,191)	-	-	-
At 30 September 2018 (unaudited)	於2018年9月30日(未經審核)	7,060,973	2,162,359	207,113	(1,818,643)	(275,841)	286,456	25,117,043	32,739,460	159,589	32,899,049

Interim Condensed Consolidated Statement of Changes in Equity (Continued)

中期簡明綜合權益變動表(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

		Attributable to owners of the parent 母公司擁有人應佔							Non-controlling interests 非控股權益		Total equity 權益總額
		Share capital 股本	Statutory surplus reserve 法定盈餘儲備	Share option reserve 購股權儲備	Exchange fluctuation reserve 匯兌波動儲備	Capital reserve 資本儲備	Revaluation reserve 重估儲備	Retained profits 保留利潤	Total 總計		
Notes 附註		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 April 2019 (audited)	於2019年4月1日(經審核)	7,222,312	2,595,496	161,821	(971,340)	(275,841)	286,456	26,971,689	35,990,593	159,234	36,149,827
Profit for the period	期內利潤	-	-	-	-	-	-	628,170	628,170	2,071	630,241
Other comprehensive loss for the period:	期內其他全面虧損:										
Exchange differences on translation of foreign operations	換算海外業務的匯兌差額	-	-	-	(2,478,708)	-	-	-	(2,478,708)	(5,199)	(2,483,907)
Total comprehensive loss	全面虧損總額	-	-	-	(2,478,708)	-	-	628,170	(1,850,538)	(3,128)	(1,853,666)
Shares repurchase	股本回購	24	-	-	-	-	-	(10,379)	(10,379)	-	(10,379)
Acquisition of non-controlling interests	收購非控股權益		-	-	-	22,278	-	-	22,278	(84,776)	(62,498)
Equity-settled share option arrangement	以權益結算的購股權安排	25	-	-	1,006	-	-	-	1,006	-	1,006
Lapse of share options	購股權失效		-	-	(80,897)	-	-	80,897	-	-	-
Final 2018/19 dividend	2018/19末期股息	10	-	-	-	-	-	(405,361)	(405,361)	-	(405,361)
Transfer from retained profits	轉撥自保留利潤		-	65,827	-	-	-	(65,827)	-	-	-
At 30 September 2019 (unaudited)	於2019年9月30日(未經審核)	7,222,312	2,661,323*	81,930*	(3,450,048)*	(253,563)*	286,456*	27,199,189*	33,747,599	71,330	33,818,929

* These reserve accounts comprise the consolidated other reserves of HK\$26,525,287,000 (31 March 2019: HK\$28,768,281,000) in the interim condensed consolidated statement of financial position.

* 該等其他儲備賬包括中期簡明綜合財務狀況表所載的綜合其他儲備26,525,287,000港元(2019年3月31日: 28,768,281,000港元)。

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

中期簡明綜合現金流量表

For the six months ended 30 September 2019 截至2019年9月30日止六個月

		For the six months ended 30 September 截至9月30日止六個月	
		2019 2019年 HK\$'000 千港元 (Unaudited) (未經審核)	2018 2018年 HK\$'000 千港元 (Unaudited) (未經審核)
Notes 附註			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,421,477	1,919,211
Adjustments for:			
Finance costs	融資成本	302,333	302,074
Interest income	利息收入	(82,693)	(52,215)
Loss on disposal of items of property, plant and equipment	出售物業、廠房及 設備項目虧損	101	365
Depreciation of property, plant and equipment	物業、廠房及設備項目折舊	61,297	70,858
Depreciation of right-of-use assets/ amortization of prepaid land lease payments	使用權資產折舊/ 預付土地出租金攤銷	39,032	16,525
Changes in fair value of investment properties	投資物業公平值變動	(278,361)	(875,971)
Provision for impairment of trade receivables	應收貿易賬款減值撥備	58,222	26,277
Impairment of goodwill	商譽減值	–	134,228
Fair value losses/(gains) on financial assets at fair value through profit or loss, net	透過損益以公平值列賬之金融 資產虧損/(收益)·淨值	8,531	(1,206)
Loss on disposal of financial assets at fair value through profit or loss, net	透過損益以公平值列賬之金融 資產出售虧損·淨值	–	16,043
Losses/(gains) on disposal of subsidiaries	處置附屬公司虧損/(收益)	12	(24,515)
Gain on repurchase of the senior notes	回購優先票據之收益	(18,177)	(70,283)
Gain on repurchase of the asset-backed securities	回購資產支持證券之收益	(19,510)	–
Equity-settled share option expense	以權益結算的購股權開支	1,006	13,568
		1,493,270	1,474,959
Decrease in properties held for finance lease and sale	持作融資租賃及銷售物業減少	109,936	2,922,133
Decrease in inventories	存貨減少	8,793	2,888
Decrease in trade receivables	應收貿易賬款減少	357,673	263,316
Increase in contract assets	合約資產增加	(2,584)	(14,083)
Increase in other long term receivables	其他長期應收款項增加	(221,721)	–
Increase in prepayments, other receivables and other assets	預付款項、其他應收款項 及其他資產增加	(51,561)	(200,719)
Decrease/(increase) in restricted cash	受限制現金減少/(增加)	59,260	(1,321,994)
Increase in contract liabilities	合約負債增加	1,207,385	1,320,039
Increase in trade and other payables	貿易及其他應付款項增加	1,792,067	2,185,785
Cash generated from operations	經營所得的現金	4,752,518	6,632,324
Overseas taxes paid	已付海外稅項	(737,165)	(1,180,778)
Net cash flows from operating activities	經營活動現金流入淨額	4,015,353	5,451,546

Interim Condensed Consolidated Statement of Cash Flows (Continued)
 中期簡明綜合現金流量表(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

		For the six months ended 30 September 截至9月30日止六個月	
		2019 2019年 HK\$'000 千港元 (Unaudited) (未經審核)	2018 2018年 HK\$'000 千港元 (Unaudited) (未經審核)
Notes 附註			
CASH FLOWS FROM INVESTING ACTIVITIES 投資活動現金流量			
	購買物業、廠房及設備項目		
	11	(15,101)	(28,468)
	出售物業、廠房及設備項目所得款項	6,197	7,304
	購買／處置透過損益以公平值列賬之金融資產現金淨額	108,651	(59,184)
	流入／(流出)	—	1,855
	收購一家附屬公司	(12)	25,000
	處置附屬公司現金淨額	(1,588,850)	(3,951,741)
	(流出)／流入	82,693	52,215
	發展中物業添置		
	已收利息		
	Net cash flows used in investing activities	(1,406,422)	(3,953,019)
CASH FLOWS FROM FINANCING ACTIVITIES 融資活動現金流量			
	發行境內公司債券	1,566,839	—
	發行中期票據	661,169	—
	發行優先票據	473,241	1,964,754
	短期融資券利息付款	—	(28,388)
	優先票據利息付款	(530,007)	(312,575)
	中期票據利息付款	(179,940)	(353,059)
	企業債券利息付款	—	(123,984)
	境內公司債券利息付款	(108,529)	(113,238)
	償還中期票據	(2,217,200)	(2,352,443)
	償還短期融資券	—	(614,885)
	償還境內公司債	(1,584,380)	—
	回購優先票據付款	(273,674)	(318,847)
	贖回企業債券	(534)	(1,866,186)
	新借銀行及其他貸款	6,451,417	4,744,583
	償還銀行及其他貸款	(5,563,351)	(4,020,670)
	回購股份	(10,379)	—
	收購非控股權益	(62,498)	—
	支付租賃的本金部份	(22,879)	—
	已付銀行及其他貸款利息	(678,799)	(567,010)
	Net cash flows used in financing activities	(2,079,504)	(3,961,948)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS 現金及現金等價物增加／(減少)淨額			
	期初的現金及現金等價物	529,427	(2,463,421)
	Effect of foreign exchange rate changes, net	5,933,832	8,204,333
	匯率變動影響淨額	(382,184)	(599,652)
CASH AND CASH EQUIVALENTS AT END OF PERIOD 期末的現金及現金等價物			
	17	6,081,075	5,141,260
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS 現金及現金等價物結餘分析			
	現金及現金等價物	6,081,075	5,141,260

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

中期簡明綜合財務資料附註

For the six months ended 30 September 2019 截至2019年9月30日止六個月

1. Corporate Information

China South City Holdings Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Room 2205, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The principal activities of the Company and its subsidiaries (collectively referred to as the “Group”) are described in note 4.

2. Basis of Preparation and Other Information

Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 September 2019 has been prepared in accordance with HKAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2019.

Other Information

The financial information relating to the year ended 31 March 2019 that is included in the interim condensed consolidated statement of financial position as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

1. 公司資料

華南城控股有限公司(「本公司」)在香港註冊成立為有限公司。本公司註冊辦事處位於香港九龍尖沙咀廣東道15號港威大廈永明金融大樓22樓2205室。本公司及其附屬公司(統稱為「本集團」)之主要業務描述於附註4。

2. 編製基準及其他資料

編製基準

截至2019年9月30日止六個月的中期簡明綜合財務資料乃根據香港會計準則(「香港會計準則」)第34號「中期財務報告」編製。

中期簡明綜合財務資料不包括年度財務報表規定的所有資料及披露，並應與本集團截至2019年3月31日止年度的年度綜合財務報表一併閱讀。

其他資料

與截至2019年3月31日止年度有關並包括在中期簡明綜合財務狀況表內作為比較資料的財務資料，並不構成本公司該年度的法定年度合併財務報表，但摘錄自該等財務報表。根據香港《公司條例》第436條須披露與此等法定財務報表有關的進一步資料如下：

本公司已根據香港《公司條例》第662(3)條及附表6第3部分的規定，向公司註冊處呈交截至2019年3月31日止年度的財務報表。

本公司核數師已就該財務報表作出報告。核數師報告為無保留意見，不包括對某些事項的參照而核數師透過強調事項籲請關注而無對其報告作出保留意見；以及不包含香港《公司條例》第406(2)條、407(2)或(3)條規定的聲明。

Notes to Interim Condensed Consolidated Financial Information (Continued)

中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 April 2019.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
HKFRS 16	<i>Leases</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
<i>Annual Improvements 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

3. 會計政策的變更及披露

編製中期簡明合併財務資料所採納的會計政策與編製本集團截至2019年3月31日止年度之年度合併財務報表所應用者一致，惟採納截至2019年4月1日起生效之新訂及經修訂香港財務報告準則除外。

香港財務報告準則第9號修訂本	具有負補償的提前償付特徵
香港財務報告準則第16號	租賃
香港會計準則第19號修訂本	計劃修訂、縮減或清償
香港會計準則第28號修訂本	於聯營公司及合營企業的長期權益
香港(國際財務報告詮釋委員會)–詮釋第23號	所得稅處理的不確定性
2015年至2017年週期之年度改進	香港財務報告準則第3號、香港財務報告準則第11號、香港會計準則第12號及香港會計準則第23號之修訂

Notes to Interim Condensed Consolidated Financial Information (Continued)

中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

3. Changes in Accounting Policies and Disclosures

(Continued)

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

- (a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019, and the comparative information was not restated and continues to be reported under HKAS 17.

3. 會計政策的變更及披露(續)

除下文所述有關香港財務報告準則第16號租賃之影響外，新訂及經修訂準則與本集團之中期簡明合併財務資料之編製無關。該等新訂及經修訂香港財務報告準則之性質及影響敘述如下：

- (a) 香港財務報告準則第16號取代香港會計準則第17號租賃、香港(國際財務報告詮釋委員會)–詮釋第4號釐定安排是否包括租賃、香港(常務詮釋委員會)–詮釋第15號經營租賃–優惠及香港(常務詮釋委員會)–詮釋第27號評估涉及租賃法律形式交易之實質內容。該準則載列確認、計量、呈列及披露租賃之原則，並要求承租人就所有租賃按單一資產負債表模式入賬。香港財務報告準則第16號大致沿用香港會計準則第17號內出租人之會計處理方式。出租人將繼續使用與香港會計準則第17號類似之原則將租賃分類為經營租賃或融資租賃。因此，香港財務報告準則第16號對本集團作為出租人之租賃並無任何財務影響。

本集團已採納經修訂追溯方法採納香港財務報告準則第16號(於2019年4月1日首次應用)。根據此方法，追溯應用準則將對首次採納之累計影響作為對2019年4月1日保留盈利期初結餘之調整，而比較資料並無重列且繼續根據香港會計準則第17號呈報。

Notes to Interim Condensed Consolidated Financial Information (Continued)
中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

3. Changes in Accounting Policies and Disclosures

(Continued)

(a) (Continued)

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

3. 會計政策的變更及披露(續)

(a) (續)

租賃之新定義

根據香港財務報告準則第16號，倘合約為換取代價而授予在一段期間內已識別資產之使用控制權，則該合約為租賃或包含租賃。倘客戶有權從使用可識別資產中獲取絕大部分經濟利益及有權主導已識別資產之使用，則表示擁有控制權。本集團選擇使用過渡可行權宜方法，僅在首次應用日期對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號識別為租賃之合約應用該準則。根據香港會計準則第17號及香港(國際財務報告詮釋委員會)－詮釋第4號未有識別為租賃之合約並未予以重新評估。因此，香港財務報告準則第16號之租賃定義僅應用於2019年4月1日或之後訂立或變更之合約。

在包含租賃組成部分之合約開始時或獲重新評估時，本集團將該合約之代價分配至各租賃組成部分及非租賃組成部分(以其獨立價格為基準)。承租人可採用可行權宜方法(而本集團已採用此方法)不將非租賃組成部分分開，而將租賃組成部分與相關之非租賃組成部分(如物業租賃之物業管理服務)作為一項單一租賃組成部分入賬。

Notes to Interim Condensed Consolidated Financial Information (Continued)
中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

3. Changes in Accounting Policies and Disclosures

(Continued)

(a) (Continued)

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land, property and machinery. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognize and measure right-of-use assets and lease liabilities for all leases, except for an elective exemption for leases of short-term leases (elected by class of underlying asset). The Group has elected not to recognize right-of-use assets and lease liabilities for leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019 and included in trade and other payables and other long term payables.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and building (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 April 2019. They continue to be measured at fair value applying HKAS 40.

3. 會計政策的變更及披露(續)

(a) (續)

作為承租人 – 先前分類為經營租賃之租賃

採納香港財務報告準則第16號之影響性質

本集團擁有多項土地、物業及機器之租賃合約。作為承租人，本集團先前按租賃是否評估為已將其資產所有權之絕大部分回報及風險轉予本集團，將租賃分類為融資租賃或經營租賃。根據香港財務報告準則第16號，本集團就所有租賃應用單一之方法確認及計量使用權資產及租賃負債，惟就短期租賃(按相關資產類別選擇)選擇豁免。本集團已選擇不就於生效日期租賃期為12個月或以下之租賃確認使用權資產及租賃負債。取而代之，本集團將有關該等租賃之租賃付款在租賃期內按直線法確認為開支。

過渡之影響

於2019年4月1日之租賃負債按剩餘租賃付款之現值確認(使用於2019年4月1日之增量借貸利率貼現)以及包括貿易及其他應付款項和其他長期應付款。

使用權資產按租賃負債之金額計量，並以任何與緊接2019年4月1日前在財務狀況表確認之租賃有關之預付或應計租賃付款之金額予以調整。所有該等資產均於該日期按香港會計準則第36號作減值評估。本集團選擇在財務狀況表內獨立呈列使用權資產。

就先前計入投資物業及按公平值計量之租賃土地及樓宇(持作以賺取租金收入及／或資本增值)，本集團於2019年4月1日繼續將其列為投資物業。有關項目繼續應用香港會計準則第40號按公平值計量。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

3. Changes in Accounting Policies and Disclosures

(Continued)

(a) (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

3. 會計政策的變更及披露(續)

(a) (續)

作為承租人 – 先前分類為經營租賃之租賃 (續)

過渡之影響 (續)

於2019年4月1日應用香港財務報告準則第16號時，本集團已使用以下選擇性可行權宜方法：

- 對租賃期由首次應用日期起12個月內終止之租賃應用短期租賃豁免
- 倘合約包含延期／終止租賃之選擇權，則使用事後方式釐定租賃期

於2019年4月1日因採納香港財務報告準則第16號所產生之影響如下：

		Increase/(decrease) 增加／(減少) HK\$'000 千港元 (Unaudited) (未經審核)
Assets	資產	
Increase in right-of-use assets	使用權資產增加	1,483,578
Decrease in prepaid land lease payments	預付土地出租金減少	(1,328,747)
Decrease in prepayments, other receivables and other assets	預付款項、其他應收款項及其他資產減少	(35,036)
Increase in total assets	資產總值增加	119,795
Liabilities	負債	
Increase in trade and other payables	貿易及其他應付款項增加	48,262
Increase in other long term payables	其他長期應付款項增加	71,533
Increase in total liabilities	負債總額增加	119,795

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

3. Changes in Accounting Policies and Disclosures

(Continued)

(a) (Continued)

As a lessee – Leases previously classified as operating leases (Continued)

Impacts on transition (Continued)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

		HK\$'000 千港元 (Unaudited) (未經審核)
Operating lease commitments as at 31 March 2019	於2019年3月31日之經營租賃承擔	152,512
Weighted average incremental borrowing rate as at 1 April 2019	於2019年4月1日之加權平均增量借貸利率	6.84%
Discounted operating lease commitments as at 1 April 2019	於2019年4月1日之貼現經營租賃承擔	124,258
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 March 2020	減：與短期租賃及剩餘租賃期在2020年3月31日或之前屆滿之租賃相關承擔	4,463
Lease liabilities as at 1 April 2019	於2019年4月1日之租賃負債	119,795

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

3. 會計政策的變更及披露(續)

(a) (續)

作為承租人 – 先前分類為經營租賃之租賃 (續)

過渡之影響 (續)

於2019年4月1日之租賃負債與於2019年3月31日之經營租賃承擔對賬如下：

新會計政策概要

自2019年4月1日採納香港財務報告準則第16號起，截至2019年3月31日止年度之年度財務報表所披露有關租賃之會計政策由以下新會計政策取代：

Notes to Interim Condensed Consolidated Financial Information (Continued)
中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

3. Changes in Accounting Policies and Disclosures

(Continued)

(a) (Continued)

Summary of new accounting policies (Continued)

Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as properties under development, properties held for finance lease and properties held for sale, they are subsequently measured at the lower of cost and net realizable value in accordance with the Group's policy for "properties under development", "properties held for finance lease" and "properties held for sale". The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for investment properties.

Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

3. 會計政策的變更及披露(續)

(a) (續)

新會計政策概要(續)

使用權資產

使用權資產在租賃生效日期確認。使用權資產按成本減任何累計折舊及減值虧損計量，並就任何租賃負債之重新計量作出調整。當使用權資產與作為發展中物業、持作融資租賃物業及持作銷售物業之租賃土地之權益相關時，有關使用權資產根據本集團之「發展中物業」、「持作融資租賃物業」及「持作銷售物業」政策在其後按成本與可變現淨值之較低者計量。使用權資產之成本包括已確認之租賃負債金額、已產生之初始直接成本及在生效日期或之前作出之租賃付款減任何已收取之租賃優惠。除非本集團合理確定將在租賃期屆滿時取得租賃資產之所有權，否則已確認之使用權資產在其估計可使用年期或租賃期(以較短者為準)內按直線法計提折舊。當使用權資產符合投資物業之定義時，其計入投資物業中。相應之使用權資產初步按成本計量，其後根據本集團之政策按公平值計量。

租賃負債

租賃負債於租賃生效日期以租賃期內租賃付款之現值確認。租賃付款包括固定付款(包括實質固定付款)減任何應收租賃優惠、基於指數或利率之可變租賃付款及剩餘價值擔保下之預期支付款項。租賃付款亦包括合理確定將由本集團行使之購買權之行使價及為終止租賃而支付之罰款(倘租賃期反映本集團正行使終止權)。並非基於指數或利率之可變租賃付款將在導致付款之事件或條件所發生期間確認為開支。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

3. Changes in Accounting Policies and Disclosures

(Continued)

(a) (Continued)

Summary of new accounting policies (Continued)

Lease liabilities (Continued)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Amounts recognized in the interim condensed consolidated statement of financial position and profit or loss (Continued)

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within "trade and other payables" and "other long term payables"), and the movement during the period are as follow:

		Right-of-use assets 使用權資產				Lease liabilities 租賃負債
		Land 土地 HK\$'000 千港元	Property 物業 HK\$'000 千港元	Machinery 機器 HK\$'000 千港元	Total 合計 HK\$'000 千港元	HK\$'000 千港元
As at 1 April 2019	於2019年4月1日	1,362,834	120,602	142	1,483,578	119,795
Additions	添置	–	107	–	107	115
Transfer to properties held for sale	轉撥至持作銷售物業	(87,264)	–	–	(87,264)	–
Depreciation charge	折舊支出	(16,960)	(22,025)	(47)	(39,032)	–
Interest expense	利息開支	–	–	–	–	3,197
Exchange realignment	匯兌調整	(65,064)	(5,466)	(6)	(70,536)	(5,475)
Payments	付款	–	–	–	–	(22,879)
As at 30 September 2019	於2019年9月30日	1,193,546	93,218	89	1,286,853	94,753

3. 會計政策的變更及披露(續)

(a) (續)

新會計政策概要(續)

租賃負債(續)

在計算租賃付款之現值時，倘租賃中隱含之利率不易釐定，則本集團採用在租賃生效日期之增量借貸利率。在生效日期之後，租賃負債之金額予以增加以反映利息之累增，並就已作出之租賃付款予以減少。此外，如有修改、租賃付款日後因指數或利率變動出現變動、租賃期發生變化、實質固定租賃付款變化或購買相關資產之評估變化，則租賃負債之賬面值會重新計量。

於中期簡明綜合財務狀況表及損益表中確認之金額(續)

本集團使用權資產及租賃負債(包括含在「貿易及其他應付款項」和「其他長期應付款項」)之賬面值以及於期內之變動如下：

Notes to Interim Condensed Consolidated Financial Information (Continued)

中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

4. Segment Information

For management purposes, the Group is organized into business units based on their products and services and has four reportable operating segments as follows:

- (i) the property development segment engages in the development of integrated logistics and trade centers and residential and commercial ancillary facilities;
- (ii) the property investment segment invests in integrated logistics and trade centers and residential and commercial ancillary facilities;
- (iii) the property management segment engages in the management of the Group's developed properties; and
- (iv) the "others" segment comprises, principally, the provision of advertising, exhibition, warehousing and logistics services, outlet operations, micro-credit services, E-commerce services and other services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, gains/(losses) from the Group's financial instruments, head office, corporate expenses and unallocated income, gains and cost of sales are excluded from this measurement.

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, senior notes, medium-term notes, corporate bonds, domestic company bonds, tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

No geographical segment analysis is presented as the majority of the assets and operations of the Group are located in the People's Republic of China ("PRC"), which is considered as one geographical location in an economic environment with similar risks and returns.

There were no sales to a single customer which amounted to 10% or more of the Group's revenue during the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

4. 分部資料

就管理而言，本集團按其產品及服務劃分為不同的業務單位，並具備以下四個可申報營運分部：

- (i) 物業發展分部從事發展綜合物流及商品交易中心及住宅及商業配套設施；
- (ii) 物業投資分部投資綜合物流及商品交易中心及住宅及商業配套設施；
- (iii) 物業管理分部從事管理本集團的已建成物業；及
- (iv) 「其他」分部主要包括提供廣告、展覽、倉儲與物流服務、奧特萊斯運營、小額貸款服務、電子商貿服務及其他服務。

管理層會獨立監察營運分部之業績而作出資源分配決定及評定其表現。分部表現乃根據可呈報分部利潤/(虧損)(即經調整稅前利潤/(虧損))來評估。經調整稅前利潤/(虧損)與本集團稅前利潤計量方式一致，惟利息收入、融資成本、本集團金融工具公平值收益/(虧損)、總辦事處、公司開支及未分配收入、收益及銷售成本均無計算在內。

分部資產不包括現金及現金等價物及其他未分配總辦事處及公司資產，原因為該等資產按集團整體管理。

分部負債不包括計息銀行及其他借貸、優先票據、中期票據、企業債券、境內公司債券、應付稅項及其他未分配總辦事處及公司負債，原因為該等負債按集團整體管理。

分部間銷售及轉讓乃參考當時向第三方按市價作出銷售的售價進行。

由於本集團的大部分資產及經營均位於中國(被視為處於具類似風險及回報的經濟環境的一個地理位置)，本集團並無呈列地理分部分析。

截至2019年9月30日止六個月，並無單一客戶的銷售為本集團收入貢獻10%或以上(截至2018年9月30日止六個月：無)。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

4. Segment Information (Continued)

4. 分部資料(續)

Six months ended 30 September 2019	截至2019年9月30日 止六個月	Property development 物業發展 HK\$'000 千港元 (Unaudited) (未經審核)	Property investment 物業投資 HK\$'000 千港元 (Unaudited) (未經審核)	Property management 物業管理 HK\$'000 千港元 (Unaudited) (未經審核)	Others 其他 HK\$'000 千港元 (Unaudited) (未經審核)	Total 總計 HK\$'000 千港元 (Unaudited) (未經審核)
Segment revenue:	分部收入:					
Sales to external customers	對外部客戶銷售	4,630,099	389,268	324,566	483,225	5,827,158
Intersegment sales	分部間銷售	–	164,319	77,654	127,282	369,255
<i>Reconciliation</i>	<i>對賬</i>	4,630,099	553,587	402,220	610,507	6,196,413
Elimination of intersegment sales	分部間銷售對銷					(369,255)
Revenue	收入					5,827,158
Segment results before increase in fair value of investment properties	投資物業公平值增加前 分部業績	1,723,175	390,705	112,434	151,470	2,377,784
Increase in fair value of investment properties	投資物業公平值增加	–	278,361	–	–	278,361
Segment results after increase in fair value of investment properties	投資物業公平值增加後 分部業績	1,723,175	669,066	112,434	151,470	2,656,145
Unallocated cost of sales	未分配銷售成本					(130,696)
Interest income	利息收入					82,693
Fair value losses on financial assets at fair value through profit or loss, net	透過損益以公平值列賬之金融 資產的公平值虧損，淨額					(8,531)
Unallocated income and gains	未分配收入及收益					98,114
Unallocated expenses	未分配開支					(973,915)
Finance costs	融資成本					(302,333)
Profit before tax	稅前利潤					1,421,477
As at 30 September 2019	於2019年9月30日					
Segment assets	分部資產	46,653,717	49,807,775	111,664	1,280,008	97,853,164
<i>Reconciliation:</i>	<i>對賬:</i>					
Unallocated assets	未分配資產					12,827,449
Total assets	資產總值					110,680,613
Segment liabilities	分部負債	17,892,322	7,892,910	134,381	603,755	26,523,368
<i>Reconciliation:</i>	<i>對賬:</i>					
Unallocated liabilities	未分配負債					50,338,316
Total liabilities	負債總額					76,861,684

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

4. Segment Information (Continued)

4. 分部資料(續)

Six months ended 30 September 2018	截至2018年9月30日 止六個月	Property development 物業發展 HK\$'000 千港元 (Unaudited) (未經審核)	Property investment 物業投資 HK\$'000 千港元 (Unaudited) (未經審核)	Property management 物業管理 HK\$'000 千港元 (Unaudited) (未經審核)	Others 其他 HK\$'000 千港元 (Unaudited) (未經審核)	Total 總計 HK\$'000 千港元 (Unaudited) (未經審核)
Segment revenue:	分部收入:					
Sales to external customers	對外部客戶銷售	4,175,933	377,609	204,768	454,137	5,212,447
Intersegment sales	分部間銷售	–	68,820	170,790	75,439	315,049
<i>Reconciliation</i>	<i>對賬</i>	4,175,933	446,429	375,558	529,576	5,527,496
Elimination of intersegment sales	分部間銷售對銷					(315,049)
Revenue	收入					5,212,447
Segment results before increase in fair value of investment properties and impairment of goodwill	投資物業公平值增加及商譽減值前分部業績	1,669,970	336,905	53,908	244,925	2,305,708
Increase in fair value of investment properties	投資物業公平值增加	–	875,971	–	–	875,971
Impairment of goodwill	商譽減值	–	(134,228)	–	–	(134,228)
Segment results after increase in fair value of investment properties and impairment of goodwill	投資物業公平值增加及商譽減值後分部業績	1,669,970	1,078,648	53,908	244,925	3,047,451
Unallocated cost of sales	未分配銷售成本					(188,753)
Interest income	利息收入					52,215
Fair value gain on financial assets at fair value through profit or loss, net	透過損益以公平值列賬之金融資產的公平值收益，淨額					1,206
Loss on disposal of financial assets at fair value through profit or loss, net	透過損益以公平值列賬之金融資產出售虧損，淨額					(16,043)
Unallocated income and gains	未分配收入及收益					355,600
Unallocated expenses	未分配開支					(1,030,391)
Finance costs	融資成本					(302,074)
Profit before tax	稅前利潤					1,919,211
As at 31 March 2019 (Audited)	於2019年3月31日(經審核)					
Segment assets	分部資產	45,906,024	52,709,250	130,837	1,379,046	100,125,157
<i>Reconciliation:</i>	<i>對賬:</i>					
Unallocated assets	未分配資產					12,981,805
Total assets	資產總值					113,106,962
Segment liabilities	分部負債	18,804,518	9,034,233	156,672	705,826	28,701,249
<i>Reconciliation:</i>	<i>對賬:</i>					
Unallocated liabilities	未分配負債					48,255,886
Total liabilities	負債總額					76,957,135

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

5. Revenue, Other Income and Gains, Fair Value Gains on Investment Properties

An analysis of revenue is as follows:

5. 收入、其他收入及收益、投資物業公平值收益

收入分析如下：

		For the six months ended 30 September 截至9月30日止六個月	
		2019 2019年 HK\$'000 千港元 (Unaudited) (未經審核)	2018 2018年 HK\$'000 千港元 (Unaudited) (未經審核)
Revenue from contracts with customers	客戶合約收入		
Sales of properties	物業銷售	4,603,754	4,139,698
Property management service income	物業管理服務收入	324,566	204,768
Others*	其他*	338,843	332,676
		5,267,163	4,677,142
Revenue from other sources	其他來源收入		
Rental Income	租賃收入	389,268	377,609
Financial lease income	融資租賃收入	26,345	36,235
Others*	其他*	144,382	121,461
		559,995	535,305
		5,827,158	5,212,447

* Others include amounts of HK\$201,303,000 (six months ended 30 September 2018: HK\$168,596,000) related to income from outlet operations and HK\$196,392,000 (six months ended 30 September 2018: HK\$134,910,000) related to income from warehousing and logistics services.

* 其他已包括奧特萊斯運營收入201,303,000港元(截至2018年9月30日止六個月：168,596,000港元)及倉儲與物流服務收入196,392,000港元(截至2018年9月30日止六個月：134,910,000港元)。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

5. Revenue, Other Income and Gains, Fair Value Gains on Investment Properties (Continued)
Revenue from contracts with customers
Disaggregated revenue information

5. 收入、其他收入及收益、投資物業公平值收益(續)
客戶合約收入
分類收入資料

For the six months ended 30 September 2019

截至2019年9月30日止六個月

Segments	分部	Property development 物業發展 HK\$'000 千港元 (unaudited) (未經審核)	Property management 物業管理 HK\$'000 千港元 (unaudited) (未經審核)	Others 其他 HK\$'000 千港元 (unaudited) (未經審核)	Total 總計 HK\$'000 千港元 (unaudited) (未經審核)
Timing of revenue recognition	收入確認時間				
Goods transferred at a point in time	在某一時點轉移的貨品	4,603,754	–	227,826	4,831,580
Services transferred over time	於一段時間內轉移的服務	–	324,566	111,017	435,583
Total revenue from contracts with customers	總客戶合約收入	4,603,754	324,566	338,843	5,267,163

For the six months ended 30 September 2018

截至2018年9月30日止六個月

Segments	分部	Property development 物業發展 HK\$'000 千港元 (unaudited) (未經審核)	Property management 物業管理 HK\$'000 千港元 (unaudited) (未經審核)	Others 其他 HK\$'000 千港元 (unaudited) (未經審核)	Total 總計 HK\$'000 千港元 (unaudited) (未經審核)
Timing of revenue recognition	收入確認時間				
Goods transferred at a point in time	在某一時點轉移的貨品	4,139,698	–	189,716	4,329,414
Services transferred over time	於一段時間內轉移的服務	–	204,768	142,960	347,728
Total revenue from contracts with customers	總客戶合約收入	4,139,698	204,768	332,676	4,677,142

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

5. Revenue, Other Income and Gains, Fair Value Gains on Investment Properties (Continued)

Revenue from contracts with customers (Continued)

Disaggregated revenue information (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the six months ended 30 September 2019

Segments	分部	Property development 物業發展 HK\$'000 千港元 (unaudited) (未經審核)	Property management 物業管理 HK\$'000 千港元 (unaudited) (未經審核)	Others 其他 HK\$'000 千港元 (unaudited) (未經審核)	Total 總計 HK\$'000 千港元 (unaudited) (未經審核)
Revenue from contracts with customers	客戶合約收入				
External customers	外部客戶	4,603,754	324,566	338,843	5,267,163
Intersegment sales	分部間銷售	–	77,654	109,307	186,961
		4,603,754	402,220	448,150	5,454,124
Intersegment adjustments and eliminations	分部間銷售調整及對銷	–	(77,654)	(109,307)	(186,961)
Total revenue from contracts with customers	總客戶合約收入	4,603,754	324,566	338,843	5,267,163

截至2019年9月30日止六個月

For the six months ended 30 September 2018

Segments	分部	Property development 物業發展 HK\$'000 千港元 (unaudited) (未經審核)	Property management 物業管理 HK\$'000 千港元 (unaudited) (未經審核)	Others 其他 HK\$'000 千港元 (unaudited) (未經審核)	Total 總計 HK\$'000 千港元 (unaudited) (未經審核)
Revenue from contracts with customers	客戶合約收入				
External customers	外部客戶	4,139,698	204,768	332,676	4,677,142
Intersegment sales	分部間銷售	–	170,790	61,212	232,002
		4,139,698	375,558	393,888	4,909,144
Intersegment adjustments and eliminations	分部間銷售調整及對銷	–	(170,790)	(61,212)	(232,002)
Total revenue from contracts with customers	總客戶合約收入	4,139,698	204,768	332,676	4,677,142

截至2018年9月30日止六個月

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

5. Revenue, Other Income and Gains, Fair Value Gains on Investment Properties (Continued) 5. 收入、其他收入及收益、投資物業公平值收益(續)

		For the six months ended 30 September 截至9月30日止六個月	
		2019 2019年 HK\$'000 千港元 (Unaudited) (未經審核)	2018 2018年 HK\$'000 千港元 (Unaudited) (未經審核)
Other income	其他收入		
Interest income	利息收入	82,693	52,215
Government grants*	政府補貼*	30,113	240,105
Others	其他	36,995	32,944
		149,801	325,264
Gains/(losses)	收益/(虧損)		
Fair value (losses)/gains on financial assets at fair value through profit or loss, net	透過損益以公平值列賬之金融資產的公平值(虧損)/收益，淨額	(8,531)	1,206
(Losses)/gains on disposal of subsidiaries	處置附屬公司(虧損)/收益	(12)	24,515
Losses on disposal of financial assets at fair value through profit or loss, net	透過損益以公平值列賬之金融資產出售虧損，淨額	–	(16,043)
Gains on repurchase of asset-backed securities (note 19)	回購資產支持證券之收益(附註19)	19,510	–
Gains on repurchase of senior note (note 20)	回購優先票據之收益(附註20)	18,177	70,283
Exchange losses, net	匯兌虧損，淨額	(6,669)	(12,247)
		22,475	67,714
		172,276	392,978
Fair value gains on investment properties	投資物業公平值收益	278,361	875,971

* Various government grants have been received from the relevant government authorities to foster and support the development of the relevant projects of the Group in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

* 若干政府補貼為相關政府部門給予本集團，以培育及扶持本集團於中國大陸項目的發展。該等補貼沒有未履行之條件或或然事件。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

6. Finance Costs

An analysis of finance costs is as follows:

6. 融資成本

融資成本之分析如下：

		For the six months ended 30 September 截至9月30日止六個月	
		2019 2019年 HK\$'000 千港元 (Unaudited) (未經審核)	2018 2018年 HK\$'000 千港元 (Unaudited) (未經審核)
Interest on bank and other borrowings (including senior notes, medium-term notes, corporate bonds, domestic company bonds and short-term notes)	銀行及其他借貸的利息 (包括優先票據、中期票據、 企業債券、境內公司債券及 短期融資券)	1,339,904	1,354,144
Interest on lease liabilities	租賃負債利息	3,197	–
Less: Interest capitalized	減：資本化利息	(1,040,768)	(1,052,070)
Total	總計	302,333	302,074

7. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

7. 稅前利潤

本集團的稅前利潤已扣除/(計入)下列各項：

		For the six months ended 30 September 截至9月30日止六個月	
		2019 2019年 HK\$'000 千港元 (Unaudited) (未經審核)	2018 2018年 HK\$'000 千港元 (Unaudited) (未經審核)
Cost of properties sold	已售物業成本	2,897,055	2,494,128
Cost of properties held for finance lease	融資租賃物業成本	9,869	11,835
Depreciation of property, plant and equipment	物業、廠房及設備之折舊	61,463	71,101
Less: Depreciation capitalized in respect of properties under development	減：就發展中物業的 資本化折舊	(166)	(243)
		61,297	70,858
Depreciation of right-of-use assets/ amortization of prepaid land lease payments	使用權資產折舊／預付土地出租金攤銷	39,032	16,525
Losses/(gains) on disposal of subsidiaries	處置附屬公司之虧損／(收益)	12	(24,515)
Provision for impairment of trade receivables*	應收貿易賬款減值撥備*	58,222	26,277
Equity-settled share option expense	以權益結算的購股權開支	1,006	13,568
Impairment of goodwill*	商譽減值*	–	134,228

* Included in "Other expenses" in the interim condensed consolidated statement of profit or loss.

* 計入中期簡明綜合損益表「其他開支」項內。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

8. Income Tax Expenses

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (six months ended 30 September 2018: Nil).

Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the provinces in which the Group operates.

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax at the statutory rate of 25% (six months ended 30 September 2018: 25%) on their respective taxable income during the period.

The PRC land appreciation tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land cost, borrowing costs and all property development expenditures.

8. 所得稅開支

於本期間，香港利得稅乃根據香港產生的估計應課稅溢利按16.5%(截至2018年9月30日止六個月：16.5%)的稅率計提。於本期間，由於本集團概無源自香港的應課稅利潤，故並無計提香港利得稅撥備(截至2018年9月30日止六個月：無)。

中國大陸的應課稅溢利稅項乃按本集團運營所在省份的現行稅率計提。

根據相關所得稅法，於本期間，中國附屬公司須就各自應課稅收入按法定稅率25%(截至2018年9月30日止六個月：25%)繳納企業所得稅。

中國土地增值稅按30%至60%不等的累進稅率就土地價值(即物業銷售所得款項減包括土地成本、借貸成本及所有物業發展開支在內的扣減開支)增值徵收。

		For the six months ended 30 September 截至9月30日止六個月	
		2019 2019年 HK\$'000 千港元 (Unaudited) (未經審核)	2018 2018年 HK\$'000 千港元 (Unaudited) (未經審核)
Current:	即期：		
Mainland China corporate income tax	中國大陸企業所得稅	360,370	447,058
LAT in Mainland China	中國大陸土地增值稅	429,874	348,736
Deferred:	遞延：		
Mainland China corporate income tax	中國大陸企業所得稅	93,580	353,017
LAT in Mainland China	中國大陸土地增值稅	(107,469)	(87,184)
Withholding tax on dividends	股息預扣稅	14,881	8,575
Total tax charged for the period	期內稅項支出總額	791,236	1,070,202

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

9. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 September 2019 and 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

9. 歸屬於母公司普通股權益持有人之每股盈利

每股基本盈利乃根據母公司普通股權益持有人應佔期內利潤及期內已發行股普通股的加權平均數計算。

由於尚未行使之購股權具反攤薄影響，故並無就攤薄對截至2018年及2019年9月30日止六個月所呈列之每股基本盈利金額作出調整。

每股基本及攤薄盈利的計算乃基於：

		For the six months ended 30 September 截至9月30日止六個月	
		2019 2019年 HK\$'000 千港元 (Unaudited) (未經審核)	2018 2018年 HK\$'000 千港元 (Unaudited) (未經審核)
Earnings	盈利		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	用於計算每股基本及攤薄盈利之母公司普通股權益持有人應佔利潤	628,170	848,179
		Number of shares 股數	
		2019 2019年	2018 2018年
Shares	股份		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	用於計算每股基本及攤薄盈利之期內已發行普通股的加權平均數	8,107,228,848	8,009,571,999

Notes to Interim Condensed Consolidated Financial Information (Continued)
中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

10. Dividends

The final dividend of HK5.0 cents per share amounting to HK\$405,361,000 for financial year ended 31 March 2019 was approved on 13 September 2019, which was paid on 21 October 2019.

At a meeting of the Board held on 20 November 2019, the directors resolved not to pay an interim dividend to shareholders (six months ended 30 September 2018: Nil).

11. Property, Plant and Equipment

During the six months ended 30 September 2019, the Group acquired items of property, plant and equipment with an aggregate cost of approximately HK\$15,101,000 (six months ended 30 September 2018: HK\$28,468,000).

Certain of the Group's buildings with an aggregate carrying value of approximately HK\$788,884,000 as at 30 September 2019 (31 March 2019: HK\$842,010,000) were pledged to secure general banking facilities granted to the Group (note 19).

At 30 September 2019, certificates of ownership in respect of certain buildings of the Group in the PRC with an aggregate carrying value of approximately HK\$764,269,000 had not been issued by the relevant PRC authorities (31 March 2019: HK\$1,027,547,000). The Group is in the process of obtaining the relevant certificates of ownership.

10. 股息

截至2019年3月31日之財政年度每股5.0港仙的末期股息已於2019年9月13日批准，總金額為405,361,000港元，並於2019年10月21日支付給股東。

本公司於2019年11月20日舉行的董事會會議上，董事議決不向股東派付中期股息(截至2018年9月30日止六個月：無)。

11. 物業、廠房及設備

截至2019年9月30日止六個月，本集團購入物業、廠房及設備項目，總成本約為15,101,000港元(截至2018年9月30日止六個月：28,468,000港元)。

於2019年9月30日，本集團賬面總值約788,884,000港元(2019年3月31日：842,010,000港元)的若干樓宇已抵押作為本集團獲授一般銀行融資的擔保(附註19)。

於2019年9月30日，本集團於中國賬面總值合共約764,269,000港元(2019年3月31日：1,027,547,000港元)的若干樓宇未獲相關中國機關發出所有權證。本集團現正辦理領取相關所有權證的手續。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

12. Investment Properties

12. 投資物業

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
Carrying amount at the beginning of period/year	期／年初的賬面值	52,464,934	48,135,043
Additions	添置	191,861	1,877,257
Transfer from properties under development	轉撥自發展中物業	114,458	343,819
Transfer from completed properties held for sale	轉撥自持作銷售竣工物業	—	4,227,857
Transfer to completed properties held for sale	轉撥至持作銷售竣工物業	(1,775,018)	(1,662,730)
Net gain from a fair value adjustment	公平值調整淨收益	278,361	2,793,403
Exchange realignment	匯兌調整	(2,881,020)	(3,249,715)
Carrying amount at the end of period/year	期／年末的賬面值	48,393,576	52,464,934

The Group's investment properties were revalued on 30 September 2019 by Savills at RMB43,652,874,000 (equivalent to approximately HK\$48,393,576,000) (31 March 2019: RMB45,003,374,000 (equivalent to HK\$52,464,943,000)), on an open market, existing use basis.

The Group's investment properties with an aggregate carrying value of approximately HK\$27,063,469,000 as at 30 September 2019 (31 March 2019: HK\$29,439,659,000) were pledged to secure general banking facilities granted to the Group (note 19).

The Group's investment properties with an aggregate carrying value of approximately HK\$42,415,923,000 as at 30 September 2019 (31 March 2019: HK\$46,228,050,000), are subject to sales restrictions.

The Group's investment properties consist of trade centers, commercial and other ancillary facilities in Mainland China. The Group's investment properties were revalued on 30 September 2019 based on valuations performed by Savills Valuation and Professional Services Limited, an independent professional qualified valuer, at HK\$48,393,576,000 on an open market, existing use basis. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance department has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

第一太平戴維斯於2019年9月30日重估本集團的投資物業，按公開市場現有用途基準的價值為人民幣43,652,874,000元(相等於約48,393,576,000港元)(2019年3月31日：人民幣45,003,374,000元(相等於約52,464,943,000港元))。

於2019年9月30日，本集團賬面總值約27,063,469,000港元(2019年3月31日：29,439,659,000港元)的投資物業已抵押作為本集團獲授一般銀行融資的擔保(附註19)。

於2019年9月30日，本集團賬面總值約42,415,923,000港元(2019年3月31日：46,228,050,000港元)的投資物業受到銷售限制。

本集團的投資物業包括在中國大陸的交易中心、商業及其他配套設施。根據一家獨立專業合資格估值師第一太平戴維斯估值及專業顧問有限公司進行的估值，本集團的投資物業於2019年9月30日按公開市場現有用途基準重估價值達48,393,576,000港元。本集團的管理層每年決定委任負責對本集團物業進行外部估值的外聘估值師人選。篩選準則包括市場知識、聲譽、獨立性，以及是否維持專業水平。就中期及年度財務報告進行估值時，本集團的財務部與估值師於每年中期及年度報告就估值假設及估值結果進行兩次討論。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

12. Investment Properties (Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

12. 投資物業(續)

公平值層級

本集團投資物業的公平值計量層級載於下表：

**Fair value measurement
as at 30 September 2019
using significant
unobservable inputs
(Level 3)
於2019年9月30日
使用重大不可觀察元素
的公平值計量
(第3級)
HK\$'000
千港元
(Unaudited)
(未經審核)**

Recurring fair value measurement for: Trade centers, commercial and other ancillary facilities	就以下各項的經常性公平值計量： 交易中心、商業及 其他配套設施	48,393,576

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

期內，第1級與第2級之間概無發生公平值計量的轉移，第3級亦無公平值計量轉入或轉出。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

12. Investment Properties (Continued)

Fair value hierarchy (Continued)

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique 估值技術	Significant unobservable inputs 重大不可觀察元素	Range 範圍
As at 30 September 2019 於2019年9月30日			
Trade centers, commercial and other ancillary facilities 交易中心、商業及其他配套設施	Income capitalization method 收入資本化法	Market unit rental rate (RMB/sq. m./month) 市場單位租金 (人民幣/平方米/月)	14–154
		Capitalization rate 資本化率	3.00%–8.25%

The fair values of investment properties are determined principally using the income capitalization method by capitalizing the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market unit rental rate and negatively correlated to the capitalization rate. For the portions which were under construction, the expended construction costs and the costs that are expected to be expended to complete the properties have also been taken into account in arriving at their fair values.

投資物業公平值主要按收入資本化法釐定，方法是將現有租賃所得的租金收入資本化，並就物業的潛在可復歸收入計提適當撥備。公平值計量與市場租金成正比且與資本化率成反比。就正在建造之部分，在確定公平值時，已支銷的建築成本及完成開發項目預計將支銷的成本亦已被考慮在內。

13. Properties under Development

Certain of the Group's properties under development with an aggregate carrying value of approximately HK\$917,975,000 as at 30 September 2019 (31 March 2019: HK\$586,152,000), were pledged to secure general banking facilities granted to the Group (note 19).

The government grants of approximately RMB27,722,000 (equivalent to HK\$31,373,000) (six months ended 30 September 2018: RMB28,352,000 (equivalent to HK\$33,478,000)), which were provided by the local government authorities to support infrastructure construction and development activities in connection with the Group's property development projects and were previously deducted from the additions of properties under development, have been credited to the cost of properties sold during the current period.

13. 發展中物業

於2019年9月30日，本集團賬面總值約917,975,000港元(2019年3月31日：586,152,000港元)的若干發展中物業已抵押作為本集團獲授一般銀行融資的擔保(附註19)。

政府補貼約人民幣27,722,000元(相等於31,373,000港元)(截至2018年9月30日止六個月：人民幣28,352,000元(相等於33,478,000港元))是由地方政府機關提供，旨在為集團物業發展項目中有關基礎建設工程及發展活動提供支持。此金額於以前已在添置發展中物業中扣除，並在本期內於已售物業成本計入。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

14. Properties Held for Finance Lease and Sale

14. 持作融資租賃及銷售物業

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
Completed properties held for finance lease	持作融資租賃物業	272,309	295,545
Completed properties held for sale	持作銷售竣工物業	18,229,319	16,454,104
Properties under development expected to be completed within the normal operating cycle	預期於正常營運週期內竣工的發展中物業	23,333,481	22,700,974
Total	總計	41,562,800	39,155,078

Properties under development expected to be completed and ready for sale 預期竣工及可作銷售的發展中物業

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
Within one year	一年內	6,286,691	6,357,259
Beyond one year	一年後	17,046,790	16,343,715
Total	總計	23,333,481	22,700,974

Certain of the Group's properties held for finance lease and properties held for sale with aggregate carrying values of HK\$45,989,000 (31 March 2019: HK\$48,958,000) and HK\$7,954,755,000 (31 March 2019: HK\$6,838,744,000) at the end of the reporting period, respectively, were pledged to secure general banking facilities granted to the Group (note 19).

於報告期末，本集團的若干持作融資租賃物業及持作銷售物業賬面總值分別為45,989,000港元（2019年3月31日：48,958,000港元）及7,954,755,000港元（2019年3月31日：6,838,744,000港元）已抵押作為本集團獲授一般銀行融資的擔保（附註19）。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

15. Trade Receivables

Trade receivables represent sales income, rental receivables and service income receivables from customers which are payable on issuance of invoices or in accordance with the terms of the related sale and purchase agreements. The Group generally allows a credit period of not exceeding 60 days to its customers. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 30 September 2019 and 31 March 2019, based on the payment due date, net of loss allowance, is as follows:

15. 應收貿易賬款

應收貿易賬款指於出具發票時應收或根據相關買賣協議條款應收客戶的銷售收入、應收租金及服務收入。本集團一般提供不超過60天信貸期予客戶。本集團致力對未償還應收賬款維持嚴謹的控制及監控以把信用風險降至最低。高級管理層會定期審閱逾期結餘。有鑑於此及本集團的應收貿易賬款與大量不同客戶有關，故並無重大集中信貸風險。本集團並沒有對應收貿易賬款持有任何的抵押或其他信用增級。應收貿易賬款為免息。

於2019年3月31日及2019年9月30日，根據付款到期日，應收貿易賬款扣除信貸虧損後的賬齡分析如下：

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
Within 1 month	1個月以內	307,908	628,622
1 to 2 months	1至2個月	35,215	74,424
2 to 3 months	2至3個月	26,744	26,808
Over 3 months	逾3個月	226,879	335,036
Total	總計	596,746	1,064,890

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

16. Financial Assets at Fair Value Through Profit or Loss **16. 透過損益以公平值列賬之金融資產**

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
Listed investments	上市投資	41,228	50,208
Unlisted investment	非上市投資	12,551	12,965
Structured bank deposits with floating interest rate	浮動利率的結構性 銀行存款	111,055	233,160
Total	總計	164,834	296,333
Current portion	即期部份	(152,283)	(283,368)
Non-current portion	非即期部份	12,551	12,965

17. Cash and Cash Equivalents and Restricted Cash **17. 現金及現金等價物及受限制現金**

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
Cash and bank balances	現金及銀行結餘	9,279,660	9,359,772
Less: Restricted cash*	減：受限制現金*	(3,198,585)	(3,425,940)
Cash and cash equivalents	現金及現金等價物	6,081,075	5,933,832

* Restricted cash mainly comprises: (i) guarantee deposits for the mortgage loan facilities granted by the banks to purchasers of the Group's properties; (ii) guarantee funds of construction projects to meet local authorities' requirements; (iii) certain amounts of presale proceeds from properties placed as guarantee deposits for the construction of related properties; (iv) certain amounts of proceeds from lease of properties which have been placed as guarantee deposits for the borrowings; and (v) pledged deposits to secure general banking facilities granted to the Group.

* 受限制現金主要包括：(i)就購買本集團物業之買家獲銀行授予的按揭貸款融資的保證按金；(ii)建設項目的保證金以符合當地機關的要求；(iii)物業預售的若干所得款項金額，以作為相關物業建設的保證按金；(iv)租賃物業的若干出租所得款項金額以作為借貸的保證按金；及(v)已抵押存款作為本集團獲授一般銀行融資擔保。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

17. Cash and Cash Equivalents and Restricted Cash

(Continued)

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$7,419,064,000 (31 March 2019: HK\$6,512,169,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

Certain of the Group's bank deposits with a carrying amount of HK\$1,208,120,000 as at 30 September 2019 (31 March 2019: HK\$1,296,098,000), were pledged to secure general banking facilities granted to the Group (note 19).

18. Trade and Other Payables

17. 現金及現金等價物及受限制現金(續)

於報告期末，本集團以人民幣為單位的現金及銀行結餘達7,419,064,000港元(2019年3月31日：6,512,169,000港元)。人民幣並不可自由兌換為其他貨幣，然而，根據中國大陸的外匯管制條例及結匯、付匯及售匯規定，本集團可以透過獲准進行外匯業務的銀行將人民幣兌換為其他貨幣。

存於銀行之現金根據每日銀行存款利率之浮動利率賺取利息。短期定期存款的存款期各異，介乎一天至三個月不等，視乎本集團即時現金需求而定，而利息則按各個短期定期存款利率賺取。銀行結餘及受限制現金乃存放於信譽良好且近期並無欠款記錄的銀行。

於2019年9月30日，本集團賬面總值為1,208,120,000港元(2019年3月31日：1,296,098,000港元)的若干存款已抵押作為本集團獲授一般銀行融資的擔保(附註19)。

18. 貿易及其他應付款項

			30 September	31 March
			2019	2019
			2019年	2019年
			9月30日	3月31日
Notes 附註			HK\$'000	HK\$'000
			千港元	千港元
			(Unaudited)	(Audited)
			(未經審核)	(經審核)
Other payables and accruals	其他應付款項及應計項目		6,064,826	5,500,942
Notes payables	應付票據	(a)	2,486,259	2,951,877
Advanced rental and other receipts	預收租金及其他款項		3,128,318	2,135,255
Refund liabilities	退款負債		1,599	8,273
Lease liabilities	租賃負債		45,319	—
Dividend payable	應付股息		405,361	—
Construction fee and retention payables	應付建築費用及保留金	(b)	5,070,969	5,132,879
Total	總計		17,202,651	15,729,226

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

18. Trade and Other Payables (Continued)

- (a) An aged analysis of the Group's notes payable presented based on the invoice date at the end of the reporting period is as follows:

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
1 to 3 months	1至3個月	245,709	1,102,099
Over 3 months	逾3個月	2,240,550	1,849,778
Total	總計	2,486,259	2,951,877

All the notes payable have maturity dates within 365 days. As at 30 September 2019, notes payable amounting to HK\$1,359,443,000 (31 March 2019: HK\$1,832,556,000) were discounted by these notes holders.

- (b) An aged analysis of the construction fee and retention payables as at the end of the reporting period is as follows:

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
Within 1 year	1年內	3,926,833	3,906,003
Over 1 year	逾1年	1,144,136	1,226,876
Total	總計	5,070,969	5,132,879

The construction fee and retention payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

- (c) An amount of HK\$202,164,000 included in other payables and accruals was due to non-controlling shareholders of a subsidiary. The balance was unsecured, interest-free and no fixed repayment date.

18. 貿易及其他應付款項 (續)

- (a) 於報告期末本集團基於發票日之應付票據的賬齡分析如下：

所有應付票據均於365日內到期。於2019年9月30日，本集團為1,359,443,000港元(2019年3月31日：1,832,556,000港元)的應付票據已由這些票據持有人貼現。

- (b) 於報告期末建築費用及保留金的賬齡分析如下：

應付建築費用及保留金為免息及須於一般業務週期或應要求償還。

- (c) 其他應付款項及應計項目包含一筆港幣202,164,000元的應付附屬公司非控股股東應付款項。該款項為無抵押、免息及無固定還款期。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

19. Interest-Bearing Bank and Other Borrowings

19. 計息銀行及其他借貸

		30 September 2019 (Unaudited) 2019年9月30日(未經審核)			31 March 2019 (Audited) 2019年3月31日(經審核)		
		Effective interest rate (%) 實際利率 (%)	Maturity 到期	HK\$'000 千港元	Effective interest rate (%) 實際利率 (%)	Maturity 到期	HK\$'000 千港元
Current	即期						
Bank and other borrowings – unsecured	銀行及其他借貸 – 無抵押	4.35%–7.20%	2019-2020	1,464,405	4.35%–7.20%	2019-2020	1,762,147
Bank and other borrowings – secured	銀行及其他借貸 – 有抵押	4.26%–7.18%	2019-2020	3,373,601	4.08%–7.00%	2019-2020	3,975,036
Current portion of long term bank and other borrowings:	長期銀行及其他借貸 的即期部分：						
Bank and other borrowings – unsecured	銀行及其他借貸 – 無抵押	5.70%–6.65%	2020	111,036	5.15%–6.80%	2019-2020	58,475
Bank and other borrowings – secured	銀行及其他借貸 – 有抵押	4.75%–12.35%	2019-2020	3,799,393	4.75%–10.00%	2019-2020	2,983,245
				8,748,435			8,778,903
Non-current	非即期						
Bank and other borrowings – unsecured	銀行及其他借貸 – 無抵押	5.70%–6.65%	2021	180,280	5.15%–6.80%	2021	277,109
Bank and other borrowings – secured	銀行及其他借貸 – 有抵押	4.75%–12.35%	2020-2034	8,790,695	4.75%–12.35%	2020-2033	8,682,666
				8,970,975			8,959,775
				17,719,410			17,738,678

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

19. Interest-Bearing Bank and Other Borrowings 19. 計息銀行及其他借貸(續)
 (Continued)

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
Analyzed into:	分析列為：		
Bank and other borrowings repayable:	須於以下期間償還的銀行及其他借貸：		
Within one year or on demand	一年內或應要求	8,748,435	8,778,903
In the second year	第二年	5,290,550	4,281,269
In the third to fifth years, inclusive	第三至第五年(包括首尾兩年在內)	2,734,789	4,141,655
Beyond five years	五年後	945,636	536,851
		17,719,410	17,738,678

The Group has entered into an asset-backed securities ("ABS") arrangement with an independent third party by pledging of the future six years' right of receiving management fees for certain properties under its management for a maximum of 6 years. As at 30 September 2019, an aggregate amount of RMB270,000,000 is the priority portion of the ABS which had been purchased by third parties. The net proceeds from the ABS, after deducting the issuance costs, amounted to approximately RMB263,332,000 (equivalent to HK\$291,930,000). Interest is payable quarterly in arrears. Holders of the priority portions of the ABS are entitled to receive interests which is 6.5% per annum. As at 30 September 2019, HK\$295,214,000 of the ABS are included in the non-current portions of secured bank and other borrowings.

During the period, a subsidiary of the Company repurchased part of the ABS with an aggregated principal amount of RMB270,000,000. The total consideration of the repurchase was RMB247,200,000 (equivalent to HK\$279,756,000). The carrying amount of the repurchase was RMB264,440,000 (equivalent to HK\$299,266,000), resulting in a gain on repurchase amounting to HK\$19,510,000 in the current period.

本集團與一獨立第三方訂立最長為期6年的資產支持證券(「資產支持證券」)安排，以未來6年若干物業收取管理費用權利作抵押。於2019年9月30日，第三方已購買總值為人民幣270,000,000元的優先級資產支持證券。扣除發行成本後，資產支持證券所得款項淨額約為人民幣263,332,000元(相當於約291,930,000港元)。利息於每季支付。優先級資產支持證券持有人，可享有年利率6.5%之利息。截至2019年9月30日，295,214,000港元的資產支持證券包括在有抵押銀行及其他借貸非即期部份。

於本期間，本公司的一家附屬公司回購部份資產支持證券合共本金金額為人民幣270,000,000元。回購總代價為人民幣247,200,000元(相等於279,756,000港元)。所回購之賬面值為人民幣264,440,000元(相等於299,266,000港元)，導致於本期間內錄得19,510,000港元之回購收益。

Notes to Interim Condensed Consolidated Financial Information (Continued)

中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

19. Interest-Bearing Bank and Other Borrowings

(Continued)

Certain of the Group's bank and other borrowings are secured by the Group's buildings, investment properties, properties under development, properties held for finance lease and sale and bank deposits as stated in notes 11, 12, 13, 14 and 17.

As at 30 September 2019 and 31 March 2019, all interest-bearing bank and other borrowings of the Group are denominated in RMB.

20. Senior Notes

The Group issued the following senior notes in the current and prior periods:

On 13 September 2016 and 3 October 2016, the Company issued senior notes with aggregate principal amounts of US\$200,000,000 and US\$150,000,000, respectively, (collectively known as the "2016 Notes"). The 2016 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2016 Notes carry interest at the rate of 6.75% per annum, payable semi-annually on 13 March and 13 September in arrears, and will mature on 13 September 2021, unless redeemed earlier. The offering prices were at 98.960% and 98.964% of the principal amounts of the 2016 Notes of US\$200,000,000 and US\$150,000,000, respectively.

On 9 March 2017, the Company issued senior notes with the aggregate principal amount of US\$300,000,000 (the "2017 March Notes"). The 2017 March Notes are listed on the Singapore Exchange Securities Trading Limited. The 2017 March Notes carry interest at the rate of 5.75% per annum, payable semi-annually on 9 March and 9 September in arrears, and will mature on 9 March 2020, unless redeemed earlier. The offering price was at 98.986% of the principal amount of the 2017 March Notes.

19. 計息銀行及其他借貸(續)

如附註11、12、13、14及17所載，本集團若干銀行及其他借貸由本集團樓宇、投資物業、發展中物業、持作融資租賃及銷售物業及銀行存款作抵押。

於2019年9月30日及2019年3月31日，本集團計息銀行及其他借貸均以人民幣為單位。

20. 優先票據

本集團於本期間及以前期間發行以下優先票據：

於2016年9月13日及2016年10月3日，本公司分別發行本金總額為200,000,000美元及150,000,000美元的優先票據(統稱為「2016年票據」)。2016年票據於新加坡證券交易所有限公司上市。2016年票據按年利率6.75%計息，每半年於3月13日及9月13日支付，並將於2021年9月13日到期(除非提早贖回)。發售價分別為2016年票據之200,000,000美元及150,000,000美元本金總額的98.960%及98.964%。

於2017年3月9日，本公司發行本金總額300,000,000美元的優先票據(「2017年3月票據」)。2017年3月票據於新加坡證券交易所有限公司上市。2017年3月票據按年利率5.75%計息，每半年於3月9日及9月9日支付，並將於2020年3月9日到期(除非提早贖回)。發售價為2017年3月票據本金總額的98.986%。

Notes to Interim Condensed Consolidated Financial Information (Continued)

中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

20. Senior Notes (Continued)

On 20 November 2017, the Company issued senior notes with the aggregate principal amount of US\$300,000,000 (the “2017 November Notes”). The 2017 November Notes are listed on the Singapore Exchange Securities Trading Limited. The 2017 November Notes carry interest at the rate of 7.25% per annum, payable semi-annually on 20 May and 20 November in arrears, and will mature on 20 November 2022, unless redeemed earlier. The offering price was at 97.96% of the principal amount of the 2017 November Notes.

On 25 January 2018, the Company issued senior notes with the aggregate principal amount of US\$250,000,000 (the “2018 January Notes”). The 2018 January Notes are listed on the Singapore Exchange Securities Trading Limited. The 2018 January Notes carry interest at the rate of 7.25% per annum, payable semi-annually on 25 January and 25 July in arrears, and will mature on 25 January 2021, unless redeemed earlier. The offering price was at 99.011% of the principal amount of the 2018 January Notes.

On 24 May 2018 and 4 June 2018, the Company issued senior notes with the aggregate principal amounts of US\$150,000,000 and US\$100,000,000, respectively, (collectively known as the “2018 May Notes”). The 2018 May Notes are listed on the Singapore Exchange Securities Trading Limited. The 2018 May Notes carry interest at the rate of 10.875% per annum, payable semi-annually on 24 February and 24 August in arrears, and will mature on 24 August 2020, unless redeemed earlier. The offering prices were at 99.654% and 99.649% of the principal amounts of the 2018 May Notes of US\$150,000,000 and US\$100,000,000, respectively.

On 27 March 2019 and 12 June 2019, the Company issued senior notes with the aggregate principal amounts of US\$200,000,000 and US\$60,000,000, respectively, (collectively known as the “2019 March Notes”). The 2019 March Notes are listed on the Singapore Exchange Securities Trading Limited. The 2019 March Notes carry interest at the rate of 11.875% per annum, payable semi-annually on 27 March and 27 September in arrears, and will mature on 27 March 2021, unless redeemed earlier. The offering prices were at 99.567% and 99.566% of the principal amounts of the 2019 March Notes of US\$200,000,000 and US\$60,000,000, respectively.

20. 優先票據(續)

於2017年11月20日，本公司發行本金總額300,000,000美元的優先票據(「2017年11月票據」)。2017年11月票據於新加坡證券交易所有限公司上市。2017年11月票據按年利率7.25%計息，每半年於5月20日及11月20日支付，並將於2022年11月20日到期(除非提早贖回)。發售價為2017年11月票據本金總額的97.96%。

於2018年1月25日，本公司發行本金總額250,000,000美元的優先票據(「2018年1月票據」)。2018年1月票據於新加坡證券交易所有限公司上市。2018年1月票據按年利率7.25%計息，每半年於1月25日及7月25日支付，並將於2021年1月25日到期(除非提早贖回)。發售價為2018年1月票據本金總額的99.011%。

於2018年5月24日及2018年6月4日，本公司分別發行本金總額150,000,000美元及100,000,000美元的優先票據(統稱為「2018年5月票據」)。2018年5月票據於新加坡證券交易所有限公司上市。2018年5月票據按年利率10.875%計息，每半年於2月24日及8月24日支付，並將於2020年8月24日到期(除非提早贖回)。發售價分別為2018年5月票據之150,000,000美元及100,000,000美元本金總額的99.654%及99.649%。

於2019年3月27日及2019年6月12日，本公司分別發行本金總額200,000,000美元及60,000,000美元的優先票據(統稱為「2019年3月票據」)。2019年3月票據於新加坡證券交易所有限公司上市。2019年3月票據按年利率11.875%計息，每半年於3月27日及9月27日支付，並將於2021年3月27日到期(除非提早贖回)。發售價分別為2019年3月票據之200,000,000美元及60,000,000美元本金總額的99.567%及99.566%。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

20. Senior Notes (Continued)

The senior notes recognized in the statement of financial position were calculated as follows:

20. 優先票據(續)

已於財務狀況表確認的優先票據計算如下：

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
Carrying amount at the beginning of period/year	期／年初的賬面值	12,332,372	9,230,272
Additions	增加	473,241	3,449,469
Interest expenses	利息開支	553,804	867,425
Payment for interests	支付利息	(530,007)	(708,755)
Repurchase of the senior notes	回購優先票據 (i)	(291,851)	(506,039)
Carrying amount at the end of period/year	期／年末的賬面值	12,537,559	12,332,372
Current portion	即期部份	(4,210,442)	(2,314,682)
Non-current portion	非即期部份	8,327,117	10,017,690

- (i) During the period, a subsidiary of the Company repurchased part of the senior notes with an aggregated principal amount of US\$37,600,000 (equivalent to HK\$293,280,000) from the open market. The total consideration of the repurchase was US\$35,087,000 (equivalent to HK\$273,674,000). The carrying amount of the repurchase was US\$37,417,000 (equivalent to HK\$291,851,000), resulting in a gain on repurchase amounting to HK\$18,177,000 in the current period.

As at 30 September 2019, the fair value of the senior notes amounted to HK\$11,333,905,000 (31 March 2019: HK\$11,431,686,000). The fair value was calculated by using the quoted market price of the senior notes on 30 September 2019.

- (i) 於本期間，本公司的一家附屬公司於公開市場回購部份優先票據合共本金金額為37,600,000美元（相等於293,280,000港元）。回購總代價為35,087,000美元（相等於273,674,000港元）。所回購之賬面值為37,417,000美元（相等於291,851,000港元），導致於本期間錄得18,177,000港元之回購收益。

於2019年9月30日，優先票據的公平值為11,333,905,000港元（2019年3月31日：11,431,686,000港元）。公平值乃使用優先票據於2019年9月30日的市場價格之報價計算。

Notes to Interim Condensed Consolidated Financial Information (Continued)
中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

21. Medium-Term Notes

The Group has the following medium-term notes in the current and prior periods:

- (i) On 9 May 2014, China South International Industrial Materials City (Shenzhen) Company Limited (“China South International”) completed the issuance of the first tranche of medium-term notes of 2014 (the “2014 First Tranche MTN”) with a total principal amount of RMB1,000,000,000 in the national inter-bank market of the PRC. The 2014 First Tranche MTN carry interest at the rate of 7.5% per annum, payable annually on 9 May in arrears, and matured on 9 May 2019. The amount was fully settled in May 2019.
- (ii) On 12 September 2014, China South International completed the issuance of the second tranche of medium-term notes of 2014 (the “2014 Second Tranche MTN”) with a total principal amount of RMB1,000,000,000 in the national inter-bank market of the PRC. The 2014 Second Tranche MTN carry interest at the rate of 8.4% per annum, payable annually on 12 September in arrears, and matured on 12 September 2019. The amount was fully settled in September 2019.
- (iii) On 18 April 2019, China South International completed the issuance of the first tranche of medium-term notes of 2019 (the “2019 First Tranche MTN”) with a total principal amount of RMB600,000,000 in the national inter-bank market of the PRC. The 2019 First Tranche MTN carry interest at the rate of 8.5% per annum, payable annually on 18 April in arrears, and have a term of up to 3 years at a maximum.

21. 中期票據

本集團於本期間及以前期間尚有以下中期票據在發行：

- (i) 華南國際工業原料城(深圳)有限公司(「華南國際」)於2014年5月9日完成在中國銀行間市場發行2014年第一期中期票據，本金總額為人民幣1,000,000,000元。2014年第一期中期票據年利率為7.5%，每年於5月9日支付，並將於2019年5月9日到期。其金額已於2019年5月全數支付。
- (ii) 華南國際於2014年9月12日完成在中國銀行間市場發行2014年第二期中期票據，本金總額為人民幣1,000,000,000元。2014年第二期中期票據年利率為8.4%，每年於9月12日支付，並將於2019年9月12日到期。其金額已於2019年9月全數支付。
- (iii) 華南國際於2019年4月18日完成在中國銀行間市場發行2019年第一期中期票據，本金總額為人民幣600,000,000元。2019年第一期中期票據年利率為8.5%，每年於4月18日支付，期限最長為3年。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

21. Medium-Term Notes (Continued)

The medium-term notes recognized in the statement of financial position were calculated as follows:

21. 中期票據 (續)

已於財務狀況表確認的中期票據計算如下：

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
Carrying amount at the beginning of period/year	期／年初的賬面值	2,459,903	5,251,644
Additions	增加	661,169	–
Repayment	償還	(2,217,200)	(2,352,443)
Interest expenses	利息開支	81,826	242,968
Payment for interests	支付利息	(179,940)	(348,574)
Exchange realignment	匯兌調整	(118,694)	(333,692)
Carrying amount at the end of period/year	期／年末的賬面值	687,064	2,459,903
Current portion	即期部份	–	(2,459,903)
Non-current portion	非即期部份	687,064	–

The fair value of the medium-term notes as at 30 September 2019 amounted to HK\$693,461,000 (31 March 2019: HK\$2,430,103,000). The fair value was calculated by using the quoted market price of the medium-term notes on 30 September 2019.

於2019年9月30日，中期票據的公平值為693,461,000港元（2019年3月31日：2,430,103,000港元）。公平值乃使用中期票據於2019年9月30日的市場價格之報價計算。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

22. Corporate Bonds

The corporate bonds recognized in the statement of financial position were calculated as follows:

22. 企業債券

已於財務狀況表確認的企業債券計算如下：

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
Carrying amount at the beginning of period/year	期／年初的賬面值	562	1,978,294
Redemption	贖回	(534)	(1,866,186)
Interest expenses	利息開支	–	26,368
Payment for interests	支付利息	–	(122,409)
Exchange realignment	匯兌調整	(28)	(15,505)
Carrying amount at the end of period/year	期／年末的賬面值	–	562

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

23. Domestic Company Bonds

The Group has the following domestic company bonds in the current and prior periods:

On 4 May 2016, China South International completed the issuance of the second tranche of domestic company bonds of 2016 (the "2016 Second Tranche DCB") with a total principal amount of RMB1,400,000,000 on the Shenzhen Stock Exchange of the PRC. The 2016 Second Tranche DCB carry interest at the rate of 6.85% per annum, payable annually on 3 May in arrears, and matured on 3 May 2019. The amount was fully settled in May 2019.

On 2 August 2019 and 5 August 2019, China South International completed the issuance of the first and second tranche of domestic company bonds of 2019 (collectively known as the "2019 First and Second Tranche DCB") with a total principal amount of RMB1,400,000,000 on the Shenzhen Stock Exchange of the PRC. The 2019 First and Second Tranche DCB carry interest at the rate of 8.00% per annum, payable annually on 1 August and 5 August in arrears respectively, and have a term of up to 3 years at a maximum.

The domestic company bonds recognized in the statement of financial position were calculated as follows:

23. 境內公司債券

本集團於期內及以前期間有以下境內公司債券：

華南國際於2016年5月4日完成於深圳證券交易所發行本金總額為人民幣1,400,000,000元的2016年第二期境內公司債券。2016年第二期境內公司債券年利率為6.85%，每年於5月3日支付，並將於2019年5月3日到期。其金額已於2019年5月全數支付。

華南國際分別於2019年8月2日及2019年8月5日完成於深圳證券交易所發行本金合共總額為人民幣1,400,000,000元的2019年第一期及第二期境內公司債券。2019年第一期及第二期境內公司債券年利率為8.00%，分別每年於8月1日及8月5日支付，期限最長為3年。

已於財務狀況表確認的境內公司債券計算如下：

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
Carrying amount at the beginning of period/year	期／年初的賬面值	1,733,161	5,644,169
Additions	增加	1,566,839	—
Repayment	償還	(1,584,380)	(3,497,400)
Interest expenses	利息開支	32,092	288,370
Payment for interests	支付利息	(108,529)	(320,945)
Exchange realignment	匯兌調整	(83,120)	(381,033)
Carrying amount at the end of period/year	期／年末的賬面值	1,556,063	1,733,161

The fair value of the domestic company bonds as at 30 September 2019 amounted to HK\$1,572,806,000 (31 March 2019: HK\$1,623,959,000). The fair value was calculated by using the quoted market price of the domestic company bonds on 30 September 2019.

於2019年9月30日，境內公司債券的公平值達1,572,806,000港元（2019年3月31日：1,623,959,000港元）。公平值乃使用境內公司債券於2019年9月30日的市場價格之報價計算。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

24. Share Capital

24. 股本

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
Issued and fully paid	已發行及繳足：		
8,107,228,848 (31 March 2019: 8,117,130,848) ordinary shares	8,107,228,848股(2019年3月31日： 8,117,130,848股)普通股	7,222,312	7,222,312

A summary of movements in the Company's share capital is as follows:

本公司的股本變動摘要如下：

		Number of shares in issue 已發行股份數目	Share capital 股本 HK\$'000 千港元
At 31 March 2019 and at 1 April 2019	於2019年3月31日及2019年4月1日	8,117,130,848	7,222,312
Shares repurchased (note)	股份回購(附註)	(9,902,000)	–
At 30 September 2019	於2019年9月30日	8,107,228,848	7,222,312

Note: The Company repurchased a total of 9,902,000 shares at prices ranging from HK\$1.03 to HK\$1.07 per share on The Stock Exchange of Hong Kong Limited on 1 August 2019 and 2 August 2019. The amount of HK\$10,379,000 in connection with the share repurchase was paid from the distributable profits of the Company. All 9,902,000 shares repurchased were cancelled on 12 September 2019.

附註：本公司分別於2019年8月1日及2019年8月2日以每股港幣1.03元至港幣1.07元的價格於香港聯合交易所有限公司回購總數為9,902,000的股份。從有關回購股份的款項港幣10,379,000元已從本公司的可分配利潤中支付。全數9,902,000股回購的股份已於2019年9月12日被註銷。

25. Share Options

The Company has adopted a share option scheme on 4 September 2009 (the "2009 Share Option Scheme") to provide incentives and reward to selected eligible persons which include directors, employees, officers, agents, consultants or representatives of the Group for their contribution or potential contribution to the Company or its subsidiaries. The Share Option Scheme became effective on 30 September 2009 and has expired on 13 September 2019.

25. 購股權

本公司已於2009年9月4日採納購股權計劃(「2009年購股權計劃」)，向對本公司或其附屬公司作出貢獻或潛在貢獻的經甄選合資格人士(包括本集團董事、僱員、高級職員、代理、顧問或代表)提供獎勵及回報，購股權計劃自2009年9月30日起生效，並於2019年9月13日終止。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

25. Share Options (Continued)

Another share option scheme (the “2019 Share Option Scheme”) was approved by the shareholders in annual general meetings and became effective on 13 September 2019 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Pursuant to the terms of the 2019 Share Option Scheme, the Company may grant options at its discretion, to any eligible persons which include executive and non-executive directors, employees, officers, agents or consultants of the Company or any subsidiary for their contribution or potential contribution to the Group. No option has been granted under the Share Option Scheme since its adoption.

The following share options were outstanding under the 2009 Share Option Scheme during the period:

25. 購股權(續)

另一項購股權計劃(「2019年購股權計劃」)於股東周年大會上獲得股東批准，並於2019年9月13日生效，且由該日起生效十年(除非取消或作出修訂)。根據2019年購股權計劃的條款，本公司可酌情向(本公司或任何附屬公司之董事(包括執行或非執行董事)、僱員、高級職員、代理或顧問)任何合資格人士授予購股權，以對他們對本集團的貢獻或潛在貢獻。自該購股權計劃採納以來，概無根據該購股權計劃授出購股權。

於期內根據2009年購股權計劃尚未行使之購股權如下：

		30 September 2019 2019年9月30日		31 March 2019 2019年3月31日	
		Weighted average exercise price per share 每股加權 平均行使價 HK\$ 港元	Number of options 購股權數目 '000 千份	Weighted average exercise price per share 每股加權 平均行使價 HK\$ 港元	Number of options 購股權數目 '000 千份
At beginning of period/year	於期／年初	2.3684	316,290	2.4815	408,790
Granted during the period/year	期／年內授出	—	—	1.8100	25,500
Lapsed during the period/year	期／年內失效	4.0355	(100,800)	2.8959	(95,500)
Forfeited during the period/year	期／年內沒收	—	—	1.5522	(22,500)
At end of period/year	於期／年末	1.5886	215,490	2.3684	316,290

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

25. Share Options (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

25. 購股權(續)

於報告期末，未行使購股權的行使價及行使期如下：

Number of options 購股權數目 '000 千股	Exercise price 行使價 HK\$ per share 每股港元	Exercise period 行使期
39,995	1.528	13-01-2016 to 12-01-2021 2016年1月13日至2021年1月12日
39,995	1.528	13-01-2017 to 12-01-2022 2017年1月13日至2022年1月12日
13,000	1.75	22-08-2016 to 21-08-2021 2016年8月22日至2021年8月21日
16,250	1.75	22-08-2017 to 21-08-2022 2017年8月22日至2022年8月21日
3,250	1.75	22-08-2018 to 21-08-2023 2018年8月22日至2023年8月21日
40,000	1.52	03-07-2017 to 02-07-2022 2017年7月3日至2022年7月2日
40,000	1.52	03-07-2018 to 02-07-2023 2018年7月3日至2023年7月2日
4,000	1.81	13-04-2018 to 12-04-2023 2018年4月13日至2023年4月12日
11,500	1.81	13-04-2019 to 12-04-2024 2019年4月13日至2024年4月12日
7,500	1.81	13-04-2020 to 12-04-2025 2020年4月13日至2025年4月12日
215,490		

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

25. Share Options (Continued)

The Group recognized a share option expense of HK\$1,006,000 (six months ended 30 September 2018: HK\$13,568,000) during the six months ended 30 September 2019.

At the end of the reporting period, the Company had 215,490,000 share options outstanding under the 2009 Share Option Scheme, which represented approximately 2.66% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 215,490,000 additional ordinary shares of the Company and additional share capital of HK\$342,330,000 (before issue expenses).

26. Contingent Liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

25. 購股權(續)

截至2019年9月30日止六個月，本集團確認購股權開支合共1,006,000港元(截至2018年9月30日止六個月：13,568,000港元)。

於報告期末，根據2009年購股權計劃，本公司有215,490,000份未行使購股權，相當於本公司當日已發行股份約2.66%。根據本公司現時的資本結構而言，全數行使未行使購股權將會導致本公司發行215,490,000股額外普通股及額外股本342,330,000港元(扣除發行開支前)。

26. 或然負債

於報告期末，財務報表內未有撥備的或然負債如下：

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
Guarantees given to banks in connection with facilities granted to third parties*	就第三方獲授的融資而向銀行作出擔保*	14,516,281	15,218,964

* The Group has provided guarantees in respect of banking facilities granted by certain banks to the purchasers of the Group's properties held for sale and held for finance lease. Pursuant to the terms of the guarantees, if there is default of the loan payments by the purchasers and lessees, the Group is responsible for repaying the outstanding loans together with accrued interest thereon and any penalty owed by the defaulted purchasers and lessees to banks. The Group is then entitled to take over the legal titles and usage rights of the related properties. For trade center units and residential properties sold, the guarantee period commences from the dates of grant of the relevant loans and ends when the purchasers obtain the building ownership certificates which will then be pledged to the banks. For residential and commercial properties under finance leases, the guarantees will be released along with the full repayment of loan principals by the lessees.

The Group did not incur any material losses during the period in respect of the guarantees provided for mortgage facilities granted to the purchasers and lessees of the Group's properties. The directors consider that in case of default on payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore the fair value of the guarantees is not significant.

* 本集團就若干銀行授予本集團持作銷售物業及融資租賃物業的買家的銀行信貸提供擔保。根據該等擔保條款，倘該等買家及承租人拖欠貸款還款，本集團負責償還未付貸款，連同應計利息，以及欠款買家及承租人結欠銀行的任何罰金。其後，本集團有權接管相關物業的法律業權及使用權。已售交易中心商舖及住宅物業方面，擔保期由相關貸款授出日期起至買家取得其後抵押予銀行的房地產權證日期止。就融資租賃下的住宅及商業物業而言，擔保將隨承租人償還貸款本金解除。

本集團於期內並無因向本集團物業的買家及承租人於獲授按揭融資所提供擔保而錄得任何重大虧損。董事認為，倘出現拖欠款項的情況，相關物業的可變現淨值足以支付未償還按揭貸款連同任何應計利息及罰款，是故擔保之公平值並不重大。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

27. Commitments

The Group had the following commitments at the end of the reporting period:

27. 承擔

於報告期末，本集團有以下承擔：

		30 September 2019 2019年 9月30日 HK\$'000 千港元 (Unaudited) (未經審核)	31 March 2019 2019年 3月31日 HK\$'000 千港元 (Audited) (經審核)
Contracted, but not provided for:	已訂約但未撥備：		
Properties under development	發展中物業	13,970,708	15,530,925

28. Related Party Transactions
Compensation of key management personnel of the Group:

28. 關連人士交易
 本集團主要管理人員薪酬：

		For the six months ended 30 September 截至9月30日止六個月	
		2019 2019年 HK\$'000 千港元 (Unaudited) (未經審核)	2018 2018年 HK\$'000 千港元 (Unaudited) (未經審核)
Short term employee benefits	短期僱員福利	12,315	13,515
Post-employment benefits	離職後福利	36	36
Share-based payments	以權益結算的購股權開支	64	10,256
Total compensation paid to key management personnel	支付予主要管理人員的薪酬總額	12,415	23,807

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

29. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

29. 金融工具之公平值及公平值層級

本集團及本公司之金融工具之賬面值及公平值(賬面值與公平值極其相近者除外)如下：

		Carrying amounts		Fair values	
		賬面值		公平值	
		30 September	31 March	30 September	31 March
		2019	2019	2019	2019
		2019年	2019年	2019年	2019年
		9月30日	3月31日	9月30日	3月31日
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
		(未經審核)	(經審核)	(未經審核)	(經審核)
Senior notes	優先票據	12,537,559	12,332,372	11,333,905	11,431,686
Medium-term notes	中期票據	687,064	2,459,903	693,461	2,430,103
Corporate bonds	企業債券	–	562	–	554
Domestic company bonds	境內公司債券	1,556,063	1,733,161	1,572,806	1,623,959
		14,780,686	16,525,998	13,600,172	15,486,302

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in trade and other payables, the current portion of interest-bearing bank and other borrowings, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The management reports directly to the directors and the audit committee. At each reporting date, the management analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

管理層已評估現金及現金等價物、應收賬款、金融資產包括預付款、其他應收款項及其他資產、金融負債包括貿易及其他應付款項、計息銀行及其他借貸的即期部分之公平值與其各自之賬面值相若，主要因為該等工具於短期內到期。

本集團管理層負責釐定金融工具公平值計量之政策及程序。管理層直接向董事及審核委員會報告。於各報告日期，管理層分析金融工具之價值變動並釐定估值中適用的主要元素。估值由董事審核及批准。估值過程及結果由審核委員會每年討論兩次，以便呈列於中期及年度財務報告。

Notes to Interim Condensed Consolidated Financial Information (Continued)
中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

29. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of other long term receivables and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk in interest-bearing bank and other borrowings as at 30 September 2019 was assessed to be insignificant. The fair values of the non-current portion of other long term receivables and interest-bearing bank and other borrowings are not materially different from their carrying amounts.

The fair values of senior notes, medium-term notes and domestic company bonds were calculated by using the quoted market prices on 30 September 2019.

As at 30 September 2019, the Group's financial instruments which comprised financial assets at fair value through profit or loss were measured at fair value. The Group's financial assets at fair value through profit or loss comprised listed and unlisted investments, structured bank deposits with floating interest rates. The fair values of listed investments were based on quoted market prices. The fair values of the unlisted investments have been estimated using valuation methodology according to the price of recent investments. The fair values of structured bank deposits with floating interest rates were measured using valuation techniques including the Hull-White model and net present value of the cash flows model. The models incorporate various market observable inputs including the interest rate yield curve and foreign exchange forward rate.

29. 金融工具之公平值及公平值層級(續)

金融資產及負債的公平值按可在自願雙方(強迫或清盤銷售除外)在現有交易中進行交換的工具之金額入賬。估計公平值時所用之方法及假設載述如下：

其他長期應收款項、計息銀行及其他借貸之非即期部分的公平值乃透過使用當前可供金融工具使用之現行利率按類似條款、信用風險及餘下到期日、折讓預期未來現金流量而計算。於2019年9月30日，本集團自身計息銀行及其他借貸之不履約風險被評定為並不重大。其他長期應收款項及計息銀行及其他借貸非即期部分的公平值與賬面值相差不大。

優先票據、中期票據及境內公司債券之公平值乃使用2019年9月30日的市場價值之報價計算。

於2019年9月30日，本集團之金融工具包括透過損益以公平值列賬之金融資產以公平值計算。本集團之透過損益以公平值列賬之金融資產包括上市與非上市投資及浮動利率的結構性銀行存款。上市投資的公平值乃根據市場價格釐定。非上市投資的公平值乃根據最近投資的價格使用估值方法估算。浮動利率的結構性銀行存款的公平值乃根據包括赫爾懷特模型及現金流淨現值模型等估值方法計量。該等模型納入包括利率收益曲線及外匯遠期匯率等多項市場可觀察元素。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

29. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)
Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

29. 金融工具之公平值及公平值層級(續)

公平值層級

本集團運用下列層級，以取決及披露金融工具之公平值：

按公平值計量之資產：

		Fair value measurement using 使用於公平值計量			
		Quoted prices in active markets 活躍市場之 報價 (Level 1) (第1級) HK\$'000 千港元 (Unaudited) (未經審核)	Significant observable inputs 重大可觀察 元素 (Level 2) (第2級) HK\$'000 千港元 (Unaudited) (未經審核)	Significant unobservable inputs 重大不可觀察 元素 (Level 3) (第3級) HK\$'000 千港元 (Unaudited) (未經審核)	Total 總額 HK\$'000 千港元 (Unaudited) (未經審核)
As at 30 September 2019	於2019年9月30日				
Listed investments	上市投資	41,228	–	–	41,228
Unlisted investment	非上市投資	–	–	12,551	12,551
Structured bank deposits with floating interest rate	浮動利率的結構性 銀行存款	–	111,055	–	111,055
		41,228	111,055	12,551	164,834

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

29. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)
Fair value hierarchy (Continued)

29. 金融工具之公平值及公平值層級(續)

公平值層級(續)

		Fair value measurement using 使用於公平值計量			
		Quoted prices in active markets 活躍市場之 報價 (Level 1) (第1級) HK\$'000 千港元 (Audited) (經審核)	Significant observable inputs 重大可觀察 元素 (Level 2) (第2級) HK\$'000 千港元 (Audited) (經審核)	Significant unobservable inputs 重大不可觀察 元素 (Level 3) (第3級) HK\$'000 千港元 (Audited) (經審核)	Total 總額 HK\$'000 千港元 (Audited) (經審核)
As at 31 March 2019	於2019年3月31日				
Listed investments	上市投資	50,208	–	–	50,208
Unlisted investment	非上市投資	–	–	12,965	12,965
Structured bank deposits with floating interest rate	浮動利率的結構性 銀行存款	–	233,160	–	233,160
		50,208	233,160	12,965	296,333

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 September 2019 and 31 March 2019.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (six months ended 30 September 2018: Nil).

按公平值計量之負債：

於2019年9月30日及2019年3月31日，本集團並無以公平值計量的金融負債。

期內，公平值計量於第1級與第2級之間並無轉換及無轉入或轉出至第3級(截至2018年9月30日六個月止：無)。

Notes to Interim Condensed Consolidated Financial Information (Continued)
 中期簡明綜合財務資料附註(續)

For the six months ended 30 September 2019 截至2019年9月30日止六個月

29. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)
Fair value hierarchy (Continued)
Liabilities for which fair values are disclosed:

As at 30 September 2019

29. 金融工具之公平值及公平值層級(續)

公平值層級(續)
 已披露公平值之金融負債：

於2019年9月30日

Fair value measurement
 using quoted prices
 in active markets
 (Level 1)
 使用於活躍市場
 之報價的公平值計量
 (第1級)
 HK\$'000
 千港元
 (Unaudited)
 (未經審核)

Senior notes	優先票據	11,333,905
Medium-term notes	中期票據	693,461
Domestic company bonds	境內公司債券	1,572,806
		13,600,172

As at 31 March 2019

於2019年3月31日

Fair value measurement
 using quoted prices
 in active markets
 (Level 1)
 使用於活躍市場
 之報價的公平值計量
 (第1級)
 HK\$'000
 千港元
 (Audited)
 (經審核)

Senior notes	優先票據	11,431,686
Medium-term notes	中期票據	2,430,103
Corporate bonds	企業債券	554
Domestic company bonds	境內公司債券	1,623,959
		15,486,302

30. Approval of Interim Condensed Consolidated Financial Information

This interim condensed consolidated financial information was approved and authorized for issue by the board of directors of the Company on 20 November 2019.

30. 批准中期簡明綜合財務資料

本公司董事會於2019年11月20日批准及授權刊發此等中期簡明綜合財務資料。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告



To the members of China South City Holdings Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of China South City Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 136 to 288, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

致華南城控股有限公司各股東
(於香港註冊成立之有限公司)

意見

我們已審核華南城控股有限公司(「貴公司」)及其附屬公司(「貴集團」)載於第136至288頁的綜合財務報表，當中載有於2019年3月31日的綜合財務狀況表、及截至該日止年度的綜合損益表、綜合全面收益表、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」)頒布之香港財務報告準則(「香港財務報告準則」)真實而公允地反映了貴集團於2019年3月31日的綜合財務狀況及截至該日止年度的綜合財務表現及綜合現金流量，並已遵照香港公司條例妥為編制。

意見之基礎

我們根據香港會計師公會頒布之香港審計準則(「香港審計準則」)進行審核。根據該等準則下，我們的責任於本報告內核數師就審核綜合財務報表須承擔之責任一節中進一步闡述。根據香港會計師公會之專業會計師操守守則(「守則」)，我們獨立於貴集團，並已根據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足夠及能適當地為我們的審核意見提供基礎。

關鍵審核事項

關鍵審核事項根據我們的專業判斷，認為對我們審核本期綜合財務報表最為重要之事項。該等事項是在我們對綜合財務報表整體進行審核並形成意見之背景下處理，我們不會對該等事項提供單獨意見。我們對下述每一事項在審核中是如何處理之描述亦以此為背景。

INDEPENDENT AUDITOR'S REPORT (Continued)

獨立核數師報告(續)

Key audit matters (Continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

Fair values of investment properties

As of 31 March 2019, the carrying amount of investment properties was HK\$52,464,934,000. Fair value gains on investment properties amounted to HK\$2,793,403,000 which accounted for 51.95% of profit before tax of the Group. The Group engaged an external valuation expert to perform valuations of the Group's investment properties to estimate their fair values as at 31 March 2019. The fair values of investment properties were determined principally using the income capitalization method by capitalizing the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The determination of application of the valuation technique, future rental income and rented rate involved significant management judgment and estimates.

The related disclosures are included in notes 3 and 14 to the consolidated financial statements.

How our audit addressed the key audit matter

Our audit procedures included evaluating the valuation process and the independence and expertise of the external valuation expert. We assessed the related data of the properties as used by the external valuation expert as inputs for the valuations by comparing to the historical data and market index. We also involved our valuation specialists to assist us in evaluating the valuation methodology and the underlying assumptions which principally included the market unit rental rate and capitalization rate.

關鍵審核事項(續)

我們已履行本報告中核數師審核綜合財務報表之責任一節中所述的責任，包括有關該等事項之責任。因此，我們的審核包括執行旨在應對綜合財務報表存有重大錯誤陳述風險評估而設定之程序。審核程序的結果包括處理以下事項的程序，為我們就隨附的綜合財務報表的審核意見提供基礎。

關鍵審核事項

投資物業之公平值

截至2019年3月31日，投資物業的賬面值為52,464,934,000港元。投資物業之公平值收益為2,793,403,000港元，佔貴集團稅前利潤之51.95%。貴集團委聘外部估值專家進行貴集團投資物業於2019年3月31日的估值。投資物業公平值主要按收入資本化法釐定，方法是將現有租賃所得的租金收入資本化，並就物業的潛在可復歸收入計提適當撥備。決定估值技術的運用、未來租金收入及出租率涉及重大的管理層判斷及估計。

相關披露載於綜合財務報表附註3及14。

該事項在審計中如何處理

我們的審核程序包括評估估值程序及外部估值專家的獨立性及專業性。我們比較歷史數據及市場指數，從而評估外部估值專家用於估值中有關物業資料投入。我們亦委託我們的評估專家協助評定評估的方法及包括市場單位租金率及資本化比率等主要基礎假設。

Key audit matters (Continued)

Key audit matter

Impairment of trade receivable balances

As at 31 March 2019, the carrying amount of trade receivables was HK\$1,064,890,000. Assessment of the recoverability of trade receivables involves a high level of management judgment. During the year, management used a provision matrix to calculate expected credit losses for receivables. The matrix was initially based on the Group's historical default rates, and specific factors that management considered in the estimation of the rates including the type of customers, ageing of the balances and recent historical payment patterns. Management then calibrated the matrix for the historical credit loss experience with forward-looking information, such as forecasted economic conditions.

The related disclosures are included in notes 3 and 24 to the consolidated financial statements.

How our audit addressed the key audit matter

We evaluated the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimate of expected credit losses ("ECL").

We assessed, on a sample basis, whether items in the trade receivable ageing report were classified with the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices.

We assessed the adequacy of the ECL provision by: (i) evaluating the management's assumptions used in establishing the ECL provision matrix; (ii) examining the information used by management to form such estimations, including testing the accuracy of historical default data, and evaluating whether the historical loss rates were appropriately adjusted based on current economic conditions and forward-looking information and (iii) examining the actual losses recorded during the current financial year.

關鍵審核事項(續)

關鍵審核事項

應收貿易賬款減值

於2019年3月31日，應收貿易賬款賬面值為1,064,890,000港元。應收貿易賬款的可回收性的評估涉及高水平的管理層判斷。年內，管理層使用撥備矩陣計算應收賬款的預期信貸虧損。矩陣最初基於本集團歷史違約率及管理層在估計利率時考慮的特定因素，包括客戶類型、結餘賬齡及近期歷史支付模式。其後，管理層使用前瞻性信息(例如預測的經濟條件)校準歷史信用損失經驗的矩陣。

相關披露載於綜合財務報表附註3及24。

該事項在審計中如何處理

我們評估了控制信貸控制，收債和預期信貸虧損估計的關鍵內部控制的設計，實施和運營有效性。

我們通過比較報告中的各個項目與相關銷售發票，以抽樣方式評估應收貿易賬款賬齡報告中的項目是否按適當的賬齡作分類。

我們通過以下方式評估預期信貸虧損撥備的充分性：(i)評估管理層在建立預期信貸虧損撥備矩陣時所使用的假設；(ii)檢查管理層用以形成此類估計的信息，包括測試歷史違約數據的準確性，評估歷史損失率是否根據當前經濟狀況和前瞻性信息進行適當調整，以及(iii)檢查本財政年度錄得的實際虧損。

INDEPENDENT AUDITOR'S REPORT (Continued)

獨立核數師報告(續)

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

年報中所載之其他資料

貴公司董事須對其他資料承擔責任。其他資料包括年報所載資料，惟不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表作出之意見並不涵蓋其他資料，我們亦不會就其他資料發表任何形式之鑒證結論。

就審核綜合財務報表而言，我們的責任為閱讀其他資料，及在此過程中，考慮其他資料是否與綜合財務報表或我們在審核過程中所了解的情況有重大不符，或者似乎有重大錯誤陳述。基於我們已執行之工作，如我們認為其他資料出現重大錯誤陳述，我們需要報告有關事實。就此而言，我們並無需報告任何事項。

董事就綜合財務報表須承擔之責任

貴公司董事須負責根據香港會計師公會頒布之香港財務報告準則及香港公司條例規定編製綜合財務報表使其真實而公允地列報，及制訂董事認為必要之相關內部監控，以使綜合財務報表之編製不會存在由於欺詐或錯誤而導致之重大錯誤陳述。

在編製綜合財務報表時，貴公司董事須負責評估貴集團持續經營之能力，並在適用情況下披露與持續經營有關之事項。除非貴公司董事有意將貴集團清盤或停止經營，或別無其他實際的替代方案。

貴公司董事在審核委員會協助下履行監督貴集團財務報告過程之責任。

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment 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之責任

我們的目標為對整體綜合財務報表是否不存在由於欺詐或錯誤而導致之任何重大錯誤陳述取得合理保證，並發出載有我們意見的核數師報告。我們根據香港公司條例第405條，僅向整體股東報告，而不作其他用途。我們概不就本報告之內容對任何其他人士承擔任何責任或負責。

合理保證是高水平的保證，惟根據香港審計準則進行之審核工作不能保證總能察覺所存在之重大錯誤陳述。錯誤陳述可因欺詐或錯誤產生，如按合理預期情況下可影響使用者根據綜合財務報表作出之經濟決定時，則被視為重大錯誤陳述。

在根據香港審計準則進行審核之過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別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之風險，設計及執行審核程序以應對該等風險，以及獲取充足和適當之審核憑證，作為我們意見之基礎。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之情況，因此未能發現因欺詐而導致之重大錯誤陳述之風險較因錯誤而導致之重大錯誤陳述之風險為高。
- 了解與審核相關之內部監控，以設計適當之審核程序，但目的並非對貴集團內部監控之有效性發表意見。
- 評估董事所採用會計政策之恰當性及作出會計估計和相關披露之合理性。

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

核數師就審核綜合財務報表須承擔之責任 (續)

- 對董事採用持續經營會計基礎之恰當性作出結論，並根據所獲取之審核憑證，決定是否存在與事件或情況有關之重大不確定性，而可能對貴集團持續經營之能力構成重大疑慮。如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之相關披露，或倘有關之披露不足，則修改吾等之意見。我們的結論是基於截至核數師報告日期止所取得的審核憑證。然而，未來事件或情況可能導致貴集團無法持續經營。
- 評價綜合財務報表之整體列報方式、結構及內容，包括披露資料，以及綜合財務報表是否公允反映相關交易和事項。
- 就貴集團實體或業務活動之財務資料獲取充分及適當的審核憑證，以對綜合財務報表發表意見。我們負責指導、監督和執行集團審核。我們對審核意見承擔全部責任。

我們與審核委員會溝通計劃審計範圍、時間安排及重大審核發現等事項，包括我們在審核期間識別出內部監控之任何重大缺陷。

我們亦向審核委員會提交聲明，說明我們已符合有關獨立性之相關道德要求，並與彼等溝通所有合理地被認為會影響我們獨立性之關係及其他事宜，以及相關防範措施(如適用)。

INDEPENDENT AUDITOR'S REPORT (Continued)

獨立核數師報告(續)

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is TJEN Michael.

核數師就審核綜合財務報表須承擔之責任 (續)

就與審核委員會溝通之事項中，我們釐定對本期綜合財務報表之審核最為重要之事項，因而構成關鍵審核事項。我們於核數師報告中描述該等事項，除非法律法規不允許公開披露該等事項，或在極端罕見之情況下，若合理預期下於我們報告中溝通某事項造成之負面後果將會超過其產生之公眾利益，我們將不會在報告中溝通該事項。

本獨立核數師報告之審核項目合伙人為曾文元。

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

26 June 2019

安永會計師事務所

執業會計師

香港

中環

添美道1號

中信大廈22樓

2019年6月26日

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

綜合損益表

Year ended 31 March 2019 截至2019年3月31日止年度

			For the year ended 31 March	
			截至3月31日止年度	
			2019	2018
			HK\$'000	HK\$'000
			千港元	千港元
		Notes 附註		
Revenue	收入	5	10,274,255	9,405,370
Cost of sales	銷售成本		(5,834,661)	(5,336,191)
Gross profit	毛利		4,439,594	4,069,179
Other income and gains	其他收入及收益	5	804,061	856,965
Fair value gains on investment properties	投資物業公平值收益	5	2,793,403	4,378,474
Selling and distribution expenses	銷售及分銷開支		(666,069)	(680,691)
Administrative expenses	行政開支		(1,129,949)	(1,216,023)
Other expenses	其他開支		(333,407)	(329,668)
Finance costs	融資成本	7	(530,858)	(294,771)
PROFIT BEFORE TAX	稅前利潤	6	5,376,775	6,783,465
Income tax expenses	所得稅開支	10	(2,133,661)	(2,281,133)
PROFIT FOR THE YEAR	本年度利潤		3,243,114	4,502,332
Attributable to:	下列各方應佔：			
Owners of the parent	母公司擁有人		3,250,962	4,511,679
Non-controlling interests	非控股權益		(7,848)	(9,347)
			3,243,114	4,502,332
EARNINGS PER SHARE	歸屬於母公司普通股			
ATTRIBUTABLE TO ORDINARY	權益持有人之			
EQUITY HOLDERS OF THE PARENT	每股盈利	12		
Basic	基本			
– for profit for the year	– 本年度利潤		HK40.33 cents港仙	HK56.35 cents港仙
Diluted	攤薄			
– for profit for the year	– 本年度利潤		HK40.33 cents港仙	HK56.19 cents港仙

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

綜合全面收益表

Year ended 31 March 2019 截至2019年3月31日止年度

		For the year ended 31 March 截至3月31日止年度	
		2019 HK\$'000 千港元	2018 HK\$'000 千港元
PROFIT FOR THE YEAR	本年度利潤	3,243,114	4,502,332
OTHER COMPREHENSIVE (LOSS)/INCOME	其他全面(虧損)/收入		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:	將於其後期間有可能重分類至損益的其他全面(虧損)/收入：		
Exchange differences on translation of foreign operations	換算海外業務的匯兌差額	(3,273,127)	3,776,276
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	本年度除稅後其他全面(虧損)/收入	(3,273,127)	3,776,276
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	本年度總全面(虧損)/收入	(30,013)	8,278,608
Attributable to:	下列各方應佔：		
Owners of the parent	母公司擁有人	(9,480)	8,271,536
Non-controlling interests	非控股權益	(20,533)	7,072
		(30,013)	8,278,608

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況表

31 March 2019 2019年3月31日

		Notes 附註	31 March 2019 2019年3月31日 HK\$'000 千港元	31 March 2018 2018年3月31日 HK\$'000 千港元
NON-CURRENT ASSETS	非流動資產			
Property, plant and equipment	物業、廠房及設備	13	1,400,177	1,749,787
Investment properties	投資物業	14	52,464,934	48,135,043
Properties under development	發展中物業	15	979,151	3,451,245
Prepaid land lease payments	預付土地出租金	16	1,328,747	1,449,228
Goodwill	商譽	17	49,111	34,128
Investments in associates	於聯營公司的投資	18	–	142,112
Financial assets at fair value through profit or loss	透過損益以公平值列賬之金融資產	19	12,965	–
Available-for-sale investments	可供出售金融投資	19	–	138
Other long-term receivables	其他長期應收款項	20	21,904	15,684
Deposits paid for purchase of land use rights and property	購買土地使用權及物業支付的按金	21	31,740	1,149,909
Deferred tax assets	遞延稅項資產	36	3,578,802	3,139,824
Total non-current assets	非流動資產總值		59,867,531	59,267,098
CURRENT ASSETS	流動資產			
Properties held for finance lease	持作融資租賃物業	22	295,545	333,514
Properties held for sale	持作銷售物業	22	39,155,078	38,108,017
Inventories	存貨	23	133,427	177,095
Trade receivables	應收貿易賬款	24	1,064,890	1,185,378
Contract assets	合約資產	26	99,621	–
Prepayments, other receivables and other assets	預付款項、其他應收款項及其他資產	25	2,847,730	1,613,206
Financial assets at fair value through profit or loss	透過損益以公平值列賬之金融資產	19	283,368	205,966
Cash and cash equivalents and restricted cash	現金及現金等價物及受限制現金	27	9,359,772	10,655,692
Total current assets	流動資產總值		53,239,431	52,278,868
CURRENT LIABILITIES	流動負債			
Trade and other payables	貿易及其他應付款項	28	15,729,226	22,807,754
Contract liabilities	合約負債	29	13,655,066	–
Interest-bearing bank and other borrowings	計息銀行及其他借貸	30	8,778,903	7,098,504
Short-term notes	短期融資券	31	–	625,100
Senior notes	優先票據	32	2,314,682	–
Medium-term notes	中期票據	33	2,459,903	2,622,149
Corporate bonds	企業債券	34	562	1,978,294
Domestic company bonds	境內公司債券	35	1,733,161	3,789,933
Tax payables	應付稅項		4,202,083	4,988,314
Total current liabilities	流動負債總額		48,873,586	43,910,048
NET CURRENT ASSETS	流動資產淨值		4,365,845	8,368,820
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總值減流動負債		64,233,376	67,635,918

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
綜合財務狀況表(續)

31 March 2019 2019年3月31日

		Notes 附註	31 March 2019 2019年3月31日 HK\$'000 千港元	31 March 2018 2018年3月31日 HK\$'000 千港元
NON-CURRENT LIABILITIES	非流動負債			
Interest-bearing bank and other borrowings	計息銀行及其他借貸	30	8,959,775	8,999,701
Senior notes	優先票據	32	10,017,690	9,230,272
Medium-term notes	中期票據	33	–	2,629,495
Domestic company bonds	境內公司債券	35	–	1,854,236
Deferred tax liabilities	遞延稅項負債	36	9,106,084	8,521,460
Total non-current liabilities	非流動負債總額		28,083,549	31,235,164
Net assets	資產淨值		36,149,827	36,400,754
EQUITY	權益			
Equity attributable to owners of the parent	母公司擁有人應佔權益			
Share capital	股本	37	7,222,312	7,060,973
Other reserves	其他儲備	39	28,768,281	29,157,371
			35,990,593	36,218,344
Non-controlling interests	非控股權益		159,234	182,410
Total equity	權益總額		36,149,827	36,400,754

CHENG CHUNG HING 鄭松興
Director 董事

ZHAO LIDONG 趙立東
Director 董事

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表

Year ended 31 March 2019 截至2019年3月31日止年度

		Attributable to owners of the parent 母公司擁有人應佔								Non-controlling interests 非控股權益		Total equity 權益總額
		Share capital 股本	Statutory surplus reserve 法定盈餘儲備	Share option reserve 購股權儲備	Exchange fluctuation reserve 匯兌波動儲備	Capital reserve 資本儲備	Revaluation reserve 重估儲備	Retained profits 保留利潤	Total 總計			
Notes 附註		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
			Note (i) 附註(i)									
At 1 April 2017	於2017年4月1日	7,054,362	1,591,047	169,245	(1,466,215)	(275,841)	286,456	20,939,200	28,298,254	181,137		28,479,391
Profit for the year	本年度利潤	-	-	-	-	-	-	4,511,679	4,511,679	(9,347)		4,502,332
Other comprehensive income for the year:	本年度其他全面收入：											
Exchange differences on translation of foreign operations	換算海外業務的匯兌差額	-	-	-	3,759,857	-	-	-	3,759,857	16,419		3,776,276
Total comprehensive income for the year	本年度總全面收入	-	-	-	3,759,857	-	-	4,511,679	8,271,536	7,072		8,278,608
Disposal of subsidiaries	處置附屬公司	-	(371)	-	1,579	-	-	-	1,208	(5,799)		(4,591)
Exercise of share options	行使購股權	37	6,611	(1,014)	-	-	-	-	5,597	-		5,597
Lapse of share options	購股權失效	-	-	(7,501)	-	-	-	7,501	-	-		-
Equity-settled share option arrangements	以權益結算的購股權安排	38	-	42,065	-	-	-	-	42,065	-		42,065
Final 2017 dividend paid	已付2017年末期股息	-	-	-	-	-	-	(400,316)	(400,316)	-		(400,316)
Transfer from retained profits	轉撥自保留利潤	-	411,035	-	-	-	-	(411,035)	-	-		-
At 31 March 2018	於2018年3月31日	7,060,973	2,001,711*	202,795*	2,295,221*	(275,841)*	286,456*	24,647,029*	36,218,344	182,410		36,400,754

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

綜合權益變動表(續)

Year ended 31 March 2019 截至2019年3月31日止年度

Attributable to owners of the parent											
母公司擁有人應佔											
		Share capital	Statutory surplus reserve	Share option reserve	Exchange fluctuation reserve	Capital reserve	Revaluation reserve	Retained profits	Total	Non-controlling interests	Total equity
		股本	法定盈餘儲備	購股權儲備	匯兌波動儲備	資本儲備	重估儲備	保留利潤	總計	非控股權益	權益總額
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
附註		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
			Note (i) 附註(i)								
At 1 April 2018	於2018年4月1日	7,060,973	2,001,711	202,795	2,295,221	(275,841)	286,456	24,647,029	36,218,344	182,410	36,400,754
Effect of adoption of HKFRS 9	採納香港財務報告準則第9號之影響	-	-	-	-	-	-	(44,450)	(44,450)	-	(44,450)
Effect of adoption of HKFRS 15	採納香港財務報告準則第15號之影響	-	-	-	-	-	-	58,366	58,366	-	58,366
At 1 April 2018 (restated)	於2018年4月1日(經重列)	7,060,973	2,001,711	202,795	2,295,221	(275,841)	286,456	24,660,945	36,232,260	182,410	36,414,670
Profit for the year	本年度利潤	-	-	-	-	-	-	3,250,962	3,250,962	(7,848)	3,243,114
Other comprehensive income for the year:	本年度其他全面收入：										
Exchange differences on translation of foreign operations	換算海外業務的匯兌差額	-	-	-	(3,260,442)	-	-	-	(3,260,442)	(12,685)	(3,273,127)
Total comprehensive income for the year	本年度總全面收入	-	-	-	(3,260,442)	-	-	3,250,962	(9,480)	(20,533)	(30,013)
Disposal of subsidiaries	處置附屬公司	-	(1,523)	-	(6,119)	-	-	-	(7,642)	(905)	(8,547)
Acquisition of a subsidiary	收購一家附屬公司	40	-	-	-	-	-	-	-	(6,401)	(6,401)
Capital contribution from a non-controlling shareholder	一個非控股股東的資本出資	-	-	-	-	-	-	-	-	4,663	4,663
Scrip dividend	以股代息	37	161,339	-	-	-	-	(161,339)	-	-	-
Lapse of share options	購股權失效	-	-	(55,569)	-	-	-	55,569	-	-	-
Equity-settled share option arrangements	以權益結算的購股權安排	38	-	14,595	-	-	-	-	14,595	-	14,595
Final 2018 dividend paid	已付2018年末期股息	-	-	-	-	-	-	(239,140)	(239,140)	-	(239,140)
Transfer from retained profits	轉撥自保留利潤	-	595,308	-	-	-	-	(595,308)	-	-	-
At 31 March 2019	於2019年3月31日	7,222,312	2,595,496*	161,821*	(971,340)*	(275,841)*	286,456*	26,971,689*	35,990,593	159,234	36,149,827

* These reserve accounts comprise the consolidated other reserves of HK\$28,768,281,000 (31 March 2018: HK\$29,157,371,000) in the consolidated statement of financial position.

* 該等儲備賬包括綜合財務狀況表所載的綜合其他儲備 28,768,281,000 港元 (2018 年 3 月 31 日: 29,157,371,000 港元)。

Note:

附註：

(i) In accordance with the PRC Company Law, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory surplus reserve can be utilized to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the registered capital after such usages.

(i) 根據中國公司法，本公司於中國註冊的附屬公司須將年度法定稅後利潤(經抵銷任何過往年度虧損後)的 10%撥入法定盈餘儲備。當儲備資金結餘達至實體註冊資本的 50%時，可以選擇是否再次撥入資金。法定盈餘儲備可用於抵銷過往年度虧損或增加資本。然而，法定盈餘儲備於作出該等用途後的結餘必須最少維持於註冊資本的 25%。

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

Year ended 31 March 2019 截至2019年3月31日止年度

		For the year ended 31 March		
		截至3月31日止年度		
		2019	2018	
		HK\$'000	HK\$'000	
		千港元	千港元	
	Notes 附註			
CASH FLOWS FROM OPERATING ACTIVITIES	經營活動現金流量			
Profit before tax	稅前利潤	5,376,775	6,783,465	
Adjustments for:	調整：			
Finance costs	融資成本	7	530,858	294,771
Interest income	利息收入	5	(89,240)	(77,945)
Loss/(gain) on disposal of items of property, plant and equipment	處置物業、廠房及設備項目虧損／(收益)	6	1,077	(113)
Depreciation	折舊	6	140,239	130,309
Amortization of prepaid land lease payments	預付土地出租金攤銷	6	34,087	28,269
Changes in fair value of investment properties	投資物業公平值變動	5	(2,793,403)	(4,378,474)
Provision for impairment of trade receivables	應收貿易賬款減值撥備	6	86,115	112,134
Provision for impairment of goodwill	商譽減值撥備	6	134,228	–
Provision for impairment of available-for-sale investments	可供出售金融投資減值撥備	6	–	175,500
Gain on disposal of subsidiaries	處置附屬公司收益	5	(24,515)	(1,142)
Loss on redemption of the senior notes	贖回優先票據之虧損	5	–	89,876
Gain on repurchase of the senior notes	回購優先票據之收益	5	(94,607)	–
Fair value (gains)/losses on financial assets at fair value through profit or loss, net	透過損益以公平值列賬之金融資產的公平值(收益)／虧損，淨額	5	(1,003)	4,461
Dividend income from financial assets at fair value through profit or loss	透過損益以公平值列賬之金融資產的股息收入		(3,261)	–
Equity-settled share option expense	以權益結算的購股權開支	6	14,595	42,065
		3,311,945	3,203,176	
Decrease/(increase) in properties held for finance lease and sale	持作融資租賃及銷售物業減少／(增加)		1,783,520	(345,051)
Decrease/(increase) in inventories	存貨減少／(增加)		31,712	(24,597)
Increase in other long-term receivables	其他長期應收款項增加		(7,279)	(8,883)
(Increase)/decrease in trade receivables	應收貿易賬款(增加)／減少		(104,505)	75,107
Increase in contract assets	合約資產增加		(27,054)	–
Increase in prepayments, other receivables and other assets	預付款項、其他應收款項及其他資產增加		(1,351,761)	(420,124)
Increase in contract liabilities	合約負債增加		3,648,438	–
(Increase)/decrease in restricted cash	受限制現金(增加)／減少		(1,140,069)	285,721
Increase in trade and other payables	貿易及其他應付款項增加		3,085,945	2,721,755
		9,230,892	5,487,104	
Cash generated from operations	經營所得的現金		(2,074,498)	(1,543,899)
Overseas taxes paid	已付海外稅項			
Net cash flows from operating activities	經營活動現金流入淨額	7,156,394	3,943,205	

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

綜合現金流量表(續)

Year ended 31 March 2019 截至2019年3月31日止年度

		For the year ended 31 March	
		截至3月31日止年度	
		2019	2018
		HK\$'000	HK\$'000
	Notes	千港元	千港元
	附註		
Net cash flows from operating activities	經營活動現金流入淨額	7,156,394	3,943,205
CASH FLOWS FROM INVESTING ACTIVITIES	投資活動現金流量		
Purchases of items of property, plant and equipment	購買物業、廠房及設備項目	13	(111,283)
Dividends received from financial assets at fair value through profit or loss	透過損益以公平值列賬之金融資產已收股息		3,261
Net cash outflow on purchase/disposal of financial assets at fair value through profit or loss transactions	透過損益以公平值列賬之購買／處置金融資產交易現金淨額流出		(103,131)
Proceeds from disposal of items of property, plant and equipment	處置物業、廠房及設備項目所得款項		6,616
Proceeds from increase in minority interests	增加收購少數股東權益		4,663
Purchase of an available-for-sale investment	購買一可供出售金融投資		—
Increase in amounts due from associates	應收聯營公司增加		—
Acquisition of a subsidiary	收購一家附屬公司	40	1,855
Cash inflow/(outflow) from disposal of subsidiaries, net	處置附屬公司現金流入／(流出)淨額	41	25,647
Deposits paid for purchase of land use rights and property	購買土地使用權及物業支付的按金		(48,951)
Additions to properties under development	發展中物業添置		(3,376,973)
Interest received	已收利息		89,240
Net cash flows used in investing activities	投資活動現金流出淨額	(3,509,056)	(4,960,982)
CASH FLOWS FROM FINANCING ACTIVITIES	融資活動現金流量		
Issue of short-term notes	發行短期融資券		—
Payment for interest on short-term notes	短期融資券利息付款		(28,027)
Repayment of short-term notes	償還短期融資券		(614,885)
Issue of senior notes	發行優先票據	32	3,449,469
Payment for interest on senior notes	優先票據利息付款	32	(708,755)
Redemption of the senior notes	贖回優先票據		—
Repurchase of the senior notes	回購優先票據	32	(411,432)
Repayment of domestic company bonds	預付境內公司債券	35	(3,497,400)
Payment for interest on medium-term notes	中期票據利息付款	33	(348,574)
Payment for interest on corporate bonds	企業債券利息付款	34	(122,409)
Redemption of corporate bonds	贖回企業債券	34	(1,866,186)
Repayment of medium-term notes	償還中期票據	33	(2,352,443)
Payment for interest on domestic company bonds	境內公司債券利息付款	35	(320,945)
New bank and other borrowings	新借銀行及其他貸款		9,853,446
Repayment of bank and other borrowings	償還銀行及其他貸款		(7,304,845)
Exercise of share options	行使購股權		—
Dividends paid	分派股息		(239,140)
Interest paid	已付利息		(1,041,510)
Net cash flows (used in)/from financing activities	融資活動現金(流出)／流入淨額	(5,553,636)	458,166
NET DECREASE IN CASH AND CASH EQUIVALENTS	現金及現金等價物減少淨額		
Cash and cash equivalents at the beginning of year	年初的現金及現金等價物	27	(1,906,298)
Effect of foreign exchange rate changes, net	匯率變動影響淨額		8,204,333
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	年終的現金及現金等價物		(364,203)
		5,933,832	8,204,333
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	現金及現金等價物結餘分析		
Cash and cash equivalents	現金及現金等價物	27	5,933,832
			8,204,333

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 March 2019 2019年3月31日

1. Corporate and Group Information

China South City Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Room 2205, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the development and operation of large-scale integrated logistics and trade centers, development of residential and commercial ancillary facilities, property management and the provision of E-commerce, outlet operations, logistics and warehousing services.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

1. 公司及本集團資料

華南城控股有限公司(「本公司」)在香港註冊成立為有限公司。本公司註冊辦事處位於香港九龍尖沙咀廣東道15號港威大廈永明金融大樓22樓2205室。

年內，本公司及其附屬公司(統稱「本集團」)主要從事發展及經營大型綜合物流及商品交易中心、開發商住配套設施、物業管理以及提供電子商貿、奧特萊斯運營、物流及倉儲服務。

附屬公司資料

本公司的主要附屬公司詳情如下：

Name 名稱	Place of incorporation/ registration and business 註冊成立／註冊及 經營地點	Nominal value of issued ordinary/ registered share capital as at 31 March 2019 於2019年3月31日 已發行普通／註冊 股本面值	Date of incorporation/ registration 註冊成立／ 註冊日期	Percentage of equity attributable to the		Principal activities 主要業務
				Company 本公司應佔 權益百分比		
				Direct 直接 %	Indirect 間接 %	
China South International Industrial Materials City (Shenzhen) Company Limited (ii)(iv) ("China South International") 華南國際工業原料城(深圳)有限公司(ii)(iv) (「華南國際」)	The People's Republic of China ("PRC")/ Mainland China 中國／中國大陸	HK\$2,200,000,000 2,200,000,000港元	18 December 2002 18-12-2002	100	–	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營
Nanchang China South City Company Limited (i)(iv) ("CSC Nanchang") 南昌華南城有限公司(i)(iv) (「南昌華南城」)	PRC/Mainland China 中國／中國大陸	Renminbi ("RMB") 1,100,000,000 人民幣1,100,000,000元	16 November 2007 16-11-2007	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營
Nanning China South City Company Limited (iii)(iv) ("CSC Nanning") 南寧華南城有限公司(iii)(iv) (「南寧華南城」)	PRC/Mainland China 中國／中國大陸	RMB1,000,000,000 人民幣1,000,000,000元	28 August 2009 28-08-2009	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

1. Corporate and Group Information (Continued) Information about subsidiaries (Continued)

1. 公司及本集團資料(續) 附屬公司資料(續)

Name 名稱	Place of incorporation/ registration and business 註冊成立／註冊及 經營地點	Nominal value of issued ordinary/ registered share capital as at 31 March 2019 於2019年3月31日 已發行普通／註冊 股本面值	Date of incorporation/ registration 註冊成立／ 註冊日期	Percentage of equity attributable to the		Principal activities 主要業務
				Company 本公司應佔 權益百分比		
				Direct 直接 %	Indirect 間接 %	
Xi'an China South City Company Limited (iii) 西安華南城有限公司(iii)	PRC/Mainland China 中國／中國大陸	RMB1,000,000,000 人民幣1,000,000,000元	12 November 2009 12-11-2009	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營
Harbin China South City Company Limited (iii) 哈爾濱華南城有限公司(iii)	PRC/Mainland China 中國／中國大陸	RMB1,500,000,000 人民幣1,500,000,000元	9 January 2012 09-01-2012	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營
Harbin Baoliton Market Development Management Company Limited (iii) 哈爾濱寶力通市場開發管理有限公司(iii)	PRC/Mainland China 中國／中國大陸	RMB500,000,000 人民幣500,000,000元	22 December 2011 22-12-2011	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營
Zhengzhou China South City Company Limited (iii)(iv) ("CSC Zhengzhou") 鄭州華南城有限公司(iii)(iv) (「鄭州華南城」)	PRC/Mainland China 中國／中國大陸	RMB1,000,000,000 人民幣1,000,000,000元	17 May 2012 17-05-2012	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營
Hefei China South City Company Limited (ii)(iv) ("CSC Hefei") 合肥華南城有限公司(ii)(iv) (「合肥華南城」)	PRC/Mainland China 中國／中國大陸	RMB1,200,000,000 人民幣1,200,000,000元	25 December 2012 25-12-2012	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營
Chongqing China South City Company Limited (ii)(iv) ("CSC Chongqing") 重慶華南城有限公司(ii)(iv) (「重慶華南城」)	PRC/Mainland China 中國／中國大陸	RMB1,000,000,000 人民幣1,000,000,000元	27 December 2013 27-12-2013	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

1. Corporate and Group Information (Continued) Information about subsidiaries (Continued)

1. 公司及本集團資料(續) 附屬公司資料(續)

Name 名稱	Place of incorporation/ registration and business 註冊成立／註冊及 經營地點	Nominal value of issued ordinary/ registered share capital as at 31 March 2019 於2019年3月31日 已發行普通／註冊 股本面值	Date of incorporation/ registration 註冊成立／ 註冊日期	Percentage of equity attributable to the		Principal activities 主要業務
				Company 本公司應佔 權益百分比		
				Direct 直接 %	Indirect 間接 %	
Shenzhen Huasheng Commercial Development Company Limited (iii) 深圳華盛商業發展有限公司(iii)	PRC/Mainland China 中國／中國大陸	RMB50,000,000/ RMB100,000,000 人民幣50,000,000元/ 人民幣100,000,000元	19 November 2010 19-11-2010	–	100	Management of outlet operations 奧特萊斯商場運營管理
Shenzhen China South City E-Commerce Technology Company Limited (ii) 深圳華南城網科技有限公司(ii)	PRC/Mainland China 中國／中國大陸	RMB100,000,000 人民幣100,000,000元	19 April 2012 19-04-2012	–	100	Development, operation and management of an E-commerce platform 電子商貿平台開發、運營及管理
Shenzhen First Asia Pacific Property Management Company Limited (i) 深圳第一亞太物業管理有限公司(i)	PRC/Mainland China 中國／中國大陸	RMB50,000,000 人民幣50,000,000元	31 December 2003 31-12-2003	–	100	Provision of property management services 提供物業管理服務
Qianlong Logistics Group Limited (iii) 乾龍物流集團有限公司(iii)	PRC/Mainland China 中國／中國大陸	RMB1,003,000,000 人民幣1,003,000,000元	2 July 2004 02-07-2004	–	100	Provision of logistics services 提供物流服務
Shenzhen HOBA Home Furnishing Chain Store Company Limited (iii) 深圳市好百年家居連鎖股份有限公司(iii)	PRC/Mainland China 中國／中國大陸	RMB480,000,000 人民幣480,000,000元	12 October 2001 12-10-2001	–	75	Furnishing market operation 家居廣場運營

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

1. Corporate and Group Information (Continued) Information about subsidiaries (Continued)

1. 公司及本集團資料(續) 附屬公司資料(續)

Name 名稱	Place of incorporation/ registration and business 註冊成立／註冊及 經營地點	Nominal value of issued ordinary/ registered share capital as at 31 March 2019 於2019年3月31日 已發行普通／註冊 股本面值	Date of incorporation/ registration 註冊成立／ 註冊日期	Percentage of equity attributable to the		Principal activities 主要業務
				Company 本公司應佔 權益百分比		
				Direct 直接 %	Indirect 間接 %	
China South City Management Company Limited 華南城管理有限公司	Hong Kong 香港	HK\$1 1港元	9 November 2007 09-11-2007	-	100	Provision of management services 提供管理服務
China South City Group Company Limited (iii) 華南城集團有限公司(iii)	PRC/Mainland China 中國／中國大陸	RMB300,000,000 人民幣300,000,000元	20 July 2004 20-07-2004	-	100	Investment holding 投資控股
Chongqing Zhenzhong Real Estate Development Company Limited (iii) 重慶振中房地產開發有限公司(iii)	PRC/Mainland China 中國／中國大陸	RMB50,000,000 人民幣50,000,000元	24 May 2016 24-05-2016	-	100	Development and operation of residential and commercial ancillary 商住配套設施開發及運營

Notes:

- (i) Sino-foreign equity joint ventures under PRC law.
- (ii) Wholly-foreign-owned enterprises under PRC law.
- (iii) Limited companies under PRC law.
- (iv) Pursuant to certain project and land related contracts signed by the subsidiaries of the Group and the local governments, as well as pursuant to the requirements of the local governments and the local authorities related to the relevant public tender, auction and listing, some parcels of the land acquired have sales restrictions on properties built on them. The saleable area of trade centers of China South International is limited to 30% of the total buildable gross floor area ("GFA") of properties built on the relevant parcels of land. The saleable area of trade centers and logistics facilities built on certain parcels of land acquired by CSC Nanchang and CSC Nanning in 2010 is limited to 60% of the relevant total buildable GFA. The saleable area of trade centers or commercial properties built by CSC Hefei and CSC Chongqing is limited to 50% of their relevant total buildable GFA. The saleable area of trade centers or commercial properties of phase I and future phases of CSC Zhengzhou is limited to 60% and 50% respectively of the relevant total buildable GFA. Except for the restrictions mentioned herein, there is no sales restriction on the parcels of land acquired by the Group.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company (the "Directors"), principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

附註：

- (i) 中國法律下的中外合資經營公司。
- (ii) 中國法律下的外商獨資企業。
- (iii) 中國法律下的有限公司。
- (iv) 根據本集團附屬公司與當地政府簽訂的若干項目及土地相關合同，以及根據當地政府或招拍掛相關部門的文件要求，部分項目所建物業存在銷售限制，包括華南國際相關地塊上的交易中心的可銷售面積限於總可建建築面積的30%；南昌華南城和南寧華南城於2010年取得的若干土地，其上建設的交易中心及倉儲設施的可銷售面積限於該等物業總可建建築面積的60%；合肥華南城及重慶華南城建設的交易中心或商業物業的可銷售面積限於該等物業總可建建築面積的50%；鄭州華南城建設的一期及以後各期的交易中心或商業物業的可銷售面積分別限於該等物業總可建建築面積的60%及50%。除上述情況之外，本集團的土地並沒有銷售限制。

上表所列乃本公司的董事認為對本年度業績有重大影響或構成本集團資產淨值主要部分之本公司附屬公司。董事認為提供其他附屬公司之詳情將過於冗長。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangement; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the dates on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 編製基準

該等財務報表乃根據香港會計師公會(「香港會計師公會」)頒布之香港財務報告準則(「香港財務報告準則」)(當中包括所有香港財務報告準則、香港會計準則(「香港會計準則」)及詮釋)、香港公認會計原則及香港公司條例之規定而編製，並按歷史成本法編製，惟投資物業及透過損益以公平值列賬之金融資產按公平值計量則除外。除另有說明外，此等財務報表以港元呈列，所有數值均已四捨五入至最接近千位數。

綜合基準

合併財務報表包括本集團截至2019年3月31日止年度的財務報表。附屬公司為本公司直接或間接控制的實體(包括結構性實體)。當本集團承受或享有參與投資對象業務所得的可變回報，且能透過對投資對象的權力(即賦予本集團有能力主導投資對象相關活動的既存權利)影響該等回報時，即取得控制權。

倘本公司直接或間接擁有少於投資對象大多數的投票或類似權利，則本集團於評估其是否擁有對投資對象的權力時，會考慮一切相關事實及情況，包括：

- (a) 與投資對象其他投票持有人的合約安排；
- (b) 其他合約安排所產生的權利；及
- (c) 本集團的投票權及潛在投票權。

附屬公司的財務報表乃就與本公司相同的報告期間採納一致的會計政策編製。附屬公司的業績由本集團取得控制權當日起綜合計算，並會繼續綜合，直至該等控制權終止。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

2.1 Basis of Preparation (Continued)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.1 編製基準(續)

綜合基準(續)

即使會導致非控股權益出現虧蝕結餘，損益及其他全面收入的各個組成部分仍會歸屬於本集團母公司擁有人及非控股權益。

所有集團內公司間資產、負債、權益、收入及開支以及與本集團成員公司間交易有關的現金流，將於綜合時悉數對銷。

倘事實或情況顯示上文所述三個控制因素中有一個或以上出現變動，則本集團將重新評估其是否仍控制該投資對象。於附屬公司擁有權權益的變動(並無喪失控制權)於入賬時列作權益交易。

倘本集團失去附屬公司的控制權，則會終止確認(i)該附屬公司的資產(包括商譽)及負債；(ii)任何非控股權益的賬面值；及(iii)計入權益的累計匯兌差額；並確認(i)已收代價的公平值；(ii)任何獲保留投資的公平值；及(iii)其因而產生計入損益的盈餘或虧蝕。先前已於其他全面收入確認的本集團應佔部分，乃按照本集團直接出售相關資產及負債時所規定的相同基準，在適當的情況下重新分類至損益或保留利潤。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfers of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

- (a) Amendments to HKFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

2.2 會計政策的變更及披露

本集團已就本年度之財務報表首次採納下列新訂及經修訂之香港財務報告準則：

香港財務報告準則第2號之修訂	釐清及計量以股份為基礎付款之交易
香港財務報告準則第4號之修訂	採用香港財務報告準則第4號保險合約時一併應用香港財務報告準則第9號金融工具
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	客戶合約收益
香港財務報告準則第15號之修訂	對香港財務報告準則第15號客戶合約收益之澄清
香港會計準則第40號之修訂	投資物業轉讓
香港(國際財務報告詮釋委員會)一詮釋第22號	外幣交易及預付代價
2014年至2016年週期之年度改進	香港財務報告準則第1號及香港會計準則第28號之修訂

除了對本集團財務報表沒重大財務影響的香港財務報告準則第4號(修訂)及2014年至2016年週期之年度改進，以上新編或經修訂的準則及詮釋的性質如下：

- (a) 香港財務報告準則第2號之修訂本闡述三大範疇：歸屬條件對計量以股份為基礎的現金結算付款交易的影響；為僱員履行其以股份為基礎付款的稅務責任而預扣若干金額的以股份為基礎付款交易(附有淨額結算特質)的分類；以及對以股份為基礎付款交易的條款及條件作出修訂令其分類由現金結算變為權益結算的會計處理方法。該等修訂明確說明計量以股份為基礎的權益結算付款時歸屬條件的入賬方法亦適用於以股份為基礎的現金結算付款。該等修訂引入一個例外情況，在符合若干條件時，為僱員履行稅務責任而預扣若干金額的以股份為基礎付款交易(附有淨股份結算特質)，將整項分類為以股份為基礎的權益結算付款交易。此外，該等修訂明確說明，倘以股份為基礎的現金結算付款交易的條款及條件有所修訂，令其成為以股份為基礎的權益結算付款交易，該交易自修訂日期起作為以權益結算的交易入賬。因本集團沒有以股份為基礎的現金結算付款交易及沒有需預扣稅務的以股份為基礎結算付款交易，故該等修訂對本集團之財務狀況表現並無影響。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

2.2 Changes in Accounting Policies and Disclosures

(Continued)

- (b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognized the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

2.2 會計政策的變更及披露(續)

- (b) 香港財務報告準則第9號金融工具於2018年1月1日或之後開始的年度期間取代香港會計準則第39號金融工具：確認及計量，匯集金融工具會計處理的所有三個方面：分類及計量、減值及對沖會計處理。

本集團已就於2018年4月1日的期初股權結餘確認過渡性調整。因此，概無重列比較資料，並繼續根據香港會計準則第39號呈報。

分類和計量

以下資料載列採納香港財務報告準則第9號對財務狀況表的影響，包括以香港財務報告準則第9號的預期信貸虧損取代香港會計準則第39號所產生的信貸虧損計算的影響。

根據香港會計準則第39號的賬面值與2018年4月1日根據香港財務報告準則第9號報告的結餘進行對賬如下：

		HKAS 39 measurement 香港會計準則第39號計量			HKFRS 9 measurement 香港財務報告準則第9號計量		
	Notes 備註	Category 類別	Amount 金額 HK\$'000 千港元	Re- classification 重分類 HK\$'000 千港元	ECL 預期信貸虧損 HK\$'000 千港元	Amount 金額 HK\$'000 千港元	Category 類別
<u>Financial assets</u>		<u>金融資產</u>					
Available-for-sale investments	可供出售金融投資	AFS ¹	138	(138)	–	–	N/A
To: Financial assets at fair value through profit or loss	轉至：透過損益以公平值 列賬之金融資產	(i)		(138)	–		
Other long-term receivables	其他長期應收款項	L&R ²	15,684	–	–	15,684	AC ³
Trade receivables	應收貿易賬款	(ii)	1,185,378	–	(59,267)	1,126,111	AC
Financial assets included in prepayments, other receivables and other assets	預付款項、其他應收款項及 其他資產中包含的 金融資產	L&R	1,190,964	–	–	1,190,964	AC
Financial assets at fair value through profit or loss	透過損益以公平值列賬之 金融資產	FVPL ⁴	205,966	138	–	206,104	FVPL (mandatory) (強制性)
From: Available-for-sale investments	轉自：可供出售金融投資			138	–		
Cash and cash equivalents and restricted cash	現金和現金等價物 及受限制現金	L&R	10,655,692	–	–	10,655,692	AC
			13,253,822	–	(59,267)	13,194,555	

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

2.2 Changes in Accounting Policies and Disclosures 2.2 會計政策的變更及披露(續)

(Continued)

(b) (Continued)

Classification and measurement (Continued)

(b) (續)

分類和計量(續)

HKAS 39 measurement 香港會計準則第39號計量				HKFRS 9 measurement 香港財務報告準則第9號計量			
	Note 備註	Category 類別	Amount 金額 HK\$'000 千港元	Re- classification 重分類 HK\$'000 千港元	ECL 預期信貸虧損 HK\$'000 千港元	Amount 金額 HK\$'000 千港元	Category 類別
Other assets		其他資產					
Contract assets	(ii)	合約資產	77,821	–	–	77,821	
Deferred tax assets		遞延稅項資產	3,139,824	–	14,817	3,154,641	
			3,217,645	–	14,817	3,232,462	
Total assets		總資產	111,623,787	–	(44,450)	111,579,337	
Financial liabilities		金融負債					
Financial liabilities included in trade and other payables		金融負債包括在貿易及其他應付款項中	AC 9,705,579	–	–	9,705,579	AC
Interest-bearing bank and other borrowings		計息銀行及其他借貸	AC 16,098,205	–	–	16,098,205	AC
Senior notes		優先票據	AC 9,230,272	–	–	9,230,272	AC
Short-term notes		短期融資券	AC 625,100	–	–	625,100	AC
Medium-term notes		中期票據	AC 5,251,644	–	–	5,251,644	AC
Corporate bonds		企業債券	AC 1,978,294	–	–	1,978,294	AC
Domestic company bonds		境內公司債券	AC 5,644,169	–	–	5,644,169	AC
			48,533,263	–	–	48,533,263	
Total liabilities		負債總額	75,145,212	–	–	75,145,212	

- 1 AFS: Available-for-sale investments
2 L&R: Loans and receivables
3 AC: Financial assets or financial liabilities at amortized cost
4 FVPL: Financial assets at fair value through profit or loss

Notes:

- (i) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in HKFRS 9.
- (ii) The gross carrying amounts of the trade receivables and the contract assets under the column "HKAS 39 measurement – Amount" represent the amounts after adjustments for the adoption of HKFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of HKFRS 15 are included in note 2.2(c) to the financial statements.

- 1 AFS: 可供出售金融資產投資
2 L&R: 貸款和應收款項
3 AC: 按攤銷成本計算的金融資產或金融負債
4 FVPL: 透過損益以公平值列賬之金融資產

備註:

- (i) 本集團已將其先前分類為可供出售投資的非上市投資分類為透過損益以公平值列賬之金融資產，因為該等非股權投資未通過香港財務報告準則第9號的合約現金流量特徵測試。
- (ii) 於「香港會計準則第39號計量—金額」一欄中的應收貿易賬款及合約資產的賬面值總額指採納香港財務報告準則第15號調整後但在計量預期信貸虧損調整前的金額。有關採納香港財務報告準則第15號的調整詳情將載於財務報表附註2.2(c)。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

2.2 Changes in Accounting Policies and Disclosures

(Continued)

(b) (Continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 24 to the financial statements.

2.2 會計政策的變更及披露(續)

(b) (續)

減值

下表將香港會計準則第39號下的總減值撥備期初值與香港財務報告準則第9號下的預期信貸虧損準備進行對賬。進一步詳情披露將載於財務報表附註24。

		Impairment allowances under HKAS 39 at 31 March 2018	Re-measurement	ECL allowances under HKFRS 9 at 1 April 2018
		於2018年3月31日 採納香港會計準則第39號下的總減值撥備 HK\$'000 千港元	重新計量 HK\$'000 千港元	於2018年4月1日 採納香港財務報告準則第9號下的總預期信貸虧損撥備 HK\$'000 千港元
Trade receivables	應收貿易賬款	412,908	59,267	472,175

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

保留利潤的影響

轉換為香港財務報告準則第9號對保留利潤的影響：

		Retained profits
		保留利潤 HK\$'000 千港元
Retained profits	保留利潤	
Balance as at 31 March 2018 under HKAS 39	香港會計準則第39號下 2018年3月31日的結餘	24,647,029
Recognition of expected credit losses for trade receivables under HKFRS 9	香港財務報告準則第9號下所確立的 應收貿易賬款的預期信貸虧損	(59,267)
Deferred tax in relation to the above	因以上調整引致的遞延稅項	14,817
Balance as at 1 April 2018 under HKFRS 9	香港財務報告準則第9號下 2018年4月1日的結餘	24,602,579

31 March 2019 2019年3月31日

2.2 Changes in Accounting Policies and Disclosures

(Continued)

- (c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was recognized as an adjustment to the opening balance as at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

2.2 會計政策的變更及披露(續)

- (c) 香港財務報告準則第15號及其修訂本代替香港會計準則第11號建築合約、香港會計準則第18號收入及相關詮釋，適用於所有因與客戶簽訂合約而產生的收入(有限例外情況除外)。香港財務報告準則第15號建立一個新五步模式，以確認客戶合約產生的收入。根據香港財務報告準則第15號，收入按能反映實體預期就向客戶轉讓貨物或服務作交換而有權獲得的代價金額確認。香港財務報告準則第15號的原則為計量和確認收入提供了更有條理的方法。該項準則亦引入大量定性及定量披露規定，包括分拆總收入，有關履約責任的資料，合約資產及負債賬目結餘於各期間的變動以及主要判斷及估計。披露內容載於財務報表附註3及5。由於香港財務報告準則第15號的應用，本集團已將財務報表附註2.4有關收益確認的會計政策變更。

本集團透過採用修改後的追溯調整法採納香港財務報告準則第15號。根據這種方法，此準則可應用於初始應用之日的所有合同，或於始應用之日未完成的合同。本集團選擇應用於在2018年4月1日還沒有完成的合同。

首次應用香港財務報告準則第15號的累計影響被確認為對2018年4月1日期初餘額的調整。因此，比較資料並未重述，並繼續根據香港會計準則第11號、香港會計準則第18號及相關詮釋予以報告。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

2.2 Changes in Accounting Policies and Disclosures 2.2 會計政策的變更及披露(續)

(Continued)

(c) (Continued)

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

(c) (續)

以下列出由於採用香港財務報告準則第15號而導致的每個財務報表項目在2018年4月1日受影響的金額：

		Notes 附註	Increase/ (decrease) 增加/(減少) HK\$'000 千港元
Assets	資產		
Inventories	存貨	(iii)	(3,403)
Prepayments, other receivables and other assets	預付款項、其他應收款項及其他資產	(iii)	3,403
Properties held for sale	持作銷售物業	(i)	133,705
Contract assets	合約資產	(ii)	77,821
Total assets	總資產		211,526
Liabilities	負債		
Trade and other payables	貿易及其他應付款項	(i)	(10,597,370)
Contract liabilities	合約負債	(i)	10,731,075
Deferred tax liabilities	遞延稅項負債	(ii)	19,455
Total liabilities	總負債		153,160
Equity	權益		
Other reserves	其他儲備	(ii)	58,366

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

2.2 Changes in Accounting Policies and Disclosures

(Continued)

(c) (Continued)

Set out below are the amounts by which each financial statement line item was affected as at 31 March 2019 and for the year ended 31 March 2019 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of profit or loss for the year ended 31 March 2019:

2.2 會計政策的變更及披露(續)

(c) (續)

以下列出了由於採用了香港財務報告準則第15號，在2019年3月31日以及截至2019年3月31日的年度財務報表項目受影響的金額。採用香港財務報告準則第15號對其他全面收益或本集團的經營、投資及融資現金流量並無影響。第一列顯示香港財務報告準則第15號下記錄的金額，第二列顯示未採用的金額：

截至2019年3月31日止年度的綜合損益表：

			Amounts prepared under 編制金額根據		
			HKFRS 15 香港財務 報告準則 第15號 HK\$'000 千港元	Previous HKFRS 未更改之 香港財務 報告準則 HK\$'000 千港元	Increase/ (decrease) 增加/ (減少) HK\$'000 千港元
		Notes 附註			
Revenue	收入	(i)	10,274,255	10,265,001	9,254
Cost of sales	銷售成本	(i)	(5,834,661)	(5,825,407)	9,254
Gross profit	毛利		4,439,594	4,439,594	–
Selling and distribution expenses	銷售及分銷開支	(ii)	(666,069)	(693,122)	(27,053)
Profit before tax	稅前利潤		5,376,775	5,349,722	27,053
Income tax expenses	所得稅開支	(ii)	(2,133,661)	(2,126,898)	6,763
Profit for the year	本年度利潤		3,243,114	3,222,824	20,290
Attributable to: Owners of the parent	下列各方應佔： 母公司擁有人		3,250,962	3,230,672	20,290

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

2.2 Changes in Accounting Policies and Disclosures 2.2 會計政策的變更及披露(續)

(Continued)

(c) (Continued)

(c) (續)

		Amounts prepared under 編制金額根據		
		HKFRS 15 香港財務 報告準則 第15號 HK\$'000 千港元	Previous HKFRS 未更改之 香港財務 報告準則 HK\$'000 千港元	Increase/ (decrease) 增加/ (減少) HK\$'000 千港元
Earnings per share attributable to ordinary equity holders of the parent	歸屬於母公司普通股權益 持有人之每股盈利			
Basic	基本			
– for profit for the year	– 本年度利潤	HK40.33 cents 40.33港仙	HK40.08 cents 40.08港仙	HK0.25 cents 0.25港仙
Diluted	攤薄			
– for profit for the year	– 本年度利潤	HK40.33 cents 40.33港仙	HK40.08 cents 40.08港仙	HK0.25 cents 0.25港仙

Consolidated statement of financial position as at 31 March
2019:

於2019年3月31日的綜合資產負債表：

		Amounts prepared under 編制金額根據			
			HKFRS 15 香港財務 報告準則 第15號 HK\$'000 附註	Previous HKFRS 未更改之 香港財務 報告準則 HK\$'000 千港元	Increase/ (decrease) 增加／ (減少) HK\$'000 千港元
Inventories	存貨	(iii)	133,427	140,133	(6,706)
Prepayments, other receivables and other assets	預付款項、其他應收款項 及其他資產	(iii)	2,847,730	2,841,024	6,706
Properties held for sale	持作銷售物業	(i)	39,155,078	38,459,937	695,141
Contract assets	合約資產	(ii)	99,621	–	99,621
Total assets	總資產		113,106,962	112,312,200	794,762

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

2.2 Changes in Accounting Policies and Disclosures 2.2 會計政策的變更及披露(續)

(Continued)

(c) (Continued)

(c) (續)

		Amounts prepared under 編制金額根據			
		Notes 附註	HKFRS 15 香港財務 報告準則 第15號 HK\$'000 千港元	Previous HKFRS 未更改之 香港財務 報告準則 HK\$'000 千港元	Increase/ (decrease) 增加／ (減少) HK\$'000 千港元
Trade and other payables	貿易及其他應付款項	(i), (iii)	15,729,226	28,689,151	(12,959,925)
Contract liabilities	合約負債	(i)	13,655,066	–	13,655,066
Deferred tax liabilities	遞延稅項負債	(ii)	9,106,084	9,081,179	24,905
Total liabilities	負債總額		76,957,135	76,237,089	720,046
Other reserves	其他儲備	(ii)	28,768,281	28,693,565	74,716
Total equity	總權益		36,149,827	36,075,111	74,716

The nature of the adjustments as at 1 April 2018 and the reasons for the significant changes in the consolidated statement of financial position as at 31 March 2019 and the consolidated statement of profit or loss for the year ended 31 March 2019 are described below:

2018年4月1日的調整性質及2019年3月31日綜合財務狀況表與截至2019年3月31日止年度綜合損益表重大變動的理由載列如下：

31 March 2019 2019年3月31日

2.2 Changes in Accounting Policies and Disclosures

(Continued)

(c) (Continued)

(i) Sale of properties

In the prior reporting periods, proceeds received from customers for pre-sold properties were presented as deposits and receipts in advance included in trade and other payables and no interest was accrued on the advances received.

Under HKFRS 15, for contracts where the period between the payments by the customer differs from the transfer of the promised goods or service, the transaction price and the amount of revenue from the sales is adjusted for the effects of a financing component, if significant. The Group concluded that there is a significant financing component considering the length of time between the customers' payment and the transfer of properties to customers and the prevailing interest rates in the market. The transaction price is discounted to take into consideration the significant financing component. The Group recognized contract liabilities for the interest on the advances received from customers with a significant financing component. In addition, reclassifications have been made from sales deposits received included in trade and other payables to contract liabilities for the outstanding balance of advances from customers.

The consolidated statement of financial position as at 1 April 2018 was restated, resulting in recognition of contract liabilities, increase in properties held for sale and decrease in sales deposits received included in trade and other payables amounting to HK\$10,731,075,000, HK\$133,705,000 and HK\$10,597,370,000, respectively.

As at 31 March 2019, the adoption of HKFRS 15 resulted in an increase in contract liabilities and properties held for sale amounting to HK\$695,141,000. For the year ended 31 March 2019, the adoption of HKFRS 15 resulted in an increase in revenue and cost of sales amounting to HK\$9,254,000.

As at 31 March 2019, under HKFRS 15, HK\$12,959,925,000 was reclassified from sales deposits received included in trade and other payables to contract liabilities.

2.2 會計政策的變更及披露(續)

(c) (續)

(i) 銷售物業

於過往報告期間，就預售物業收取客戶的所得款項按貿易及其他應付款項下按金及預收款項呈列及不會就已收墊款累計利息。

根據香港財務報告準則第15號，倘合約下客戶付款期間與轉移承諾商品或服務的期間不同，則交易價格及銷售所得收益金額就融資部分的影響(如重大)作出調整。本集團認為，因考慮到客戶付款及向客戶轉移物業之間的時差及市場當下利率，融資部分屬重大。交易價會貼現以計及重大融資部分。本集團就自客戶所收取包含重大融資部分的墊款利息確認合約負債。此外，客戶墊款的尚未結付結餘已從貿易及其他應付款項下按金及預收款項重新分類至合約負債。

於2018年4月1日的綜合財務狀況表已經重列，導致確認合約負債、持作銷售物業增加及貿易及其他應付款項下預售物業已收墊款分別減少10,731,075,000港元、133,705,000港元及10,597,370,000港元。

於2019年3月31日，因採納香港財務報告準則第15號導致的合約負債及持作銷售物業的上升分別均為695,141,000港元。截至2019年3月31日止年度，因應用香港財務報告準則第15號導致的收入及銷售成本上升分別均為9,254,000港元。

於2019年3月31日，根據香港財務報告準則第15號，由包含在貿易及其他應付款項下銷售按金款項重新分類至合約負債的金額為12,959,925,000港元。

31 March 2019 2019年3月31日

2.2 Changes in Accounting Policies and Disclosures

(Continued)

(c) (Continued)

(ii) Incremental costs of obtaining a contract

Following the adoption of HKFRS 15, sales commissions directly attributable to obtaining a contract, if recoverable, are capitalized as contract assets.

The consolidated statement of financial position as at 1 April 2018 was restated, resulting in recognition of contract assets, increases in other reserves and deferred tax liabilities amounting to HK\$77,821,000, HK\$58,366,000 and HK\$19,455,000, respectively.

As at 31 March 2019, the adoption of HKFRS 15 resulted in increases in contract assets, deferred tax liabilities and other reserves amounting to HK\$99,621,000, HK\$24,905,000 and HK\$74,716,000, respectively. For the year ended 31 March 2019, the adoption of HKFRS 15 resulted in an increase in income tax expenses and decrease in selling and distribution expenses amounting to HK\$6,763,000 and HK\$27,053,000, respectively.

(iii) Sale of merchandise with variable consideration

Some contracts for the sale of merchandise provide customers with a right of return. Before adopting HKFRS 15, the Group recognized revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and volume rebates. If revenue could not be reliably measured, the Group deferred the recognition of revenue until the uncertainty was resolved. Under HKFRS 15, rights of return give rise to variable consideration which is determined using the expected value method or the most likely amount method.

2.2 會計政策的變更及披露(續)

(c) (續)

(ii) 取得合約而增加之費用

於採納香港財務報告準則第15號後，直接源於獲取合約的銷售佣金(倘可收回)，資本化為「合約資產」。

於2018年4月1日的綜合財務狀況表已經重列，導致確認合約資產、其他儲備及遞延稅項負債分別增加77,821,000港元、58,366,000港元及19,455,000港元。

於2019年3月31日，因應用香港財務報告準則第15號而導致合約資產、遞延稅項負債及其他儲備上升，分別為99,621,000港元、24,905,000港元及74,716,000港元。截至2019年3月31日止年度，因應用香港財務報告準則第15號導致利得稅支出的上升，及銷售及分銷開支的下跌分別為6,763,000港元及27,053,000港元。

(iii) 商品銷售的可變動考慮

一些商品銷售合同為客戶提供了退貨權。於採納香港財務報告準則第15號前，本集團按已收或應收代價的公平價值(扣除退貨及數量折扣)確認出售貨品的收入。如果收入無法可靠計量，則本集團將收入確認推遲到不確定性得到解決之前。根據香港財務報告準則第15號，退貨權產生可變代價，該代價乃採用預期價值法或最可能數額法釐定。

31 March 2019 2019年3月31日

2.2 Changes in Accounting Policies and Disclosures

(Continued)

(c) (Continued)

(iii) Sale of merchandise with variable consideration

(Continued)

Rights of return

For a contract that provides a customer with a right to return the goods within a specified period, the Group previously estimated expected returns based on the average historical return rate. Before the adoption of HKFRS 15, the amount of revenue related to the expected returns was deferred and recognized as deferred revenue which was included in other payables and accruals in the consolidated statement of financial position with a corresponding adjustment to cost of sales. The initial carrying amount of goods expected to be returned was included in inventories.

Upon adoption of HKFRS 15, the Group recognized a right-of-return asset which is included in prepayments, other receivables and other assets and is measured at the former carrying amount of the goods to be returned less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. In addition, a refund liability was recognized based on the amount that the Group expects to return to the customers using the expected value method. Accordingly, the Group reclassified deferred revenue of HK\$4,199,000 to refund liabilities as included in other payables and accruals and reclassified inventories of HK\$3,403,000 to right-of-return assets as included in prepayments, other receivables and other assets as at 1 April 2018.

As at 31 March 2019, the adoption of HKFRS 15 resulted in an increase in prepayments, other receivables and other assets and a decrease in inventories by HK\$6,706,000. Besides, refund liabilities were increased by HK\$8,273,000 and other payables and accruals were decreased by HK\$8,273,000.

2.2 會計政策的變更及披露(續)

(c) (續)

(iii) 商品銷售的可變動考慮(續)

退貨權

對於為客戶提供在指定期限內退貨的權利的合約，本集團先前根據平均歷史退貨率估計預期退貨。於採納香港財務報告準則第15號前，與預期退貨相關的收入金額已遞延並確認為遞延收入，併計入綜合財務狀況表的其他應付款項及應計費用，並相應調整銷售成本。預期退回的貨物的初始賬面金額計入存貨。

於採納香港財務報告準則第15號後，本集團確認包括在預付款項、其他應收款項及其他資產中的退貨資產，並按以往退回貨品的賬面值減去退回貨品的任何預期成本計量，包括退回貨物價值的任何潛在減少。此外，退款負債乃根據本集團預期使用預期價值法退回客戶的金額確認。因此，本集團將遞延收入4,199,000港元重新分類為退款負債(包括於其他應付款項及應計項目及重新分類存貨3,403,000港元)至退貨權資產，包括於2018年4月1日的預付款項、其他應收款項及其他資產。

截至2019年3月31日，因採用香港財務報告準則第15號導致預付款項、其他應收款項及其他資產增加及存貨減少6,706,000港元。此外，退款負債增加8,273,000港元，其他應付款項及應計款項減少8,273,000港元。

31 March 2019 2019年3月31日

2.2 Changes in Accounting Policies and Disclosures

(Continued)

- (d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.
- (e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognizes a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.2 會計政策的變更及披露(續)

- (d) 香港會計準則第40號的修訂本釐清實體何時應將物業(包括在建物或發展中物業)轉入或轉出投資物業。該修訂本說明,倘物業符合或不再符合投資物業定義及存在用途改變的憑據時,即視作發生用途改變。僅管理層對物業用途的意向變動不足以作為用途改變的憑據。該等修訂不會對本集團的綜合財務報表產生任何影響。
- (e) 香港(國際財務報告詮釋委員會)一詮釋第22號就實施香港會計準則第21號時如何釐定交易日期提供指引,以指明實體以外幣收取或支付預付代價並確認非貨幣資產或負債的情況。該解釋澄清,為確定相關資產,費用或收入(或部分)的初始確認時使用的匯率,交易日期為主體初始確認非貨幣資產的日期(例如預付款)或因支付或收到預付代價而產生的非貨幣負債(如遞延收入)。如果在確認相關項目之前有多個付款或收據,則主體必須確定每筆付款或收到預付對價的交易日期。由於本集團確定用於初步確認非貨幣資產或非貨幣負債的匯率的會計政策與解釋中提供的指引一致,因此該詮釋對本集團的財務報表並無影響。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements:

Amendments to HKFRS 3	<i>Definition of a Business</i> ²
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ¹
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 16	<i>Leases</i> ¹
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i> ²
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ¹
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ¹
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 ¹

- ¹ Effective for annual periods beginning on or after 1 January 2019
² Effective for annual periods beginning on or after 1 January 2020
³ Effective for annual periods beginning on or after 1 January 2021
⁴ No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

2.3 已頒佈但尚未生效之香港財務報告準則

本集團並無於該等財務報表應用下列已頒佈但尚未生效之新訂及經修訂香港財務報告準則：

香港財務報告準則第3號之修訂	業務的定義 ²
香港財務報告準則第9號	具有負補償之提前償付特徵 ¹
香港財務報告準則第10號及香港會計準則第28號(2011年)之修訂	投資者與其聯營公司或合營公司之間的資產出售或注資 ⁴
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
香港會計準則第1號及香港會計準則第8號之修訂	重大之定義 ²
香港會計準則第19號之修訂	計劃修訂、縮減或結清 ¹
香港會計準則第28號之修訂	於聯營公司及合營公司之長期權益 ¹
香港(國際財務報告解釋委員會)解釋公告第23號	所得稅處理之不確定性 ¹
2015年至2017年週期之年度改進	香港財務報告準則第3號、香港財務報告準則第11號、香港會計準則第12號及香港會計準則第23號之修訂 ¹

- ¹ 於2019年1月1日或之後開始之年度期間生效
² 於2020年1月1日或之後開始之年度期間生效
³ 於2021年1月1日或之後開始之年度期間生效
⁴ 並無確定強制生效日期，但可提前採納

預期將適用於本集團之香港財務報告準則的進一步資料載述如下：

31 March 2019 2019年3月31日

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 已頒佈但尚未生效之香港財務報告準則(續)

香港財務報告準則第3號之修訂澄清業務的定義，並提供額外指引。該修訂訂明可視為業務的一組整合活動和資產，必須至少包括一項投入和一項重要過程，而兩者必須對形成收益的能力有重大貢獻。業務毋須包括形成產出所需的所有投入或過程。該修訂取消了評估市場參與者是否有能力收購業務並能持續獲得收益的規定，轉為重點關注所取得的投入和重要過程共同對形成收益的能力有否重大貢獻。該修訂亦已收窄收益的定義範圍，重點關注為客戶提供的商品或服務、投資收益或日常活動產生的其他收入。此外，修訂亦提供有關評估所取得過程是否重大的指引，並新增公平值集中度測試選項，允許對所取得的一組活動和資產是否不屬於業務進行簡化評估。本集團預期自2020年4月1日起採用該等修訂。

香港財務報告準則第10號及香港會計準則第28號(2011年)之修訂針對香港財務報告準則第10號及香港會計準則第28號(2011年)之間有關投資者與其聯營公司或合營公司之間的資產出售或注資兩者規定之不一致性。該等修訂規定，當投資者與其聯營公司或合營公司之間的資產出售或注資構成一項業務時，須確認全數收益或虧損。當交易涉及不構成一項業務的資產時，由該交易產生的收益或虧損於該投資者的損益內確認，惟僅以不相關投資者於該聯營公司或合營公司的權益為限。該等修訂將前瞻地應用。香港會計師公會已於2016年1月撤銷香港財務報告準則第10號及香港會計準則第28號(2011年)之修訂的前強制生效日期，並將於完成對聯營公司及合營公司會計處理的更廣泛檢討後釐定新強制生效日期。然而，該等修訂現時可供採納。

31 March 2019 2019年3月31日

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognize the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognized in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During the year ended 31 March 2019, the Group has performed a detailed assessment on the impact of adoption of HKFRS 16. The Group has estimated that right-of-use assets of HK\$120,744,000 and lease liabilities of HK\$119,795,000 will be recognized at 1 April 2019.

2.3 已頒佈但尚未生效之香港財務報告準則(續)

香港財務報告準則第16號取代香港會計準則第17號租賃、香港(國際財務報告解釋委員會)解釋公告第4號確定一項安排是否包含租賃、香港(常設解釋委員會)解釋公告第15號經營租賃—激勵措施，以及香港(常設解釋委員會)解釋公告第27號評價涉及租賃法律形式交易的實質。該項準則載列確認、計量、呈列及披露租賃的原則，並要求承租人就絕大多數租賃確認資產及負債。該準則包含兩項對承租人的選擇性確認豁免—低值資產租賃及短期租賃。承租人將於租賃開始當日確認一項作出租賃付款的負債(即租賃負債)及一項代表租賃期內使用相關資產的權利之資產(即使用權資產)。除非使用權資產符合香港會計準則第40號對於投資物業的定義或有關應用重估模式之物業、廠房及設備類別，否則，其後使用權資產須按成本減累計折舊及任何減值虧損計算。其後，租賃負債的增加乃反映租賃負債的利息，或因租賃付款而減少。承租人將須分開確認租賃負債的利息開支及使用權資產的折舊開支。若干事件發生(如租賃期改變及未來租賃付款因用以釐定該付款的指數或費率有所變動而改變)後，承租人亦須重計量租賃負債。承租人一般會將重新計算的租賃負債金額確認為使用權資產的調整。香港財務報告準則第16號大致保留香港會計準則第17號對出租人的會計要求。出租人將繼續採用香港會計準則第17號所載的相同分類原則將所有租賃分類，分為經營租賃或融資租賃。香港財務報告準則第16號要求承租人及出租人作出相較香港會計準則第17號項下更為廣泛的披露。承租人可選擇使用完全追溯方式或經修改追溯方式應用該準則。本集團將自2019年4月1日起採納香港財務報告準則第16號。本集團計劃採納香港財務報告準則第16號的過渡條文，以確認首次採用的累計影響，作為2019年4月1日保留盈利年初結餘的調整，而將不會重列比較數字。此外，本集團計劃將新要求應用於先前已確認為應用香港會計準則第17號的租賃合約，並按剩餘租賃付款的現值計量租賃負債，並使用本集團於首次應用日期的增量借貸利率貼現。使用權資產將按租賃負債金額計量，並於緊接首次應用日期前就財務狀況表確認的與租賃有關的任何預付或應計租賃付款金額作出調整。本集團計劃在租賃合約中使用該準則所允許的豁免，其租賃期限自首次應用日期起計12個月內終止。於截至2019年3月31日止年度，本集團已就採納香港財務報告準則第16號的影響進行詳細評估。本集團估計將於2019年4月1日確認使用權資產120,744,000港元及租賃負債119,795,000港元。

31 March 2019 2019年3月31日

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards (Continued)

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 April 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 April 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.3 已頒佈但尚未生效之香港財務報告準則(續)

香港會計準則第1號及香港會計準則第8號之修訂本提供新的重要定義。新定義載明，如對資料的遺漏、失實陳述或模糊可合理預期會影響一般用途財務報表的主要用戶對基於該等財務報表作出的決定，則有關資料為重要資料。該等修訂本澄清重要性將取決於資料的性質或數量。如可合理預期資料的失實陳述會影響主要用戶作出的決定，則該資料的失實陳述屬重要。本集團預期自2020年4月1日起採納該等修訂本。該等修訂本預期不會對本集團的財務報表產生任何重大影響。

香港會計準則第28號之修訂澄清香港財務報告準則第9號範疇排除情況僅包括於聯營公司或合營公司之權益，當中應用權益法，且並不包括實質上組成聯營公司或合營公司淨投資一部分之長期權益(當中並無應用權益法)。因此，實體就有關長期權益之會計處理應用香港財務報告準則第9號，而非香港會計準則第28號(包括香港財務報告準則第9號項下之減值規定)。僅就確認聯營公司或合資公司之虧損及聯營公司或合資公司淨投資之減值而言，香港會計準則第28號其後方適用於淨投資(包括長期權益)。本集團預期將於2019年4月1日採納該等修訂，並將按照於2019年4月1日存在之事實及情況使用該等修訂中之過渡性規定評估其有關該等長期權益之業務模式。本集團亦擬於採納該等修訂後應用有關重列過往期間可資比較資料之寬免。

香港(國際財務報告解釋委員會)解釋公告第23號處理當稅務處理涉及影響應用香港會計準則第12號之不確定性(通常稱為「不明確稅務狀況」)時對所得稅(即期及遞延)之會計處理。該解釋並不適用於香港會計準則第12號範疇以外之稅項或徵費，亦並無具體包括有關利息之規定及與不明確稅務處理相關之處罰。該解釋具體處理(i)實體是否獨立考慮不明確稅務處理；(ii)實體就檢查稅務機關進行之稅務處理所作出之假設；(iii)實體如何釐定應課稅利潤或稅務虧損、稅基、未動用稅務虧損、未動用稅務抵免及稅率；及(iv)實體如何考慮事實及情況之變動。該解釋將追溯應用，即完全追溯而並無採用後見之明或追溯而應用之累計影響作為對於初始應用當日之期初權益之調整，而並無重列可資比較資料。本集團預期將自2019年4月1日起採納該解釋。該修訂預期將不會對本集團之財務報表造成任何重大影響。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 重大會計政策概要 於聯營公司的投資

聯營公司為本集團一般擁有不少於20%股本投票權的長期權益，並能對其發揮重大影響力的實體。重大影響力為參與投資對象財政及經營政策決策的權力，但並非控制或共同控制該等政策。

本集團於聯營公司的投資乃按以權益會計法計算之本集團應佔資產淨值減任何減值虧損於綜合財務狀況表內列賬。

倘出現任何不相符的會計政策，即會作出調整加以修正。

本集團應佔聯營公司收購後業績和其他全面收入分別計入綜合損益表及綜合其他全面收益內。此外，倘直接於聯營公司的權益確認變動，則本集團會於綜合權益變動表確認其應佔的任何變動（如適用）。本集團與其聯營公司進行交易而出現的未實現利益及虧損會互相抵銷，金額以本集團於聯營公司的投資為限，但如果未實現虧損證明所轉讓資產發生減值則除外。收購聯營公司產生的商譽計入本集團於聯營公司的投資的一部分。

倘於聯營公司的投資變為於合營企業的投資或出現相反情況，則不會重新計量保留權益。反之，該投資繼續根據權益法入賬。在所有其他情況下，對聯營公司失去重大影響力或對合營企業失去共同控制後，本集團按其公平值計量及確認任何保留投資。於失去重大影響力或共同控制後聯營公司的賬面值與保留投資及來自處置所得款項之公平值之間的差額於損益內確認。

當聯營公司的投資被視為持作銷售，將會以香港財務報告準則第5號持作待售之非流動資產及非持續業務計量。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

2.4 重大會計政策概要(續)

業務併購及商譽

業務併購乃使用收購法入賬。所轉讓之代價乃以收購日期之公平值計量，該公平值為本集團所轉讓之資產於收購日期之公平值、本集團自被收購方之前年度擁有人承擔之負債，及本集團發行以換取被收購方控制權之股權之總和。就各業務合併而言，本集團選擇以公平值或被收購方可識別資產淨值之應佔比例，計算於被收購方中現時屬擁有權權益並賦予其持有人權利可於清盤時按比例分佔資產淨值之非控股權益。非控股權益之所有其他部分按公平值計量。有關收購成本於產生時支銷。

當本集團收購一項業務時，會根據合約條款、於收購日期之經濟環境及相關條件，評估將承接之金融資產及負債，以作出適合之分類及指定用途。此包括將被收購方主合約中之嵌入式衍生工具分開計算。

倘業務併購分階段進行，先前持有股權應按收購日期公平值計入損益表重新計量及任何產生之收益或虧損確認於損益。

由收購方將予轉讓的任何或然代價將按收購日期的公平值確認。分類為資產或負債之或然代價按公平值計量，而公平值變動於損益確認。倘或然代價歸類為權益毋須重新計量，其日後結算於權益列賬。

商譽起初按成本計量，即已轉讓代價、已確認非控股權益及本集團先前持有的被收購方股權之公平值之總和，超逾與所收購可識別資產淨值及所承擔負債的差額。倘此代價及其他項目的總和低於所收購資產淨值的公平值，於重新評估後其差額將於損益表內確認為議價購買收益。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and held-for-trading investments at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 重大會計政策概要(續)

業務併購及商譽(續)

於初始確認後，商譽按成本減任何累計減值虧損計量。商譽須每年作減值測試，倘有事件發生或情況改變顯示賬面值有可能減值，則會更頻密地進行檢討。本集團於3月31日進行商譽的年度減值測試。為進行減值測試，因業務合併而購入的商譽自購入之日被分配至預期可從合併產生的協同效益中獲益的本集團各個現金產生單位或現金產生單位組別，而無論本集團其他資產或負債是否已分配予該等單位或單位組別。

減值乃通過評估與商譽相關之現金產生單位(或現金產生單位組別)之可收回金額釐定。倘現金產生單位(或現金產生單位組別)之可收回金額低於賬面值時，減值虧損則予以確認。已就商譽確認之減值虧損不得於其後期間撥回。

倘商譽被分配為現金產生單位(或現金產生單位組別)之一部分，而該單位內部分業務被出售，則出售業務相關商譽於釐定出售業務收益或虧損時列入業務之賬面值。在這些情況下處置之商譽根據已出售業務及所保留現金產生單位部分之相對價值計算。

公平值計量

本集團於各報告期末透過損益以公平值計量投資物業及持作買賣投資。公平值為市場參與者於計量日期在有序交易中出售資產所收取的價格或轉讓負債所支付的價格。公平值計量乃假設出售資產或轉讓負債的交易於資產或負債主要市場或(在無主要市場情況下)最具優勢市場進行而作出。主要或最具優勢市場須為本集團可進入之市場。資產或負債的公平值乃基於市場參與者於資產或負債定價所用的假設計量(即假設市場參與者會以最佳經濟利益行事)。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Fair value measurement (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 重大會計政策概要(續)

公平值計量(續)

非金融資產的公平值計量須計及市場參與者透過最大限度使用該資產達致最佳用途，或將該資產出售予將最大限度使用該資產達致最佳用途的其他市場參與者以產生經濟利益的能力。

本集團採納適用於不同情況且具備充分數據以供計量公平值的估值方法，以盡量使用相關可觀察元素及盡量減少使用不可觀察元素。

所有於財務報表計量或披露公平值的資產及負債乃基於對公平值計量整體而言屬重大的最低層輸入數據按以下公平值層級分類：

- 第一級 – 基於相同資產或負債於活躍市場的報價(未經調整)
- 第二級 – 按估值技術計量，而對公平值計量而言屬重大的最低層元素可直接或間接觀察得出
- 第三級 – 按估值技術計量，而對公平值計量而言屬重大的最低層元素不可觀察得出

就按經常性基準於財務報表確認的資產及負債而言，本集團透過於各報告期末重新評估分類(基於對公平值計量整體而言屬重大的最低層元素)確定是否發生不同層級轉移。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 重大會計政策概要(續)

非金融資產減值

倘有跡象顯示減值存在，或當必須為資產(存貨、金融資產、投資物業及商譽除外)作出年度減值測試時，則會估計資產的可收回金額。資產的可收回金額為資產或現金產生單位的使用價值與其公平值減處置成本兩者的較高者，並就個別資產而釐定，惟不可產生大體上獨立於其他資產或資產組別的現金流入的資產則除外，在此情況下，可收回金額就資產所屬的現金產生單位而釐定。

僅於資產的賬面值超逾其可收回金額時，減值虧損方予確認。評估使用價值時，估計日後現金流量乃使用可反映金額時間值的現行市場評估及該資產特有的風險的稅前折現率折現至現值。減值虧損於其產生期間自收益表與該減值資產功能一致的該等費用類別內扣除。

於各申報日期結束時均評估是否有任何跡象顯示於過往確認的減值虧損可能不再存在或可能已經減少。如該等跡象存在，則會估計可收回金額。僅於用作釐定資產的可收回金額的估計出現變動時，資產(商譽除外)過往確認的減值虧損方可撥回；惟撥回金額不得高於(倘該資產於過往年度未有確認減值虧損)將可釐定的賬面值(扣除任何折舊/攤銷)。有關減值虧損的撥回於產生期間計入損益表，但如該資產按重估金額列賬，則減值損失撥回會根據該重估資產的有關會計政策列賬。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 重大會計政策概要(續)

關連人士

有關人士在下列情況下被視為與本集團有關連：

- (a) 該人士為一名人士或該人士之近親，而該人士：

- (i) 控制或共同控制本集團；
- (ii) 對本集團有重大影響力；或
- (iii) 為本集團或本集團母公司的其中一名主要管理層成員；

或

- (b) 該人士為符合下列任何一項條件之實體：

- (i) 該實體與本集團屬同一集團之成員公司；
- (ii) 該實體為另一家實體之聯營公司或合營企業(或另一家實體之母公司、附屬公司或同系附屬公司)；
- (iii) 該實體與本集團均為同一第三方之合營企業；
- (iv) 該實體為第三方實體之合營企業，而另一家實體則為該第三方實體的聯營公司；
- (v) 該實體為就本集團或與本集團有關連之實體之僱員之利益而設之離職後福利計劃；
- (vi) 該實體受(a)項所識別之人士控制或共同控制；
- (vii) 於(a)(i)項所識別之人士對該實體有重大影響力或屬該實體(或該實體之母公司)之主要管理層成員之一；及
- (viii) 實體或實體作為集團任何成員公司其中一部分向本集團或本集團的母公司提供主要管理人員服務。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3% to 9%
Furniture, fixtures and equipment	9% to 18%
Motor vehicles	9% to 18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 重大會計政策概要(續)

物業、廠房和設備及折舊

物業、廠房及設備乃按成本減累計折舊及任何減值虧損列賬。物業、廠房及設備項目的成本包括其購買價及使其投入現時運作狀況及將其運往擬定用途地點的任何直接應佔成本。

物業、廠房及設備項目投入使用後所產生的開支，如維修保養費用，通常於產生期間在收益表扣除。在符合確認條件的情況下，大的檢修開支於資產賬面值資本化，作為置換。倘大部分物業、廠房及設備須定期置換，本集團確認該等部分為具備特定可使用年期及據此折舊之個別資產。

折舊乃以直線法於估計可使用年期撇銷各物業、廠房及設備項目的成本至其剩餘價值計算。就此而言使用的主要年率如下：

樓宇	3%至9%
傢俬、裝置及設備	9%至18%
汽車	9%至18%

倘物業、廠房及設備項目的部分有不同的可使用年期，則該項目的成本以合理基準在該等部分之間分配，而各部分將會分開折舊。至少於各財政年結日檢討剩餘價值、可使用年期及折舊方法，並在適當情況下調整。

物業、廠房及設備項目包括初步確認之任何重大部分於處置或預期不會從使用或處置有關項目而取得未來經濟利益時終止確認。於終止確認資產的年度內在損益表確認的任何處置或報廢該等項目的盈虧乃指銷售所得款項淨額與有關資產賬面值的差額。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the statement of profit or loss.

Properties under development

Properties under development are stated at the lower of cost and net realizable value. Cost comprises the land costs, construction costs, capitalized borrowing costs and other costs directly attributed to such properties during the period of construction.

Properties under development are initially classified as non-current assets and transferred to current assets under the category of properties held for sale when the construction of the relevant properties commences and the construction period of the relevant property development project is expected to complete within the normal operating cycle.

2.4 重大會計政策概要(續)

投資物業

投資物業指為賺取租金收入及/或資本增值目的而持有的土地及樓宇權益(包括符合投資物業定義的物業以經營租賃下的租賃權益)，但不包括用作生產或供應貨品或提供服務或行政管理用途；或用作於日常業務過程中出售的土地及樓宇權益。該等物業初步按成本(包括交易成本)計量。初步確認後，投資物業按反映於報告期末市場狀況的公平值列賬。

投資物業公平值變動產生的盈虧，會於產生年度計入損益表。

報廢或處置投資物業產生的任何盈虧，會於報廢或處置的年度在損益表確認。

就投資物業轉撥至業主自用物業或存貨而言，物業日後視作會計處理的成本為用途變更當日的公平值。就將存貨轉為投資物業而言，物業在該日的公平值與其先前賬面值之間的差額於損益表確認。

發展中物業

發展中物業按成本值及可變現淨值兩者的較低者列賬。成本包括土地成本、發展開支、借貸成本及其他於建築期間該等物業應佔的直接成本。

起始時發展中物業分類為非流動資產，並於有關物業的建設開始及有關發展項目之預計施工期於正常營運週期內結轉至流動資產中的持作銷售物業。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

2.4 重大會計政策概要(續)

租賃

凡資產所有權(除法定業權外)的絕大部分回報及風險轉移予本集團，均列為融資租賃。於融資租賃生效時，租賃資產之成本按最低應付租金之現值資本化，並連同承擔(不包括利息部分)入賬，以反映購入及融資情況。根據資本化融資租約持有之資產(包括融資租約項下之預付土地租賃款項)均計入物業、廠房及設備，並於租期與資產之估計可使用年期之間以較短期者計算折舊。有關租賃之融資成本於收益表扣除，以便於租期內按固定比率扣除。

凡資產所有權的絕大部分回報及風險仍歸出租人所有，則有關租賃列為經營租賃。倘本集團為出租人，則本集團根據經營租賃出租的資產計入非流動資產，而經營租賃下的應收租金則以直線法於租賃期內計入損益表。倘本集團為承租人，則經營租賃下的應付租金以直線法於租賃期內在收益表扣除。

經營租賃下的預付土地出租金初步按成本列賬，其後則以直線法於租賃期內確認。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 重大會計政策概要(續)

投資及其他金融資產(自2018年4月1日起適用的香港財務報告準則第9號政策)

初步確認及計量

金融資產於初步確認時分類為其後按攤銷成本及按公平值計入損益計量。

初步確認時的金融資產分類取決於金融資產的合約現金流量特性及本集團管理該等資產的業務模式。除不含有重大融資部分或本集團已應用不調整重大融資部分之影響的實務情況之應收貿易賬款外，本集團初步按公平值加上(如屬並非按公平值計入損益的金融資產)交易成本計量金融資產。不含有重大融資部分或本集團已應用實務情況之應收貿易賬款乃根據下文「收入確認(自2018年4月1日起適用)」所載政策，按根據香港財務報告準則第15號釐定之交易價格計量。

為按攤銷成本分類或按公平值計入其他全面收益及計量金融資產，該金融資產需要產生純粹為支付本金及尚未清償本金額之利息("SPPI")的現金流量。

本集團管理金融資產的業務模式指如何管理金融資產以產生現金流量。業務模式釐定現金流量是否會自收取合約現金流量、出售金融資產或兩者產生。

所有一般金融資產買賣概於交易日(即本集團承諾購買或出售該資產當日)予以確認。一般買賣乃指按照一般市場規定或慣例在一定期間內交付資產的金融資產買賣。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018)

(Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

2.4 重大會計政策概要(續)

投資及其他金融資產(自2018年4月1日起適用的香港財務報告準則第9號政策)(續)

後續計量

金融資產按分類進行後續計量，分類如下：

按攤銷成本計量之金融資產(債務工具)

如符合以下兩項條件，本集團按攤銷成本計量金融資產：

- 以收取合約現金流量為目的持有金融資產之業務模式下持有之金融資產。
- 金融資產之合約條款於指定日期產生之現金流量純屬支付本金及尚未清償本金額之利息。

按攤銷成本計量之金融資產其後採用實際利率法計量及須作出減值測試。收益及虧損於資產不再確認、修訂或減值時於損益內確認。

按公平值計入損益的金融資產

按公平值計入損益的金融資產包括持作買賣的金融資產及於初步確認時指定為按公平值計入損益的金融資產或強制要求按公平值計量的金融資產。倘收購金融資產旨在於短期內出售或購回，則有關金融資產分類為持作買賣。衍生工具包括個別嵌入式衍生工具，除非獲指定為有效對沖工具，否則亦分類為持作買賣。現金流量並非純粹為支付本金及利息的金融資產，乃按公平值計入損益分類及計量(不論其業務模式)。儘管債務工具的標準如上所述按攤銷成本分類或按公平值計入其他全面收益，但倘如此行事會消除或大幅減少會計錯配，則債務工具可在初步確認時指定按公平值計入損益。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018)

(Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit or loss (Continued)

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognized as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and available-for-sale financial investments, or loans and receivables. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 重大會計政策概要(續)

投資及其他金融資產(自2018年4月1日起適用的香港財務報告準則第9號政策)(續)

後續計量(續)

按公平值計入損益的金融資產(續)

按公平值計入損益的金融資產按公平值於財務狀況表列賬，公平值變動淨額則於損益內確認。

此類別包括本集團並未不可撤銷地選擇按公平值計入其他全面收益計量之方式分類的股權投資。倘已確立支付權，則分類為按公平值計入損益之金融資產股權投資的股息亦在損益內確認為其他收入，本集團將很有可能獲得與股息相關的經濟利益並能夠可靠地計算股息金額。

投資及其他金融資產(適用於2018年4月1日前的香港會計準則第39號的政策)

初次確認及計量

金融資產於初始確認時分類為以公平值列值計入損益表的金融資產及可供出售金融投資，或貸款及應收賬款。金融資產於初次確認時以公平值及收購金融資產應佔交易成本計量，惟以公平值列值計入損益表的金融資產除外。

所有金融資產常規買賣均於交易日確認，即本集團承諾購買或出售該項資產的日期。常規買賣乃指需按法規規定或市場慣例在一定期間內轉移資產的金融資產買賣交易。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018)

(Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading. Financial assets are classified as held-for-trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other income and gains. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognized in accordance with the policies set out for "Revenue recognition (applicable before 1 April 2018)" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognized in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held-for-trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

2.4 重大會計政策概要(續)

投資及其他金融資產(適用於2018年4月1日前的香港會計準則第39號的政策)(續)

其後計量

金融資產的其後計量視其以下分類而定：

透過損益以公平值列賬的金融資產

透過損益以公平值列賬之金融資產，包括持作買賣的金融資產。倘金融資產的收購目的為於短期內出售，則分類為持作買賣。

透過損益以公平值列賬之金融資產於財務狀況表按公平值列賬，而公平值之正變動淨額列為其他收入及收益。該等公平淨值變動並未包括根據下文「收入確認(適用於2018年4月1日前)」所載政策確認的該等金融資產的任何股息或所賺取的利息。

僅當符合香港會計準則第39號的條件時，在初步確認時指定為按公平值計入損益的金融資產方於初步確認指定日期。

貸款及應收款項

貸款及應收款項指具有固定或可確定收回金額但無活躍市場報價的非衍生性金融資產。初步計量後，該等資產其後以實際利率法計算的攤銷成本減去任何減值撥備計量。計量攤銷成本時已考慮到收取時產生的任何折扣或溢價，包括構成實際利率一部分的費用或成本。實際利率攤銷計入收益表中的其他收入及收益內。減值產生之虧損在損益表中確認為貸款的融資成本及應收款項的其他開支。

可供出售金融投資

可供出售金融投資指上市及非上市的權益投資及債權證券的非衍生金融資產。分類為可供出售的權益投資即未被分類為持作買賣亦非被指定為公平值計入損益的金融資產。該分類中的債權證券乃以並無具體到期日持有為意圖且根據流動性需要和市場行情變化而出售。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018)

(Continued)

Available-for-sale financial investments (Continued)

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investments revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the statement of profit or loss as other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investments revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 April 2018)" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to the statement of profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 重大會計政策概要(續)

投資及其他金融資產(適用於2018年4月1日前的香港會計準則第39號的政策)(續)

可供出售金融投資(續)

於首次確認後，可供出售金融投資按公平值計量，而有關盈虧確認為其他全面收益中的可供出售投資重估儲備，直至投資終止確認為止，屆時過往在權益入賬的累計盈虧均計入損益表作其他收入，或者直至該投資被確定減值為止，屆時該等投資的累計盈虧將由可供出售投資重估儲備轉撥至損益表作其他收入或虧損。所賺取的利息及股息分別列報為利息收入及股息收入，並根據下文「收入確認(適用於2018年4月1日前)」一段所載的政策於綜合收益表中確認為其他收入。

倘基於(a)該項投資的合理公平值估計範圍廣闊或(b)於估計公平值時無法合理評估並使用該範圍內不同估計的可能性而未能可靠衡量非上市權益投資的公平值，則該等投資均按成本減任何減值虧損入賬。

本集團評估可供出售的金融資產以判斷其於短期內出售的能力和意圖是否恰當。當本集團由於市場喪失活躍性而無法交易該金融資產本集團將重分類這些金融資產(極少情況)，僅當實體有能力和意圖在可見將來或到期日持有該金融資產。

當金融資產被分類出可供出售金融資產類別，該等資產任何原計入權益的盈虧須在該投資的剩餘年限內按實際利率法攤銷入損益。任何新攤銷成本與原預期現金流的差異亦須在資產的剩餘年限內按實際利率法予以攤銷。若該資產於其後被確定減值，原計入權益的金額被分類至損益表。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 重大會計政策概要(續)

終止確認金融資產(適用於2018年4月1日後的香港財務報告準則第9號政策及2018年4月1日前的香港會計準則第39號政策)

金融資產(或(如適用)金融資產的一部分或同類金融資產組別的一部分)在下列情況下終止確認(從本集團綜合財務狀況表移除):

- 從資產收取現金流量的權利屆滿時;或
- 本集團已轉讓其收取該項資產所得現金流量的權利,或須根據一項「轉付」安排,有責任在無重大延誤情況下將所收取現金流量悉數付予第三方;及(a)本集團已轉讓該項資產的絕大部分風險及回報,或(b)本集團並無轉讓或保留該項資產的絕大部分風險及回報,但已轉讓該項資產的控制權。

當本集團已轉讓其收取該項資產所得現金流量的權利或已訂立一項轉付安排,會評估其是否保留該項資產所有權的風險及回報以及其程度。倘並無轉讓或保留該項資產的絕大部分風險及回報,且並無轉讓該項資產的控制權,該項資產將按本集團於資產的持續參與而確認入賬。在此情況下,本集團亦確認相關負債。已轉讓的資產及相關負債按反映本集團已保留的權利及責任的基準計量。

持續涉及指本集團就已轉讓資產作出之保證,已轉讓資產乃以該項資產之原賬面值及本集團或須償還之代價數額上限(以較低者為準)計算。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)

The Group recognizes an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are one year past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

2.4 重大會計政策概要(續)

金融資產減值(自2018年4月1日起適用的香港財務報告準則第9號政策)

本集團就並非按公平值計入損益持有的所有債務工具確認預期信貸損失撥備。預期信貸損失乃基於根據合約到期的合約現金流量與本集團預期收取並按初始實際利率的概約利率折現的所有現金流量之間的差額釐定。預期現金流量將包括出售所持抵押品或合約條款所包含的其他信貸升級措施所得的現金流量。

一般方法

預期信貸損失分兩個階段確認。就初步確認以來信貸風險並無大幅增加的信貸敞口而言，會為未來12個月(12個月預期信貸損失)可能發生的違約事件所產生的信貸損失計提預期信貸損失撥備。就初步確認以來信貸風險大幅增加的信貸敞口而言，須就預期於敞口的剩餘年期產生的信貸損失計提減值撥備，不論違約時間(全期預期信貸損失)。

於各報告日期，本集團評估金融工具的信貸風險自初步確認以來是否顯著增加。作出評估時，本集團將金融工具於報告日期的違約風險與初步確認時的違約風險進行比較，並考慮無需付出過多成本及努力即可獲得的合理可靠資料，包括歷史及前瞻性資料。

當合同付款逾期一年時，本集團認為金融資產違約。但是，在某些情況下，倘內部或外部資料反映，在未計及本集團所持任何信貸增強前，本集團不大可能悉數收到未償還合約款項，則本集團認為金融資產違約。倘無法合理預期收回合約現金流量，則撤銷金融資產。

按攤銷成本計量的金融資產須按一般方法減值，除應收貿易賬款及合約資產應用下文詳述的簡化方法外，金融資產按以下級別分類用於計量預期信貸損失。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (Continued)

General approach (Continued)

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 重大會計政策概要(續)

金融資產減值(自2018年4月1日起適用的香港財務報告準則第9號政策)(續)

一般方法(續)

第一級 – 金融工具的信貸風險自初步確認以來並未顯著增加，且其虧損撥備按12個月預期信貸損失等額計量

第二級 – 金融工具的信貸風險自初步確認以來顯著增加，但並非信貸減值金融資產，且其虧損撥備按全期預期信貸損失等額計量

第三級 – 於報告日期出現信貸減值的金融資產(但並非購入或承辦信貸減值)，且其虧損撥備按全期預期信貸損失等額計量

簡化方法

對於不含有重大融資部分或本集團已應用不調整重大融資部分之影響的實務情況之應收貿易賬款及合約資產，本集團應用簡化方法計算預期信貸損失。根據簡化方法，本集團並無追蹤信貸風險變動，但於各報告日期根據全期預期信貸損失確認減值撥備。本集團已根據其歷史信貸損失經驗，建立撥備矩陣，並就債務人及經濟環境的特定前瞻性因素作出調整。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

2.4 重大會計政策概要(續)

金融資產減值(適用於2018年4月1日前的香港會計準則第39號的政策)

本集團於各報告期末時對資產進行評估，以判斷是否存在客觀證據表明某項金融資產或某組金融資產可能已減值。倘於初步確認資產後發生一個或多個事件，而該事件對該項或該組金融資產的估計未來現金流量所造成的影響乃能夠可靠地估計，即存在減值。減值證據可能包括債務人或一組債務人出現重大財政困難、違約或拖欠利息或本金付款，有面臨破產或進行其他財務重組之可能以及有公開資料表明其預計未來現金流量已出現可計量之減幅，如債務人支付能力或所處經濟環境惡化。

按攤銷成本入賬的金融資產

對於按攤銷成本列賬的金融資產，本集團首先對個別金額屬重大的金融資產單獨評估是否有客觀減值證據，或對個別金額屬不重大的金融資產共同進行評估。倘本集團認定單獨評估的金融資產並不存在客觀減值證據，無論其金額是否重大，亦應當包括具有類似信貸風險特性的金融資產組合內的資產進行集體減值評估。已個別進行減值測試及已確認減值虧損或繼續確認減值虧損的資產不應進行集體減值評估。

已發生減值虧損的金額按該資產的賬面值與所估計未來現金流量(不包括尚未發生的未來信貸虧損)的現值之差額計算。估計未來現金流量的現值按該金融資產的原實際利率(即初始確認時使用的實際利率)折現。

該資產的賬面值乃透過使用撥備賬扣減，而虧損金額則於收益表確認。利息收入應繼續按照計量減值虧損時對未來現金流量進行折現採用的折現率為基準按扣減後的賬面值計算。當未來收回並無實質展望時，則撇銷貸款及應收款項及任何有關撥備，且所有抵押品已變現或轉讓予本集團。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018) (Continued)

Financial assets carried at amortized cost (Continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of profit or loss, is removed from other comprehensive income and recognized in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from other comprehensive income and recognized in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

2.4 重大會計政策概要(續)

金融資產減值(適用於2018年4月1日前的香港會計準則第39號的政策)(續) 按攤銷成本入賬的金融資產(續)

倘在後續期間，確認減值後發生致使估計減值虧損金額增加或減少的事件，則調整撥備賬以增加或減少先前確認的減值虧損。倘撇銷款項其後收回，則收回金額於損益表以其他開支入賬。

可供出售金融投資

對於可供出售金融投資，本集團於各報告期末進行評估，確定是否存在單項投資或一組投資減值的客觀證據。

如果可供出售的資產發生減值，則將按其成本(減去已償還的本金和攤銷額)與當前公平值之間的差額，減去任何以前在損益中確認的減值損失，從其他全面收入轉出並於損益表中確認。

對於分類為可供出售的權益投資，若一項投資的公平值大幅或長期下跌至低於其成本價，即屬客觀減值證據。「大幅」乃相對於投資的成本原值而評估，「長期」相對於公平值低於成本原值的期間。如出現減值證據，累計損失(購入成本與目前公平值的差額，減該項投資先前在損益表中確認的任何減值損失)將從其他全面收入轉出並於損益表中確認。分類為可供出售的權益工具的減值損失，不會在損益表中撥回，減值後公平值如有增加，則直接在其他全面收入確認。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018) (Continued)

Available-for-sale financial investments (Continued)

The determination of what is “significant” or “prolonged” requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, interest-bearing bank and other borrowings, short-term notes, senior notes, medium-term notes, corporate bonds and domestic company bonds.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings, short-term notes, senior notes, medium-term notes, corporate bonds and domestic company bonds are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

2.4 重大會計政策概要(續)

金融資產減值(適用於2018年4月1日前的香港會計準則第39號的政策)(續) 可供出售金融投資(續)

何謂「大幅」或「長期」則需運用判斷決定。在作出此項判斷時，本集團評估某項投資的公平價值低於其成本的持續時間或程度，及其他因素。

金融負債(適用於2018年4月1日前的香港會計準則第39號政策及2018年4月1日後的香港財務會計準則第9號政策)

初始確認及計量

金融負債於初始確認時分類為以公平值列值計入損益表的金融負債、貸款及借貸或應付款項，視情況而定。

所有金融負債乃按公平值初步確認，而倘為貸款及借貸及應付款項，則扣除直接計入應佔交易成本。

本集團的金融負債包括貿易及其他應付款項、計息銀行及其他借貸、短期融資券、優先票據、中期票據、企業債券及境內公司債券。

其後計量

金融負債的其後計量視其以下分類而定：

貸款及借貸

於初步確認後，計息銀行及其他借貸、短期融資券、優先票據、中期票據、企業債券及境內公司債券其後用實際利率法按攤銷成本計量，惟倘貼現影響並不重大，則於該情況下，金融負債按成本列賬。損益乃於負債終止確認時及於實際利率法攤銷過程中於損益表中確認。

攤銷成本乃計算自收購的任何折扣或溢價及屬於實際利率構成部分的費用或成本。實際利率攤銷乃計入損益表中的融資成本內。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) (Continued)

Financial guarantee contracts (policies under HKFRS 9 applicable from 1 April 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognized initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)"; and (ii) the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

Financial guarantee contracts (policies under HKAS 39 applicable before 1 April 2018)

A financial guarantee contract is recognized initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognized less, when appropriate, cumulative amortization.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

2.4 重大會計政策概要(續)

金融負債(適用於2018年4月1日前的香港會計準則第39號政策及2018年4月1日後的香港財務會計準則第9號政策)(續)

財務擔保合同(適用於2018年4月1日後的香港財務會計準則第9號政策)

本集團發行的財務擔保合同乃規定於特定債務人未能按照債務票據條款於到期時支付款項時須支付款項以補償持有人所蒙受損失。財務擔保合同初步以公平值確認為負債，並按與發出財務擔保合同有直接關係的交易成本予以調整。在初步確認後，本集團對財務擔保合同的計量以(i)根據「金融資產減值(適用於2018年4月1日後的香港財務會計準則第9號政策)」所釐定的總預期信貸虧損撥備；及(ii)按初步確認金額減(如適用)已確認的累計收入金額，兩者之較高者計算。

財務擔保合同(適用於2018年4月1日前的香港會計準則第39號政策)

財務擔保合同初步以公平值確認為負債，並按與發出財務擔保合同有直接關係的交易成本予以調整。在初步確認後，本集團對財務擔保合同的計量以(i)於報告期末時履行有關責任的最佳估計開支金額；及(ii)按初步確認金額減(如適用)累計攤銷，兩者之較高者計算。

終止確認金融負債(適用於2018年4月1日前的香港會計準則第39號政策及2018年4月1日後的香港財務會計準則第9號政策)

當負債項下的責任已解除、取消或期滿，則終止確認金融負債。

如現有金融負債被同一貸款人按條款大部分不同的另一項金融負債取代，或現有負債的條款被大幅修改，有關置換或修改會被視作終止確認原有負債並確認新負債，而其各自賬面值間的差額於損益表確認。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Properties held for sale and held for finance lease

Properties held for sale and held for finance lease include completed properties held for sale and held for finance lease and properties under development expected to be completed within the normal operating cycle. Properties held for sale and held for finance lease are stated at the lower of cost and net realizable value. Cost includes land costs, all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realizable value is determined by reference to the prevailing market prices, on an individual property basis.

Inventories

Inventories comprise merchandise purchased for resale and are stated at the lower of cost and net realizable value. Cost of merchandise is determined on the first-in, first-out basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 重大會計政策概要(續)

金融工具的抵銷(適用於2018年4月1日前的香港會計準則第39號政策及2018年4月1日後的香港財務會計準則第9號政策)

當目前有可執行法定權利以抵銷已確認金額並擬按淨額基準結算，或將資產變現及償還負債時，金融資產及金融負債會互相抵銷，並在財務狀況表內以淨額列示。

持作銷售及持作融資租賃物業

持作銷售及持作融資租賃物業包括持作銷售及持作融資租賃已落成物業及建築期間預計在正常經營週期內的發展中物業。持作銷售及持作融資租賃物業按成本值及可變現淨值兩者的較低者列賬。成本包括土地成本、所有發展開支、適用的借貸成本及該等物業應佔的其他直接成本。可變現淨值乃參考當前市價按個別物業基準釐定。

存貨

存貨包括為購買後作轉售的商品，並按成本或可變現淨值兩者較低者列賬。商品成本會根據先入先出法而釐定。可變現淨值按估計售價減任何尚需投入的完成生產及處置的估計成本計算。

現金及現金等價物

就綜合現金流量表而言，現金及現金等價物包括手頭現金及活期存款，以及可隨時轉換為已知金額現金的短期高流動性投資，該筆現金承受價值轉變的較低風險，一般於收購起計三個月內到期，並已減去須應要求償還的銀行透支，而成為本集團現金管理的一部分。

就綜合財務狀況表而言，現金及現金等價物包括手頭現金及銀行存款，當中包括定期存款及性質與現金相類的資產，該等存款用途不受限制。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 重大會計政策概要(續)

撥備

撥備乃於本集團因以往的事件導致現行的責任(不論法定或推定)產生，並將有可能需要於日後作出資源流出以履行責任時確認，惟須可靠地估計有關責任的金額。

倘折現的影響重大，確認為撥備的金額則為預期須用作履行責任的日後開支於報告期末的現值。折現的現值因時間流逝而產生的升幅，乃於損益表中列作融資成本。

所得稅

所得稅包括即期及遞延稅項。於損益以外確認項目相關的所得稅於損益以外之其他全面收入或直接於權益確認。

即期稅項資產和負債按預期可自稅務機關收回或須支付予稅務機關的金額，基於報告期末時已頒布或實際已頒布的稅率(和稅法)，計及本集團營運所在國家現行詮釋及慣例計量。

在報告期末時，資產與負債的稅基與作為財務報告用途的資產與負債賬面值之間的全部暫時性差異，須按負債法計提遞延稅項撥備。

所有應課稅暫時性差異均確認為遞延稅項負債，惟下列各項除外：

- 倘若遞延稅項負債的起因，是由於商譽而產生，或在一宗非屬業務合併的交易中初步確認資產或負債，而於進行交易時，對會計利潤或應課稅利潤或虧損均無影響；及
- 對於與附屬公司及聯營公司的投資的權益有關的應課稅暫時性差異而言，倘若撥回暫時性差異的時間可以控制，而暫時性差異不甚可能在可見將來撥回。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Income tax (Continued)

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 重大會計政策概要(續)**所得稅(續)**

對於所有可扣減暫時性差異、結轉未動用稅項抵免及任何未動用稅項虧損，若日後有可能出現應課稅利潤，可用以抵銷該等可扣減暫時性差異、結轉未動用稅項抵免及未動用稅項虧損，則遞延稅項資產確認入賬，惟下列各項除外：

- 倘若有關可扣減暫時性差異的遞延稅項資產的起因，是由於在一宗非屬業務合併的交易中初步確認資產或負債，而於進行交易時，對會計利潤或應課稅利潤或虧損均無影響；及
- 對於與於附屬公司及聯營公司的投資的權益有關的可扣減暫時性差異而言，只有在暫時性差異有可能在可見將來撥回，而且日後有可能出現應課稅利潤，可用以抵銷該等暫時性差異時，方會確認遞延稅項資產。

遞延稅項資產的賬面值，在各報告期末時予以審閱，若不再可能有足夠應課稅利潤可用以抵扣全部或部分遞延稅項資產，則扣減遞延稅項資產賬面值。過往未予確認的遞延稅項資產於各報告期末時重新評估，而在可能有足夠應課稅利潤可用以抵扣全部或部分遞延稅項資產，則確認過往未予確認的遞延稅項資產。

變現資產或清償負債的期間預期適用的稅率，會用作計量遞延稅項資產及負債，並以報告期末時已經頒布或實際已經頒布的稅率（及稅法）為基準。

當及僅當本集團有法定可強制執行權力抵銷即期稅項資產及即期稅項負債，而遞延稅項資產及遞延稅項負債與同一稅務當局向同一應課稅實體或不同應課稅實體徵收之所得稅有關，且計劃在預期有重大金額的遞延稅項負債或資產須予清償或收回的每個未來期間，按淨額基準清償即期稅項負債及資產，或同時變現該資產及清償該負債，將抵銷遞延稅項資產及遞延稅項負債。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge or over the benefits received by the Group related to such assets.

Revenue recognition (applicable from 1 April 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 重大會計政策概要(續)

政府補助

政府補助於合理地確保本集團將取得該補助並將可符合所有隨附條件時按公平值確認。與開支項目有關的補助，則有系統地於擬作成本開銷期間確認為收入。

當該補助與資產有關時，則以其公平值記錄於遞延收入中，再於有關資產之預計可使用年內，分期每年分攤計入損益表，或在資產之賬面值扣除，並以扣減折舊費用方式或本集團從該資產得到的得益之攤分方式計入損益表。

收入確認(自2018年4月1日起適用)

客戶合約收益

於貨物或服務的控制權按反映本集團預期就交換該等貨物或服務有權收取的代價的金額轉讓予客戶時確認客戶合約收益。

當合約代價包含可變金額時，代價金額估計為本集團就向客戶轉讓貨物或服務而有權換取的數額。可變代價於合約開始時估計並受到約束，直至其後消除關乎可變代價的不確定因素，使已確認累計收入金額不大可能發生重大收入撥回。

倘合約包含就向客戶轉讓貨物或服務為客戶提供超過一年的重大融資利益的融資部分，則收入按應收款項的現值計量，並使用本集團與客戶於合約開始時單獨融資交易中反映的折現率貼現。倘合約包含為本集團提供超過一年的重大融資利益的融資部分，則根據該合約確認的收入包括按實際利率法計算的合約負債所產生的利息開支。就客戶付款與承諾貨物或服務轉移期間為一年或一年以下的合約而言，採納香港財務報告準則第15號中實務情況後交易價格不會因重大融資成分的影響而調整。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Revenue recognition (applicable from 1 April 2018) (Continued)

(a) Sale of properties

Revenue from the sale of properties is recognized at the point in time when the purchaser obtain the physical possession of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

(b) Property management service, E-commerce, logistics and warehousing services

Property management service income, E-commerce income, logistics and warehousing services income are recognized over time when the services are rendered.

(c) Outlet operations

In outlet operations, revenue from sale of merchandise and commissions from concessionaire sales is recognized at the point in time when control of the asset is transferred to the customer.

Some contracts for the sale of merchandise provide customers with rights of return. The rights of return give rise to variable consideration.

Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in HKFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Revenue from other sources

Rental income is recognized on a time proportion basis over the lease terms.

Finance lease income is recognized when the significant risks and rewards incidental to ownership of the properties have been transferred to the lessee.

2.4 重大會計政策概要(續)

收入確認(自2018年4月1日起適用) (續)

(a) 物業銷售

物業銷售的收入於買方取得已落成物業實際擁有權的時間點確認，而本集團已取得現有支付權並且可能收取代價。

(b) 物業管理服務、電子商務、物流和倉儲服務

物業管理服務收入、電子商務收入、物流及倉儲服務收入於提供服務時隨時確認。

(c) 奧特萊斯運營

在奧特萊斯運營中，來自商品銷售和特許經銷商銷售佣金之收入在資產的控制權轉移給客戶時已確認。

一些商品銷售合同為客戶提供了退貨權。退貨權引起了可變的考慮。

退貨權

對於為客戶提供在指定期限內退貨的權利的合同，預期價值法用於估計不會退回的貨物，因為該方法最能預測本集團有權獲得的可變對價金額。香港財務報告準則第15號有關限制可變代價估計的規定適用於確定可計入交易價格的可變代價金額。對於預計將退回的貨物而非收入，退款負債將被確認。對於從客戶處回收產品的權利，還確認了退貨權資產(以及相應的銷售成本調整)。

其他來源的收益

租金收入於租期內按時間比例確認。

融資租賃收入在物業所有權附帶的重大風險和報酬已轉移給承租人時確認。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Revenue recognition (applicable from 1 April 2018) (Continued)

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognized when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Revenue recognition (applicable before 1 April 2018)

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) finance lease income, when the significant risks and rewards incidental to ownership of the properties have been transferred to the lessee;
- (d) property management service and other income, when the services have been rendered;
- (e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (f) income from outlet operations, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, or when the services have been rendered; and
- (g) income from E-commerce and the provision of logistics and warehousing services, when the services have been rendered.

2.4 重大會計政策概要(續)

收入確認(自2018年4月1日起適用) (續)

其他收入

利息收入之確認，以計提基準，於金融工具的預期年期或較短期間(如適用)內採用實際利息法按估計未來現金收入準確折現至金融資產賬面淨額的折現率。

股息收入於股東收取付款權利時確認，與股息相關的經濟利益很可能流入本集團且股息金額能夠可靠地計量。

收入確認(適用於2018年4月1日)

收入乃於經濟利益有可能流入本集團，並能夠可靠地計量收入之時，按下列基準確認：

- (a) 來自銷售物業的收入，於所有權的重大風險及回報已轉移予買家，而本集團並不保留通常與所有權有關的管理權或對已售物業的有效控制；
- (b) 租金收入，在租賃期內按時間比例基準；
- (c) 融資租賃收入，當物業擁有權相關的主要風險及回報已轉移予承租人；
- (d) 物業管理服務及其他收入，於提供服務時；
- (e) 利息收入，以計提基準，於金融工具的預期年期或較短期間(如適用)內採用實際利息法按估計未來現金收入準確折現至金融資產賬面淨額的折現率；
- (f) 奧特萊斯運營收入，於所有權的重大風險及回報已轉移予買家，而本集團並不保留通常與所有權有關的管理權或對已售貨品的有效控制或於提供服務時；及
- (g) 電子商貿及提供物流倉儲服務收入，於提供服務時。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Contract assets (applicable from 1 April 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities (applicable from 1 April 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Right-of-return assets (applicable from 1 April 2018)

A right-of-return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned goods.

Refund liabilities (applicable from 1 April 2018)

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

2.4 重大會計政策概要(續)

合約資產(自2018年4月1日起適用)

合約資產指就向客戶轉讓貨物或服務收取代價的權利。倘本集團於客戶支付代價或付款到期前通過向客戶轉讓貨物或服務履約，則就有條件賺取的代價確認合約資產。

合約負債(自2018年4月1日起適用)

合約負債指就本集團向客戶收取代價(或代價款項已到期)而須向客戶轉讓貨物或服務的責任。倘客戶於本集團向其轉讓貨物或服務前支付代價，則於作出付款或付款到期時(以較早者為準)確認合約負債。合約負債於本集團履行合約時確認為收入。

退貨權資產(自2018年4月1日起適用)

退貨權資產代表本集團有權收回客戶預期退回的貨物。資產按以前退回貨物的賬面金額減去收回貨物的預期成本(包括退回貨物價值的任何可能減少)計量。本集團更新所記錄資產的計量，以對其預期退貨水平進行任何修訂，以及退回貨物價值的任何額外減少。

退款負債(自2018年4月1日起適用)

退款負債是退還部分或全部客戶對價的義務，並按本集團最終預期必須返還給客戶的金額計量。本集團於各報告期末更新其退款負債估計(及交易價格的相應變動)。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in note 38 to the financial statements.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

2.4 重大會計政策概要(續)

以股份形式付款

本公司營運購股權計劃，向為本集團業務成就作出貢獻的合資格參與者提供獎勵及報酬。本集團僱員(包括董事)按以股份形式付款方式收取薪酬，僱員以提供服務作為權益工具的代價(「以權益結算的交易」)。

與僱員之間於2002年11月7日後的以權益結算的交易成本乃參考授出日期的公平值計量。公平值乃由外聘估值師採用適當定價模式釐定，進一步詳情載於財務報表附註38。

權益結算交易之成本在績效及/或服務條件達成之期間，連同權益之相應升幅一併確認。就權益結算交易於各告期間結束時至歸屬日期確認之累計開支，反映歸屬期屆滿之程度以及本集團就最終歸屬之權益工具數目之最佳估計。期內在損益表扣除或計入之金額，指於該期間期初及期終所確認之累計開支變動。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Share-based payments (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 重大會計政策概要(續)

以股份形式付款(續)

釐定獎勵獲授當日之公平值時，並不計及服務及非市場績效條件，惟在有可能符合條件的情況下，則評估為本集團對最終將會歸屬權益工具數目最佳估計之一部分。市場績效條件反映於獎勵獲授當日之公平值。獎勵之任何其他附帶條件(但不帶有服務要求)視作非歸屬條件。非歸屬條件反映於獎勵之公平值，除非同時具服務及/或績效條件，否則獎勵即時支銷。

因非市場績效及/或服務條件未能達成而最終無歸屬之獎勵並不確認為支出。凡獎勵包含市場或非歸屬條件，無論市場條件或非歸屬條件獲履行與否，而所有其他績效及/或服務條件均獲履行，則交易仍被視為一項歸屬。

當以權益結算的獎勵的條款經修改，倘符合獎勵的原有條款，則會確認最低額度的開支，猶如條款未經修改。此外，就引致以股份形式付款的總公平值上升或以其他方式對僱員有利的任何改動(以改動當日的計量為準)確認開支。

當一項以權益結算的獎勵註銷，會被視作猶如於註銷當日歸屬，及並未就獎勵確認的任何開支將即時確認。此乃包括受本集團或僱員控制的非歸屬條件未能達成的任何獎勵。然而，如一項新獎勵取代一項註銷獎勵，並於授出當日界定為取替的獎勵，如上段所述，註銷及新獎勵兩者會被視為原有獎勵的改動。

尚未行使購股權的攤薄影響用於計算每股盈利時反映為額外股份攤薄。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their respective payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 重大會計政策概要(續)

其他僱員福利

退休金計劃

本集團根據強制性公積金計劃條例為其所有香港僱員參與強制性公積金計劃(「強積金計劃」)營運一項定額供款強積金計劃。供款按僱員基本薪金的若干百分比作出，並於根據強積金計劃規則的規定於應付時自收益表扣除。強積金計劃的資產乃與本集團資產分開以獨立管理基金持有。本集團對強積金計劃作出的僱主供款，在供款作出時全數歸屬僱員。

本集團旗下在中國大陸營運的附屬公司的僱員，須參與由地方市政府營運的中央公積金計劃。該等附屬公司須按彼等各自的支薪成本的若干百分比向中央公積金計劃作出供款。供款須按照中央公積金計劃規則的規定於應付時在損益表內扣除。

借貸成本

因收購、建設或生產合資格資產(即須頗長期間準備方可用作其擬定用途或銷售的資產)直接產生的借貸成本，乃作為該等資產的部分成本予以資本化。當資產大致達到擬定用途或銷售時，該等借貸成本則不再予以資本化。待作出合資格資產開支的特定借貸臨時投資所賺取的投資收入於借貸成本資本化時扣除。所有其他借貸成本會於發生當期支銷。借貸成本包括利息及其他由公司借貸資金而產生之費用。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the financial statements.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measures at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

2.4 重大會計政策概要(續)

股息

當末期股息於股東大會上獲股東批准，該等股息則被確認為負債。擬派末期股息於財務報表附註11披露。

外幣

此等財務報表按港元呈列，而港元為本公司的功能貨幣。本集團內各實體決定其本身的功能貨幣，而各實體的財務報表內各項目均使用該功能貨幣計量。本集團實體所入賬的外幣交易初步普遍按交易日期其各自的功能貨幣匯率入賬。以外幣為單位的貨幣資產及負債，乃按報告期末的功能貨幣匯率換算。因結算或換算貨幣項目產生的一切差額乃於損益表入賬。

按外幣的歷史成本計量的非貨幣項目按最初交易當日的匯率換算。按外幣公平值計量的非貨幣項目按釐定公平值當日的匯率換算。換算非貨幣項目產生的收益或虧損乃按與確認該項目的公平值變動產生按公平值的收益或虧損一致的方法處理（即公平值收益或虧損於其他全面收入或損益確認的項目的換算差額，亦分別於其他全面收入或損益確認）。

在確定與終止代價有關的非貨幣性資產或非貨幣性負債終止確認時相關資產，費用或收入的初始確認時的匯率，初始交易日期為本集團初步確認的日期預付代價產生的非貨幣性資產或非貨幣性負債。如果之前有多筆付款或收據，則本集團會確定每筆付款或收到預付對價的交易日期。

31 March 2019 2019年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgments and Estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

2.4 重大會計政策概要(續)

外幣(續)

若干海外附屬公司及聯營公司的功能貨幣為港元以外的貨幣。於報告期末時，該等實體的資產及負債按報告期末時的匯率換算為港元，而該等公司的損益表按該年度普遍的平均匯率換算為港元。

所產生的匯兌差額確認為其他全面收入，並累計於匯兌波動儲備。處置海外實體時，在其他全面收入有關該特定海外業務的金額在損益表確認。

就綜合現金流量表而言，海外附屬公司的現金流量按現金流量日期的匯率換算為港元。海外附屬公司於年內經常產生的現金流量則按該年度的加權平均匯率換算為港元。

3. 重大會計判斷及估計

編製本集團財務報表時需管理層作出影響於報告期末的收入、費用、資產及負債及其隨附披露事項以及或然負債之呈報金額的判斷、估計及假設。然而，此等假設及估計的不明朗因素將引致受影響之資產或負債賬面值於將來或作出重大調整。

判斷

在應用本集團的會計政策的過程中，除該等涉及估計者外，管理層已作出下列對財務報表確認的金額有最重大影響的判斷：

31 March 2019 2019年3月31日

3. Significant Accounting Judgments and Estimates

(Continued)

Judgments (Continued)

Revenue from contracts with customers

The Group applied the following judgments that significantly affect the determination of the amount and timing of revenue from contracts with customers:

(i) *Determining the timing of satisfaction of contracts related to sale of properties*

The Group determined that the sales contracts with customers require the Group to complete the development of property before transferring the physical possession of the relevant property to the customer. The Group also determined that the Group does not have an enforceable right to payment from customers for performance completed to date before the transfer of the physical possession of the relevant property to the customer. Consequently, the Group concluded that the timing of transfer of properties is at the point in time when the purchaser obtains the physical possession of the completed property.

(ii) *Determining the method to estimate variable consideration and assessing the constraint for the sale of merchandise*

Certain contracts for the sale of merchandise include a right of return that gives rise to variable consideration. In estimating the variable consideration, the Group is required to use either the expected value method or the most likely amount method based on which method better predicts the amount of consideration to which it will be entitled.

The Group determined that the expected value method is the appropriate method to use in estimating the variable consideration for the sale of merchandise with rights of return, given the large number of customer contracts that have similar characteristics.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained based on its historical experience, business forecast and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short time frame.

3. 重大會計判斷及估計(續)

判斷(續)

客戶合約收益

本集團採用以下判斷，顯著影響與客戶合約收入金額及時間的確定：

(i) *確定與出售物業有關的合約的滿足時間*

本集團確定與客戶簽訂的銷售合約要求本集團在將相關物業的實際擁有權轉讓給客戶前完成物業發展。本集團亦確定，本集團並無向客戶支付可執行的權利，以確保在將相關物業的實際擁有權轉讓給客戶之前已完成的業績。因此，本集團得出結論，物業轉讓的時間是在買方取得已完工物業的實際擁有權的時間點。

(ii) *確定估計可變對價和評估商品銷售限制的方法*

某些商品銷售合同包括產生可變對價的退貨權。在估計可變代價時，本集團需根據那種方法更好地預測其有權獲得的代價金額，使用預期價值法或最可能金額法。

鑑於具有類似特徵的大量客戶合約，本集團確定預期價值法是用於估計出售具有退貨權的商品的可變對價的適當方法。

在將任何數額的可變對價納入交易價格之前，本集團會考慮可變對價的金額是否受到限制。本集團根據其歷史經驗、業務預測及當前經濟狀況確定可變對價的估計不受限制。此外，可變對價的不確定性將在短時間內得到解決。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

3. Significant Accounting Judgments and Estimates

(Continued)

Judgments (Continued)

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Transfer from properties under development to investment properties

Properties under development are transferred to investment properties when there is a change in use with sufficient evidence. The Group determines whether a change in use has occurred based on an assessment of all relevant facts and circumstances, which include but are not limited to: (a) a business plan that reflects the future rental income generated by the property; (b) the resources to hold and manage an investment property; (c) legal permissibility for the change in use; and (d) the commencement of development if the property requires further development for the change in use. Any excess of fair value over the original carrying amount of such properties at the date of transfer was recognized as current year profit or loss.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. 重大會計判斷及估計(續)

判斷(續)

經營租賃承擔 – 本集團作為出租人

本集團已就其投資物業組合訂立商業物業租賃。本集團已根據對該等安排的條款及條件作出的評估來釐定，本集團仍保留該等按照經營租賃出租的物業之所有權的所有重大風險及回報。

發展中物業轉移至投資物業

當有充足證明用途轉變時，發展中物業轉移至投資物業。本集團乃基於所有相關事實及情況的評估釐定用途有否轉變，其中包括但不限於：(a) 反映此物業將來產生租金收入的商業計劃；(b) 持有及經營投資物業所需的資源；(c) 容許改變有關用途的法律許可；及(d) 如物業改變用途需其他開發，有關開發需開始進行。於轉移日期該等物業的公平值超出原賬面值的任何金額確認為本年度損益。

投資物業與業主自用物業之間的分類

本集團釐定物業是否符合投資物業的條件，並已制定出一套判斷準則。投資物業是持作賺取租金或資本增值或兩者俱備的物業。因此，本集團考慮物業產生現金流量時是否大體獨立於本集團持有的其他資產。某些物業的部分是為賺取租金或資本增值而持有，而另一部分是為用於生產或供應貨品或服務或作行政用途而持有。倘若此等部分可以分開出售或根據融資租賃分開出租，本集團將把有關部分分開入賬。倘若該等部分無法分開出售，則僅在非主要部分持作生產或供應貨品或服務或作行政用途時，有關物業方會列作投資物業。本集團按基準對個別物業作出判斷，以決定配套服務是否重要，以致物業不符合作為投資物業的條件。

31 March 2019 2019年3月31日

3. Significant Accounting Judgments and Estimates

(Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Variable consideration for returns

The Group estimates variable consideration to be included in the transaction price for the sale of merchandise with rights of return.

The Group has developed a statistical model for forecasting sales returns. The model uses the historical return data of each product to come up with expected return percentages. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to the historical return pattern will impact the expected return percentages estimated by the Group.

The Group updates its assessment of expected returns half a year and the refund liabilities are adjusted accordingly. Estimates of expected returns are sensitive to changes in circumstances and the Group's past experience regarding returns entitlements may not be representative of customers' actual returns and rebate entitlements in the future. As at 31 March 2019, the amount recognized as refund liabilities was HK\$8,273,000 for the expected returns.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2019 was HK\$49,111,000 (2018: HK\$34,128,000). Further details are given in note 17.

3. 重大會計判斷及估計(續)**估計的不確定因素**

有關未來的主要假設以及於報告期末時存在重大風險導致於下一個財政年度對資產及負債的賬面值作出重大調整的其他主要估計不確定因素來源在下文論述。

退貨的可變考慮因素

本集團估計可變代價將包括在具有退貨權的商品銷售的交易價格中。

本集團已開發出預測銷售退貨的統計模型。該模型使用每種產品的歷史退貨數據來得出預期的退貨百分比。應用這些百分比來確定可變代價的預期值。與歷史退貨模式相比，經驗的任何重大變化都將影響本集團估計的預期退貨百分比。

本集團更新半年預期退貨評估，並相應調整退款負債。預期退貨的估計對環境變化敏感，而本集團過往有關退貨權益的經驗可能無法代表客戶未來的實際退貨及回贈權益。於2019年3月31日，確認為退款負債的金額為預期回報的8,273,000港元。

商譽減值

本集團至少每年釐定商譽是否減值。這需要對獲分配商譽的現金產生單位的使用價值作出估計。估計使用價值時，本集團須對現金產生單位的預期未來現金流量作出估計，亦須選擇適當的折現率以計算該等現金流量的現值。於2019年3月31日，商譽的賬面值為49,111,000港元(2018年：34,128,000港元)。詳情載於附註17。

31 March 2019 2019年3月31日

3. Significant Accounting Judgments and Estimates

(Continued)

Estimation uncertainty (Continued)

Estimation of fair value of investment properties

The Group engaged Savills Valuation and Professional Services Limited ("Savills"), an independent professional qualified valuer, to perform the valuation of the Group's investment properties at the end of the reporting period. Such valuations were based on certain assumptions, which are subject to uncertainty. In making the estimation, information about market unit rental rate and capitalization rate is considered and assumptions that are mainly based on market conditions existing at the end of each reporting period are used. The carrying amount of investment properties as at 31 March 2019 was HK\$52,464,934,000 (2018: HK\$48,135,043,000). Further details are given in note 14.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, service type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 24 to the financial statements.

3. 重大會計判斷及估計(續)

估計的不確定因素(續)

投資物業公平值估計

本集團委聘獨立專業合資格估值師第一太平戴維斯估值及專業顧問有限公司(「第一太平戴維斯」)進行本集團投資物業於報告期末時的估值。此類估值基於若干具有不確定性的假設。在進行估計時，有關市場單位租金率和資本化率的信息會被考慮，並且使用主要基於各報告期末存在的市場條件的假設。於2019年3月31日，投資物業的賬面值為52,464,934,000港元(2018年：48,135,043,000港元)。詳情載於附註14。

應收貿易賬款的預期信貸損失撥備

本集團使用撥備矩陣計算應收貿易賬款的預期信貸虧損。撥備率基於具有類似損失模式(即，按產品類型、服務類型、客戶類型和評級)的各個客戶群分組的過期天數。

撥備矩陣最初基於集團歷史觀察到的違約率。本集團將校準矩陣以使用前瞻性信息調整歷史信貸虧損經驗。例如，如果預計經濟狀況(即國內生產總值)預計在明年惡化，這可能導致製造業違約數量增加，則調整歷史違約率。在每個報告日期，更新歷史觀察到的違約率並分析前瞻性估計值的變化。

對歷史觀察到的違約率，預測經濟狀況和預期信貸虧損之間的相關性的評估是一個重要的估計。預期信貸虧損的數量對環境變化和預測經濟條件敏感。本集團的歷史信用損失經驗和經濟狀況預測也可能無法代表客戶未來的實際違約。有關本集團應收貿易賬款預期信貸虧損的信息披露於財務報表附註24。

31 March 2019 2019年3月31日

3. Significant Accounting Judgments and Estimates

(Continued)

Estimation uncertainty (Continued)

Land appreciation tax

Under the Provisional Regulations on Land Appreciation Tax ("LAT") implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from the transfer of real estate properties in Mainland China with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in the property development business in Mainland China are subject to LAT, which has been included in income tax. However, the implementation of these taxes varies amongst various Mainland China cities and the Group has not finalized its LAT returns with various tax authorities. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact the income tax and provisions for land appreciation taxes in the period in which the determination is made.

Withholding tax arising from the distribution of dividends

The PRC New Corporate Income Tax Law, which became effective on 1 January 2008, states that the distribution of dividends by a foreign-invested enterprise established in Mainland China to its foreign investors, from its earnings of 2008 or thereafter, shall be subject to withholding taxes at an applicable rate of 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Further details are given in note 36 to the financial statements.

3. 重大會計判斷及估計(續)

估計的不確定因素(續)

土地增值稅

根據於1995年1月27日頒布實施的中華人民共和國土地增值稅(「土地增值稅」)暫行條例實施細則，於中國大陸轉讓房地產物業產生的所有收益自1994年1月1日起須按介乎土地增值的30%至60%之累進稅率繳納土地增值稅。土地增值指出售物業所得款項減應課稅開支，包括土地使用權、借貸成本及所有物業開發開支。

本集團附屬公司於中國大陸從事物業開發業務，須繳納土地增值稅(計入所得稅)。然而，中國大陸的不同城市對土地增值稅的實施不盡相同，故本集團並未完成向不同稅務機關申報土地增值稅。因此，有關釐定土地增值及相關稅項須作出重大判斷。於日常業務中釐定的最終稅項金額並不確定。本集團基於管理層之最佳估計確認該等負債。當該等事宜之最終稅項支出與初步列賬之數額出現差異時，該等差額將影響釐定稅項期間之所得稅及土地增值稅撥備。

股息分派產生的預扣稅

新的中國企業所得稅法於2008年1月1日起生效，規定在中國內地成立之外資企業從其於2008年或以後的利潤中向外國投資者派發股息時，須繳納適用稅率為5%或10%的扣繳稅。因此，本集團須為於中國內地成立的附屬公司就2008年1月1日起產生之盈利分派股息而繳納預扣稅。進一步詳情載於財務報表附註36。

31 March 2019 2019年3月31日

3. Significant Accounting Judgments and Estimates

(Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognized tax losses as at 31 March 2019 was HK\$489,252,000 (2018: HK\$545,359,000). The amount of unrecognized tax losses as at 31 March 2019 was HK\$1,319,446,000 (2018: HK\$1,199,509,000). Further details are contained in note 36 to the financial statements.

4. Operating Segment Information

For management purposes, the Group is organized into business units based on their products and services and has five reportable operating segments as follows:

- (a) the property development segment engages in the development of integrated logistics and trade centers and residential and commercial ancillary facilities;
- (b) the property investment segment invests in integrated logistics and trade centers and residential and commercial ancillary facilities;
- (c) the property management segment engages in the management of the Group's developed properties;
- (d) the E-commerce segment engages in the development, operations and maintenance of an E-commerce platform; and
- (e) the "others" segment comprises, principally, the provision of advertising, exhibition, logistics and warehousing services, outlet operations, micro-credit services and other services.

3. 重大會計判斷及估計(續)

估計的不確定因素(續)

遞延稅項資產

僅在可能取得應課稅利潤作扣減虧損的情況下，方確認由所有未動用稅項虧損產生的遞延稅項資產。在釐定可予確認的遞延稅項資產款項時，管理層須根據可能的時間、未來應課稅利潤的水平連同未來稅項計劃策略，作出重大的判斷。於2019年3月31日，有關因稅項虧損而確認的遞延稅項資產的賬面值為489,252,000港元(2018年：545,359,000港元)。於2019年3月31日，未確認的稅項虧損為1,319,446,000港元(2018年：1,199,509,000港元)。詳情載於財務報表附註36。

4. 經營分部資料

就管理而言，本集團按其產品及服務劃分為不同的業務單位，並具備以下五個可申報營運分部：

- (a) 物業發展分部從事發展綜合物流及商品交易中心及住宅及商業配套設施；
- (b) 物業投資分部投資綜合物流及商品交易中心及住宅及商業配套設施；
- (c) 物業管理分部從事管理本集團的已建成物業；
- (d) 電子商貿分部從事發展、經營及維持電子商貿平台；及
- (e) 「其他」分部基本上包括提供廣告、展覽、物流及倉儲服務、奧特萊斯運營、小額貸款服務及其他服務。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

4. Operating Segment Information (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, fair value gains/(losses) from the Group's financial instruments, head office, corporate expenses and unallocated cost of sales are excluded from this measurement.

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, senior notes, medium-term notes, corporate bonds, domestic company bonds, short-term notes, tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

No geographical segment analysis is presented as the majority of the assets and operations of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risks and returns.

There were no sales to a single customer which amounted to 10% or more of the Group's revenue during the year ended 31 March 2019 (2018: Nil).

4. 經營分部資料(續)

管理層會獨立監察營運分部之業績而作出資源分配決定及評定其表現。分部表現乃根據可呈報分部利潤/(虧損)(即經調整稅前利潤/(虧損))來評估。經調整稅前利潤/(虧損)與本集團稅前利潤計量方式一致，惟利息收入、融資成本、本集團金融工具公平值收益/(虧損)以及總辦事處、公司開支及未分配銷售成本均無計算在內。

分部資產不包括現金及現金等價物及其他未分配總辦事處及公司資產，原因為該等資產按集團整體管理。

分部負債不包括計息銀行及其他借貸、優先票據、中期票據、企業債券、境內公司債券、短期融資券、應付稅項及其他未分配總辦事處及公司負債，原因為該等負債按集團整體管理。

分部間銷售及轉讓乃參考當時向第三方按市價作出銷售的售價進行。

由於本集團的大部分資產及經營均位於中國(被視為處於具類似風險及回報的經濟環境的一個地理位置)，本集團並無呈列地理分部分析。

截至2019年3月31日止年度，並無單一客戶的銷售為本集團收入貢獻10%或以上(2018年：無)。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

4. Operating Segment Information (Continued)

4. 經營分部資料(續)

Year ended 31 March 2019 截至2019年3月31日止年度		Property development 物業發展 HK\$'000 千港元	Property investment 物業投資 HK\$'000 千港元	Property management 物業管理 HK\$'000 千港元	E-commerce 電子商貿 HK\$'000 千港元	Others 其他 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Segment revenue (note 5):	分部收入(附註5):						
Sales to external customers	對外部客戶銷售	7,959,371	776,844	575,327	145,595	817,118	10,274,255
Intersegment sales	分部間銷售	–	183,261	450,715	127,127	93,268	854,371
		7,959,371	960,105	1,026,042	272,722	910,386	11,128,626 (854,371)
Elimination of intersegment sales	分部間銷售對銷						
Revenue	收入						10,274,255
Segment results before increase in fair value of investment properties and goodwill impairment	投資物業公平值增加及商譽減值前分部業績	3,422,238	694,987	226,695	139,475	342,679	4,826,074
Increase in fair value of investment properties	投資物業公平值增加	–	2,793,403	–	–	–	2,793,403
Goodwill impairment	商譽減值	–	(134,228)	–	–	–	(134,228)
Segment results after increase in fair value of investment properties and goodwill impairment	投資物業公平值增加及商譽減值後分部業績	3,422,238	3,354,162	226,695	139,475	342,679	7,485,249
Unallocated cost of sales	未分配銷售成本						(386,480)
Interest income	利息收入						89,240
Fair value gains on financial assets at fair value through profit or loss, net	透過損益以公平值列賬之金融資產公平值收益，淨額						1,003
Unallocated income and gains	未分配收入及收益						713,818
Unallocated expenses	未分配開支						(1,995,197)
Finance costs	融資成本						(530,858)
Profit before tax	稅前利潤						5,376,775
Segment assets	分部資產	45,906,024	52,709,250	130,837	36,996	1,342,050	100,125,157
Reconciliation:	對賬:						
Unallocated assets	未分配資產						12,981,805
Total assets	資產總值						113,106,962
Segment liabilities	分部負債	18,804,518	9,034,233	156,672	106,719	599,107	28,701,249
Reconciliation:	對賬:						
Unallocated liabilities	未分配負債						48,255,886
Total liabilities	負債總額						76,957,135
Other segment information:	其他分部資料:						
Depreciation	折舊	81,700	11,995	340	19,449	7,273	120,757
Corporate and other unallocated amounts	公司及其他未分配金額						19,482
							140,239
Increase in fair value of investment properties	投資物業公平值增加	–	2,793,403	–	–	–	2,793,403
Goodwill impairment	商譽減值	–	(134,228)	–	–	–	(134,228)
Capital expenditure*	資本開支*	10,131,938	1,877,257	1,215	12	32,640	12,043,062

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

4. Operating Segment Information (Continued)

4. 經營分部資料(續)

Year ended 31 March 2018 截至2018年3月31日止年度		Property development 物業發展 HK\$'000 千港元	Property investment 物業投資 HK\$'000 千港元	Property management 物業管理 HK\$'000 千港元	E-commerce 電子商貿 HK\$'000 千港元	Others 其他 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Segment revenue (note 5):	分部收入(附註5):						
Sales to external customers	對外部客戶銷售	7,385,394	731,716	375,520	245,241	667,499	9,405,370
Intersegment sales	分部間銷售	–	214,403	343,825	174,452	63,391	796,071
		7,385,394	946,119	719,345	419,693	730,890	10,201,441
Elimination of intersegment sales	分部間銷售對銷						(796,071)
Revenue	收入						9,405,370
Segment results before increase in fair value of investment properties	投資物業公平值增加前 分部業績	3,301,780	532,524	145,143	243,293	305,615	4,528,355
Increase in fair value of investment properties	投資物業公平值增加 properties	–	4,378,474	–	–	–	4,378,474
Segment results after increase in fair value of investment properties	投資物業公平值增加後 分部業績	3,301,780	4,910,998	145,143	243,293	305,615	8,906,829
Unallocated cost of sales	未分配銷售成本						(459,176)
Interest income	利息收入						77,945
Fair value losses on financial assets at fair value through profit or loss, net	透過損益以公平值列賬之金融 資產公平值虧損，淨額						(4,461)
Unallocated income and gains	未分配收入及收益						783,481
Unallocated expenses	未分配開支						(2,226,382)
Finance costs	融資成本						(294,771)
Profit before tax	稅前利潤						6,783,465
Segment assets	分部資產	47,674,543	49,185,154	167,412	76,789	1,553,674	98,657,572
Reconciliation:	對賬:						
Investments in associates	於聯營公司的投資						142,112
Unallocated assets	未分配資產						12,746,282
Total assets	資產總值						111,545,966
Segment liabilities	分部負債	15,594,034	8,082,782	149,545	272,118	651,634	24,750,113
Reconciliation:	對賬:						
Unallocated liabilities	未分配負債						50,395,099
Total liabilities	負債總額						75,145,212
Other segment information:	其他分部資料:						
Depreciation	折舊	91,370	1,813	448	4,965	23,190	121,786
Corporate and other unallocated amounts	公司及其他未分配金額						8,523
							130,309
Increase in fair value of investment properties	投資物業公平值增加	–	4,378,474	–	–	–	4,378,474
Capital expenditure*	資本開支*	11,461,772	266,742	399	9,019	54,718	11,792,650

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, properties under development and investment properties.

* 資本開支包括物業、廠房及設備、預付土地出租金、發展中物業及投資物業添置。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

5. Revenue, Other Income and Gains

An analysis of revenue is as follows:

5. 收入、其他收入及收益

收入分析如下：

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Revenue from contracts with customers	客戶合約收益		
Sales of properties	物業銷售	7,462,802	7,229,545
Property management fee income	物業管理費收入	575,327	375,520
E-commerce income	電子商貿收入	145,595	245,241
Others*	其他*	579,361	526,658
		8,763,085	8,376,964
Revenue from other sources	其他來源收入		
Rental income	租金收入	776,844	731,716
Finance lease income	融資租賃收入	496,569	155,849
Others*	其他*	237,757	140,841
		1,511,170	1,028,406
		10,274,255	9,405,370

* Others include amounts of HK\$427,825,000 (2018: HK\$354,885,000) related to income from outlet operations and HK\$289,290,000 (2018: HK\$218,066,000) related to income from logistics and warehousing services.

* 其他已包括奧特萊斯運營收入427,825,000港元(2018年：354,885,000港元)及物流及倉儲服務收入289,290,000港元(2018年：218,066,000港元)。

Revenue from contracts with customers

(i) Disaggregated revenue information
For the year ended 31 March 2019

客戶合約收益

(i) 分類收入資料
截至2019年3月31日止年度

		Property development 物業發展 HK\$'000 千港元	Property management 物業管理 HK\$'000 千港元	E-commerce 電子商貿 HK\$'000 千港元	Others 其他 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Timing of revenue recognition	收益確認時間					
Goods transferred at a point in time	在某一時點轉移的貨品	7,462,802	—	—	458,040	7,920,842
Services transferred over time	於一段時間內轉移的服務	—	575,327	145,595	121,321	842,243
Total revenue from contracts with customers	總客戶合約收益	7,462,802	575,327	145,595	579,361	8,763,085

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

5. Revenue, Other Income and Gains (Continued)
Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 March 2019

5. 收入、其他收入及收益(續)
客戶合約收益(續)

(i) 分類收入資料(續)

以下列出為客戶合約收益與分部資料中披露的金額對賬：

截至2019年3月31日止年度

		Property development 物業發展 HK\$'000 千港元	Property management 物業管理 HK\$'000 千港元	E-commerce 電子商貿 HK\$'000 千港元	Others 其他 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Revenue from contracts with customers	客戶合約收益					
External customers	外部客戶	7,462,802	575,327	145,595	579,361	8,763,085
Intersegment sales	分部間銷售	–	450,715	127,127	49,080	626,922
		7,462,802	1,026,042	272,722	628,441	9,390,007
Intersegment adjustments and eliminations	分部間銷售調整及對銷	–	(450,715)	(127,127)	(49,080)	(626,922)
Total revenue from contracts with customers	總客戶合約收益	7,462,802	575,327	145,595	579,361	8,763,085

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

5. Revenue, Other Income and Gains (Continued)
Revenue from contracts with customers (Continued)

(i) Disaggregated revenue information (Continued)

The following table shows the amounts of revenue recognized in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognized from performance obligations satisfied in previous periods:

		2019 HK\$'000 千港元
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:	包含在報告期初合約負債之中的收益金額：	
Sale of properties	物業銷售	4,910,206

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied upon the physical possession of the completed property is obtained by the purchasers and the Group has a present right to payment and the collection of the consideration is probable.

Property management service and E-commerce

The performance obligation is satisfied over time as services are rendered.

Others

Others include sale of merchandise and commissions from concessionaire sales included in outlet operations, logistics and warehousing services. The performance obligation of logistics and warehousing services is satisfied over time as services are rendered. The performance obligation of sale of merchandise and commissions from concessionaire sales is satisfied when control of the asset is transferred to the customer.

5. 收入、其他收入及收益(續)
客戶合約收益(續)

(i) 分類收入資料(續)

下表顯示本報告期間確認的收益金額，該收益金額包含在報告期初的合約負債之中及從先前期間符合的履約責任中確認：

(ii) 履約責任

有關本集團履約責任的資料摘錄如下：

物業銷售

履約責任於買方獲得已竣工物業的實際擁有權及本集團獲得現時收款權且很可能收取代價時履行。

物業管理服務及電子商貿

履約責任會隨著服務的提供而逐漸履行。

其他

其他包括奧特萊斯業務、物流和倉儲服務中商品銷售和特許經銷商銷售佣金。物流和倉儲服務的履約責任會隨著服務的提供而逐漸履行。商品銷售和特許經銷商銷售佣金的履約責任會在資產的控制權轉移給客戶時履行。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

5. Revenue, Other Income and Gains (Continued)
Revenue from contracts with customers (Continued)
(ii) Performance obligations (Continued)
Others (Continued)

5. 收入、其他收入及收益(續)
客戶合約收益(續)
(ii) 履約責任(續)
其他(續)

	Notes 附註	2019 HK\$'000 千港元	2018 HK\$'000 千港元
Other income	其他收入		
Interest income	利息收入	89,240	77,945
Government grants*	政府補貼*	540,875	783,912
Others	其他	64,972	31,917
		695,087	893,774
Gains/(losses)	收益/(虧損)		
(Losses)/gains on disposal of items of property, plant and equipment	處置物業、廠房及設備項目之(虧損)/收益	(1,077)	113
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	透過損益以公平值列賬之金融資產公平值收益/(虧損)·淨額	1,003	(4,461)
Gain on repurchase of the senior notes	回購優先票據之收益	94,607	–
Loss on redemption of the senior notes	贖回優先票據之虧損	–	(89,876)
Gain on disposal of subsidiaries	處置附屬公司之收益	24,515	1,142
Exchange (losses)/gains, net	匯兌(虧損)/收益·淨額	(10,074)	56,273
		108,974	(36,809)
		804,061	856,965
Fair value gains on investment properties	投資物業公平值收益	2,793,403	4,378,474

* Various government grants have been received from the relevant government authorities to foster and support the development of the relevant projects of the Group in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

* 若干政府補貼為相關政府部門給予本集團，以培育及扶持本集團於中國大陸項目的發展。該等補貼沒有未履行之條件或或然事件。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

6. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

6. 稅前利潤

本集團的稅前利潤已扣除/(計入)下列各項：

		For the year ended 31 March 截至3月31日止年度	
	Notes 附註	2019 HK\$'000 千港元	2018 HK\$'000 千港元
Cost of properties sold	已售物業成本	4,157,769	4,024,550
Cost of properties held for finance lease	融資租賃物業成本	379,364	59,064
Depreciation	折舊	140,597	131,147
Less: Depreciation capitalized in respect of properties under development	減：就發展中物業的資本化折舊	(358)	(838)
		140,239	130,309
Amortization of prepaid land lease payments	預付土地出租金攤銷	34,087	28,269
Minimum lease payments under operating leases in respect of land and buildings and vehicles	土地及樓宇及汽車於經營租賃下的最低租金	10,807	11,732
Auditor's remuneration	核數師薪酬	4,350	4,220
Employee benefit expense (including Directors' remuneration):	僱員福利開支(包括董事薪酬)：		
Wages and salaries*	工資及薪金*	763,780	746,465
Equity-settled share option expense	以權益結算的購股權開支	14,595	42,065
Pension scheme contributions	退休金計劃供款	113,986	106,144
		892,361	894,674
Provision for impairment of trade receivables**	應收貿易賬款減值撥備**	86,115	112,134
Provision for impairment of available-for-sale investments**	可供出售金融投資減值撥備**	—	175,500
Provision for impairment of goodwill**	商譽減值撥備**	134,228	—
Losses/(gains) on disposal of items of property, plant and equipment	處置物業、廠房及設備項目之虧損/(收益)	1,077	(113)

* Included an amount of HK\$64,073,000 for the year ended 31 March 2019 (2018: HK\$71,569,000), which was capitalized under properties under development.

** Included in "Other expenses" in the consolidated statement of profit or loss.

* 包括截至2019年3月31日止年度的金額64,073,000港元(2018年：71,569,000港元)，已予以資本化計入發展中物業。

** 計入綜合損益表「其他開支」項內。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

7. Finance Costs

An analysis of finance costs is as follows:

7. 融資成本

融資成本之分析如下：

		For the year ended 31 March 截至3月31日止年度	
		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Interest on bank and other borrowings (including senior notes, medium-term notes, corporate bonds, domestic company bonds and short-term notes)	銀行及其他借貸利息(包括優先票據、中期票據、企業債券、境內公司債券及短期融資券)	2,494,708	2,209,896
Less: Interest capitalized	減：資本化利息	(1,963,850)	(1,915,125)
Total	總計	530,858	294,771

8. Directors' Emoluments

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

8. 董事酬金

根據香港聯交所證券上市規則(「上市規則」)、香港公司條例第383(1)(a), (b), (c)及(f)條及公司(披露董事利益資料)規例第2部，於本年度的董事酬金披露如下：

		For the year ended 31 March 截至3月31日止年度	
		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Fees	袍金	2,880	3,591
Other emoluments:	其他酬金：		
Salaries, allowances, and benefits in kind	薪金、津貼及實物福利	26,011	23,602
Performance-related bonuses*	與表現掛鉤的花紅*	34,796	38,642
Equity-settled share option expense	以權益結算的購股權開支	9,594	34,366
Pension scheme contributions	退休金計劃供款	72	73
		73,353	100,274

* Certain Executive Directors of the Company are entitled to performance-related bonus payments which are determined as a percentage of the Group's consolidated net profit attributable to owners of the parent excluding adjustments on fair value gains of investment properties and related tax effects, impairment of goodwill and investments, and loss on redemption of senior notes (in addition to any discretionary bonus (if any)) of the financial year.

* 本公司若干執行董事有權收取按該財政年度的未計投資物業公平值收益及相關稅務影響、商譽及投資減值和贖回優先票據的虧損的母公司擁有人應佔綜合淨利潤百分比釐定有關表現之花紅(除任何酌情花紅(如有))。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

8. Directors' Emoluments (Continued)

(a) Independent Non-Executive Directors

The fees paid to Independent Non-Executive Directors during the year were as follows:

		Fees	Equity-settled share option expense	Total
		袍金	以權益結算的 購股權開支	總計
		HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元
2019	2019年			
Leung Kwan Yuen Andrew	梁君彥	380	939	1,319
Li Wai Keung	李偉強	380	939	1,319
Hui Chiu Chung	許照中	380	939	1,319
Yung Wing Ki Samuel	容永祺	380	939	1,319
		1,520	3,756	5,276

		Fees	Equity-settled share option expense	Total
		袍金	以權益結算的 購股權開支	總計
		HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元
2018	2018年			
Leung Kwan Yuen Andrew	梁君彥	380	—	380
Li Wai Keung	李偉強	380	—	380
Hui Chiu Chung	許照中	380	—	380
Yung Wing Ki Samuel	容永祺	380	—	380
		1,520	—	1,520

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

8. Directors' Emoluments (Continued)

(b) Executive Directors and Non-Executive Directors

8. 董事酬金(續)

(b) 執行董事及非執行董事

		Fees	Salaries, allowances, and benefits in kind	Performance-related bonuses	Equity-settled share option expense	Pension scheme contributions	Total
		袍金	薪金、津貼及實物福利	與表現掛鈎的花紅	以權益結算的購股權開支	退休金計劃供款	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
2019	2019年						
Executive Directors:	執行董事：						
Cheng Chung Hing	鄭松興	–	5,850	17,844	–	18	23,712
Fung Sing Hong Stephen	馮星航	–	6,800	13,383	3,892	18	24,093
Zhao Lidong*	趙立東*	–	1,267	–	–	3	1,270
Song Chuan*	宋川*	–	10,594	–	1,946	15	12,555
Cheng Ka Man Carman	鄭嘉汶	–	1,500	3,569	–	18	5,087
		–	26,011	34,796	5,838	72	66,717
Non-Executive Directors:	非執行董事：						
Ma Kai Cheung	馬介璋	680	–	–	–	–	680
Cheng Tai Po	鄭大報	680	–	–	–	–	680
Lin Ching Hua***	林璟驊***	–	–	–	–	–	–
		1,360	–	–	–	–	1,360
		1,360	26,011	34,796	5,838	72	68,077

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

8. Directors' Emoluments (Continued)

(b) Executive Directors and Non-Executive Directors (Continued)

8. 董事酬金(續)

(b) 執行董事及非執行董事(續)

		Fees	Salaries, allowances, and benefits in kind	Performance-related bonuses	Equity-settled share option expense	Pension scheme contributions	Total
		袍金	薪金、津貼及實物福利	與表現掛鈎的花紅	以權益結算的購股權開支	退休金計劃供款	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
2018	2018年						
Executive Directors:	執行董事：						
Cheng Chung Hing	鄭松興	–	5,850	15,921	–	18	21,789
Leung Moon Lam**	梁滿林**	–	503	–	–	3	506
Fung Sing Hong Stephen	馮星航	–	6,800	11,941	26,255	18	45,014
Song Chuan*	宋川*	–	9,086	7,700	8,111	17	24,914
Cheng Ka Man Carman	鄭嘉汶	–	1,363	3,080	–	17	4,460
		–	23,602	38,642	34,366	73	96,683
Non-Executive Directors:	非執行董事：						
Ma Kai Cheung	馬介璋	807	–	–	–	–	807
Sun Kai Lit Cliff**	孫啟烈**	216	–	–	–	–	216
Ma Wai Mo**	馬偉武**	216	–	–	–	–	216
Cheng Tai Po	鄭大報	680	–	–	–	–	680
Leung Moon Lam**	梁滿林**	152	–	–	–	–	152
Lin Ching Hua***	林璟驊***	–	–	–	–	–	–
		2,071	–	–	–	–	2,071
		2,071	23,602	38,642	34,366	73	98,754

* On 1 February 2019, Mr. Song Chuan has resigned as Executive Director of the Company and Mr. Zhao Lidong has been appointed as Executive Director of the Company.

** On 4 May 2017, Mr. Leung Moon Lam was re-designated from an Executive Director to a Non-Executive Director of the Company. On 25 July 2017, Mr. Sun Kai Lit Cliff, Dr. Ma Wai Mo and Mr. Leung Moon Lam have resigned as Non-Executive Director of the Company.

*** Mr. Lin Ching Hua, a Non-Executive Director of the Company, has voluntarily decided not to receive any director's emolument in the future from the Company since his appointment on 28 June 2014, including a director's fee of HK\$380,000 per annum. Apart from this, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

* 於2019年2月1日，宋川先生已辭任本公司之執行董事而趙立東先生獲委任為本公司之執行董事。

** 於2017年5月4日，梁滿林先生由本公司之執行董事調任為非執行董事，而宋川先生及鄭嘉汶女士獲委任為本公司之執行董事。於2017年7月25日，孫啟烈先生、馬偉武博士及梁滿林先生已辭任本公司之非執行董事。

*** 本公司之非執行董事林璟驊先生自願不收取自2014年6月28日上任以後的任何本公司之董事酬金，包括每年董事酬金380,000港元。除此之外，於本年內無董事放棄或同意放棄酬金的安排。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

9. Five Highest Paid Employees

The five highest paid employees during the year included four (2018: three) Directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the five highest paid employees for the year are as follows:

9. 五位最高薪人士

年內，五位最高薪僱員分別包括四名董事(2018年：三名)，其酬金已載於上文附註8。年內五名最高薪僱員酬金的詳情如下：

		For the year ended 31 March 截至3月31日止年度	
		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	28,301	27,690
Performance-related bonuses	與表現掛鈎的花紅	34,796	37,768
Equity-settled share option expense	以權益結算的購股權開支	5,838	36,985
Pension scheme contributions	退休金計劃供款	69	89
		69,004	102,532

The number of the five highest paid employees whose remuneration fell within the following bands is as follows:

介乎以下範圍的五名最高薪僱員人數如下：

		Number of employees 僱員人數	
		2019	2018
HK\$3,000,001 to HK\$10,000,000	3,000,001港元至10,000,000港元	2	2
HK\$10,000,001 to HK\$20,000,000	10,000,001港元至20,000,000港元	1	—
HK\$20,000,001 to HK\$30,000,000	20,000,001港元至30,000,000港元	2	2
HK\$30,000,001 to HK\$40,000,000	30,000,001港元至40,000,000港元	—	—
HK\$40,000,001 to HK\$50,000,000	40,000,001港元至50,000,000港元	—	1
		5	5

During the year and in prior years, share options were granted to non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosure in note 38 to the financial statements. The fair value of those options, which is recognized in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above five highest paid employees' remuneration disclosures.

年內及以前年度，非董事及最高薪僱員就其向本集團提供之服務而獲授購股權，其進一步詳情載於財務報表附註38。該等購股權的公平值(已於歸屬期間於綜合損益表確認)乃於授出日期釐定，而載於本年度財務報表的金額已包括於上文五名最高薪僱員酬金的披露資料。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

10. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2018: Nil).

Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the provinces in which the Group operates.

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at the statutory rate of 25% (2018: 25%) on their respective taxable income during the year.

The PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures.

The major components of income tax expenses for the year are as follows:

10. 所得稅

年內，香港利得稅乃根據於香港產生的估計應課稅溢利16.5% (2018年：16.5%) 的稅率計提。年內，由於本集團概無源自香港的應課稅利潤，故並無計提香港利得稅撥備(2018年：無)。

中國大陸的應課稅溢利稅項乃按本集團營運所在省份的現行稅率計提。

根據相關所得稅法，年內，中國附屬公司須就各自應課稅收入按法定稅率25% (2018年：25%) 繳納企業所得稅。

中國土地增值稅按30%至60%不等的累進稅率就土地價值(即物業銷售所得款項減包括土地成本、借貸成本及所有物業發展開支在內的可扣減開支)增值徵收。

年內，所得稅開支主要部分如下：

For the year ended 31 March 截至3月31日止年度			
	Note	2019 HK\$'000 千港元	2018 HK\$'000 千港元
	附註		
Current — Mainland China	即期—中國大陸	1,013,337	920,093
LAT in Mainland China	中國大陸土地增值稅	611,687	687,487
Deferred Mainland China corporate income tax	遞延中國大陸企業所得稅	508,637	673,553
Total tax charge for the year	年度稅項支出總額	2,133,661	2,281,133

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

10. Income Tax (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the Group's effective income tax rate is as follows:

10. 所得稅(續)

按法定稅率計算適用於稅前利潤的稅項開支與按本集團本年度實際稅率計算的稅項開支的對賬如下：

		For the year ended 31 March 截至3月31日止年度	
		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Profit before tax	稅前利潤	5,376,775	6,783,465
Tax at the statutory tax rate of 16.5%	按16.5%法定稅率計算的稅項	887,168	1,119,272
Higher tax rates enacted by local authorities	地方機關制定的較高稅率	460,989	608,503
Income not subject to tax	毋須繳稅收入	(101,330)	(54,522)
Expenses not deductible for tax	不可扣稅開支	336,137	87,768
Tax losses utilized from previous years	動用過往年度的稅項虧損	(6,774)	(4,041)
Tax losses not recognized	未確認的稅項虧損	40,348	68,017
LAT	土地增值稅	611,687	687,487
Tax effect of LAT	土地增值稅的稅務影響	(152,921)	(171,871)
Adjustments in respect of current tax of previous years	過往年度稅項調整	31,000	723
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	按本集團的中國附屬公司的可分配利潤而計算預扣所得稅的影響	27,357	(60,203)
Tax charge at the Group's effective rate	按本集團實際稅率計算的稅項支出	2,133,661	2,281,133

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

11. Dividend

11. 股息

For the year ended 31 March
截至3月31日止年度

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Proposed final dividend — HK5.0 cents per ordinary share (2018: HK5.0 cents per ordinary share with scrip option)	建議末期股息 — 每股普通股5.0港仙 (2018年：每股普通股 5.0港仙，附有以股代息 選擇權)	405,857	400,479

The final dividend (with scrip option) of HK5.0 cents per share amounting to HK\$400,479,000 for the financial year ended 31 March 2018 was approved on 21 August 2018. The final dividend paid in cash was HK\$239,140,000, and paid in allotment and issuance of shares was HK\$161,339,000, which was settled or dispatched to shareholders on 10 October 2018.

The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

截至2018年3月31日之財政年度每股5.0港仙的末期股息(附有以股代息選擇權)已於2018年8月21日批准，總金額為400,479,000港元。以現金支付的末期股息239,140,000港元及以配發及發行股份的末期股息161,339,000港元已於2018年10月10日支付或派發給股東。

擬派末期股息須待本公司股東於應屆股東週年大會批准後，方可作實。

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 8,060,551,947 (2018: 8,007,198,026) in issue during the year.

The calculation of the diluted earnings per share for the year ended 31 March 2018 is based on the profit for the year ended 31 March 2018 attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year ended 31 March 2018, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 March 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

12. 歸屬於母公司普通股權益持有人之每股盈利

每股基本盈利乃根據母公司普通股權益持有人應佔年內利潤及年內已發行8,060,551,947股(2018年：8,007,198,026股)普通股的加權平均數計算。

截至2018年3月31日止年度每股攤薄盈利乃根據母公司普通股權益持有人應佔2018年3月31日之年內利潤計算。計算所用的普通股加權平均數乃為計算每股基本盈利所用於截至2018年3月31日之年內已發行普通股股數，而加權平均普通股數目乃假設行使或轉換所有具潛在攤薄性的普通股為普通股按無償發行。

由於未行使之購股權對所呈列的每股基本盈利金額具反攤薄影響，故並無就截至2019年3月31日止年度所呈列之每股基本盈利金額作出調整。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent (Continued)

The calculations of basic and diluted earnings per share are based on:

12. 歸屬於母公司普通股權益持有人之每股盈利(續)

每股基本及攤薄盈利的計算乃基於：

		For the year ended 31 March	
		截至3月31日止年度	
		2019	2018
		HK\$'000	HK\$'000
		千港元	千港元
<u>Earnings</u>	<u>盈利</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	用於計算每股基本及攤薄盈利之母公司普通股權益持有人應佔利潤	3,250,962	4,511,679
		Number of shares	
		股數	
		2019	2018
<u>Shares</u>	<u>股份</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	用於計算每股基本盈利之年內已發行普通股的加權平均數	8,060,551,947	8,007,198,026
Effect of dilution — weighted average number of ordinary shares:	攤薄影響—普通股加權平均數：		
Share options	購股權	—	22,635,257
		8,060,551,947	8,029,833,283

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

13. Property, Plant and Equipment

13. 物業、廠房及設備

			Buildings	Furniture, fixtures and equipment	Motor vehicles	Total
			樓宇 HK\$'000 千港元	傢俬、 裝置及設備 HK\$'000 千港元	汽車 HK\$'000 千港元	總計 HK\$'000 千港元
31 March 2019	2019年3月31日	Notes 附註				
At 1 April 2018:	於2018年4月1日：					
Cost	成本		2,168,145	223,246	91,960	2,483,351
Accumulated depreciation	累計折舊		(498,969)	(166,087)	(68,508)	(733,564)
Net carrying amount	賬面淨額		1,669,176	57,159	23,452	1,749,787
At 1 April 2018, net of accumulated depreciation	於2018年4月1日，已扣除累計折舊		1,669,176	57,159	23,452	1,749,787
Additions	添置		81,610	21,832	7,841	111,283
Acquisition from a subsidiary	從附屬公司收購	40	–	2,842	–	2,842
Disposal of subsidiaries	處置附屬公司	41	–	(1,688)	–	(1,688)
Transfer from properties under development	轉撥自發展中物業	15	33,038	–	–	33,038
Transfer to properties held for sale	轉撥至持作銷售物業		(228,895)	–	–	(228,895)
Disposals	處置		–	(1,329)	(6,364)	(7,693)
Depreciation provided during the year	年度折舊撥備	6	(125,714)	(9,526)	(5,357)	(140,597)
Exchange realignment	匯兌調整		(112,785)	(3,645)	(1,470)	(117,900)
At 31 March 2019, net of accumulated depreciation	於2019年3月31日，已扣除累計折舊		1,316,430	65,645	18,102	1,400,177
At 31 March 2019:	於2019年3月31日：					
Cost	成本		1,907,133	223,171	77,316	2,207,620
Accumulated depreciation	累計折舊		(590,703)	(157,526)	(59,214)	(807,443)
Net carrying amount	賬面淨額		1,316,430	65,645	18,102	1,400,177

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

13. Property, Plant and Equipment (Continued)

13. 物業、廠房及設備(續)

			Buildings	Furniture, fixtures and equipment 傢俬、 裝置及設備	Motor vehicles 汽車	Total 總計
31 March 2018	2018年3月31日	Notes 附註	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 April 2017:	於2017年4月1日:					
Cost	成本		1,706,052	202,401	83,597	1,992,050
Accumulated depreciation	累計折舊		(339,546)	(141,175)	(56,420)	(537,141)
Net carrying amount	賬面淨額		1,366,506	61,226	27,177	1,454,909
At 1 April 2017, net of accumulated depreciation	於2017年4月1日，已扣除累計折舊		1,366,506	61,226	27,177	1,454,909
Additions	添置		27,891	18,141	4,310	50,342
Transfer from properties under development	轉撥自發展中物業	15	244,017	–	–	244,017
Disposals	處置		(10,857)	(19,004)	(4,084)	(33,945)
Depreciation provided during the year	年度折舊撥備	6	(115,581)	(9,212)	(6,354)	(131,147)
Exchange realignment	匯兌調整		157,200	6,008	2,403	165,611
At 31 March 2018, net of accumulated depreciation	於2018年3月31日，已扣除累計折舊		1,669,176	57,159	23,452	1,749,787
At 31 March 2018:	於2018年3月31日:					
Cost	成本		2,168,145	223,246	91,960	2,483,351
Accumulated depreciation	累計折舊		(498,969)	(166,087)	(68,508)	(733,564)
Net carrying amount	賬面淨額		1,669,176	57,159	23,452	1,749,787

Certain of the Group's buildings with an aggregate carrying value of approximately HK\$445,957,000 as at 31 March 2019 (2018: HK\$732,660,000) were pledged to secure general banking facilities granted to the Group (note 30).

As at 31 March 2019, certificates of ownership in respect of certain buildings of the Group in the PRC with an aggregate carrying value of approximately HK\$1,027,547,000 (2018: HK\$1,235,520,000) had not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates of ownership.

於2019年3月31日，本集團賬面總值約445,957,000港元(2018年：732,660,000港元)的若干樓宇已抵押作為本集團獲授一般銀行融資的擔保(附註30)。

於2019年3月31日，本集團於中國賬面總值合共約1,027,547,000港元(2018年：1,235,520,000港元)的若干樓宇未獲相關中國機關發出所有權證。本集團正在領取相關所有權證。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

14. Investment Properties

14. 投資物業

		Notes 附註	2019 HK\$'000 千港元	2018 HK\$'000 千港元
Carrying amount at the beginning of year	年初的賬面值		48,135,043	42,191,542
Additions	添置		1,877,257	266,742
Transfer from properties under development	轉撥自發展中物業	15	343,819	3,149,463
Transfer from completed properties held for sale	轉撥自竣工持作銷售物業		4,227,857	1,046,404
Transfer to properties held for finance lease and sale	轉撥至持作融資租賃及銷售物業		(1,662,730)	(7,752,240)
Net gain from a fair value adjustment	公平值調整淨收益	5	2,793,403	4,378,474
Exchange realignment	匯兌調整		(3,249,715)	4,854,658
Carrying amount at the end of year	年終的賬面值		52,464,934	48,135,043

The Group's investment properties were revalued on 31 March 2019 by Savills at RMB45,003,374,000 (equivalent to approximately HK\$52,464,934,000) (2018: RMB38,501,874,000 (equivalent to HK\$48,135,043,000)), on an open market, existing use basis.

第一太平戴維斯於2019年3月31日重估本集團的投資物業，按公開市場現有用途基準的價值為人民幣45,003,374,000元（相等於約52,464,934,000港元）（2018年：人民幣38,501,874,000元（相等於約48,135,043,000港元））。

The Group's investment properties with an aggregate carrying value of approximately HK\$29,439,659,000 as at 31 March 2019 (2018: HK\$22,399,725,000), were pledged to secure general banking facilities granted to the Group (note 30).

於2019年3月31日，本集團賬面總值約29,439,659,000港元（2018年：22,399,725,000港元）的投資物業已抵押作為本集團獲授一般銀行融資的擔保（附註30）。

The Group's investment properties with an aggregate carrying value of approximately HK\$46,228,050,000 as at 31 March 2019 (2018: HK\$42,381,123,000), are subject to sales restrictions (note 1(iv)).

於2019年3月31日，本集團賬面總值約46,228,050,000港元（2018年：42,381,123,000港元）的投資物業受到銷售限制（附註1(iv））。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

14. Investment Properties (Continued)

The Group's investment properties consist of trade centers, commercial and other ancillary facilities in Mainland China. The Group's investment properties were revalued on 31 March 2019 based on valuations performed by Savills, an independent professional qualified valuer, at HK\$52,464,934,000 on an open market, existing use basis. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance department has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

14. 投資物業(續)

本集團的投資物業包括在中國的交易中心、商業及其他配套設施。根據一家獨立專業合資格估值師第一太平戴維斯進行的估值，本集團的投資物業於2019年3月31日的按公開市場現有用途基準重估價值達52,464,934,000港元。本集團的管理層每年決定委任負責對本集團物業進行外部估值的外聘估值師人選。篩選準則包括市場知識、聲譽、獨立性，以及是否維持專業水平。就中期及年度財務報告進行估值時，本集團的財務部與估值師於每年中期及年度報告就估值假設及估值結果進行兩次討論。

公平值層級

本集團投資物業的公平值計量層級載於下表：

Fair value measurement as at 31 March 2019 using significant unobservable inputs (Level 3) 於2019年3月31日 使用重大不可觀察元素 的公平值計量 (第3級) HK\$'000 千港元		
Recurring fair value measurement for:	就以下各項的經常性公平值計量：	
Trade centers, commercial and other ancillary facilities	交易中心、商業及 其他配套設施	52,464,934

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

14. Investment Properties (Continued)
Fair value hierarchy (Continued)

14. 投資物業(續)
公平值層級(續)

Fair value measurement
as at 31 March 2018
using significant
unobservable inputs
(Level 3)
於2018年3月31日
使用重大不可觀察元素
的公平值計量
(第3級)
HK\$'000
千港元

Recurring fair value measurement for:	就以下各項的經常性公平值計量：	
Trade centers, commercial and other ancillary facilities	交易中心、商業及 其他配套設施	48,135,043

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

年內，第1級與第2級之間概無發生公平值計量的轉移，第3級亦無公平值計量轉入或轉出(2018年：無)。

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

以下為投資物業估值所用的估值技術及主要元素的概要：

	Valuation technique 估值技術	Significant unobservable inputs 重大不可觀察元素	Range 範圍	
			As at 31 March 2019 於2019年3月31日	As at 31 March 2018 於2018年3月31日
Trade centers, commercial and other ancillary facilities 交易中心、商業及 其他配套設施	Income capitalization method 收入資本化法	Market unit rental rate (RMB/sq. m./month) 市場單位租金 (人民幣／平方米／月)	14–154	27–154
		Capitalization rate 資本化率	3.00%–8.25%	3.00%–8.25%

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

14. Investment Properties (Continued)

Fair value hierarchy (Continued)

The fair values of investment properties are determined principally using the income capitalization method by capitalizing the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market unit rental rate and negatively correlated to the capitalization rate. For the portions which were under construction, the expended construction costs and the costs that are expected to be expended to complete the properties have also been taken into account in arriving at their fair values.

15. Properties Under Development

14. 投資物業(續)

公平值層級(續)

投資物業公平值主要按收入資本化法釐定，方法是將現有租賃所得的租金收入資本化，並就物業的潛在可復歸收入計提適當撥備。公平值計量與市場租金成正比且與資本化率成反比。就正在建造之部分，在確定公平值時，已支銷的建築成本及完成開發項目預計將支銷的成本亦已被考慮在內。

15. 發展中物業

		Notes	2019 HK\$'000 千港元	2018 HK\$'000 千港元
Carrying amount at the beginning of year	年初的賬面值		3,451,245	4,493,810
Additions	添置		10,054,522	11,475,566
Transfer to property, plant and equipment	轉撥至物業、廠房及設備	13	(33,038)	(244,017)
Transfer to investment properties	轉撥至投資物業	14	(343,819)	(3,149,463)
Transfer to prepaid land lease payments	轉撥至預付土地出租金	16	(61,138)	(196,745)
Transfer to completed properties held for sale and properties under development held for sale	轉撥至已竣工持作銷售物業及發展中持作銷售物業		(11,660,430)	(9,308,198)
Disposal of subsidiaries	處置附屬公司	41	(190,448)	–
Exchange realignment	匯兌調整		(237,743)	380,292
Carrying amount at the end of year	年終的賬面值		979,151	3,451,245

Certain of the Group's properties under development with an aggregate carrying value of approximately HK\$586,152,000 as at 31 March 2019 (2018: HK\$2,251,941,000), were pledged to secure general banking facilities granted to the Group (note 30).

The government grants of approximately RMB494,261,000 (equivalent to HK\$576,209,000) (2018: RMB272,491,000 (equivalent to HK\$321,321,000)), which were provided by the local government authorities to support infrastructure construction and development activities in connection with the Group's property development projects and were previously deducted from the additions of properties under development, have been credited to the cost of properties sold during the current year.

於2019年3月31日，本集團賬面總值約586,152,000港元(2018年：2,251,941,000港元)的若干發展中物業已抵押作為本集團獲授一般銀行融資的擔保(附註30)。

約人民幣494,261,000元(相等於576,209,000港元)(2018年：人民幣272,491,000元(相等於321,321,000港元))由地方政府機關提供，旨在為集團物業發展項目中有關於基礎建設工程及發展活動提供支持的政府補貼，並於以前已在添置發展中物業中扣除，而在年內於已售物業成本扣除。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

16. Prepaid Land Lease Payments

16. 預付土地出租金

	Notes 附註	2019 HK\$'000 千港元	2018 HK\$'000 千港元
Carrying amount at the beginning of year	年初的賬面值	1,477,497	1,173,128
Transfer from properties under development	轉撥自發展中物業	61,138	196,745
Recognized during the year	年內確認	(34,087)	(28,269)
Exchange realignment	匯兌調整	(141,714)	135,893
Carrying amount at the end of year	年終的賬面值	1,362,834	1,477,497
Current portion included in prepayments, other receivables and other assets	即期部份計入預付款項、 其他應收款項及其他資產	(34,087)	(28,269)
Non-current portion	非即期部分	1,328,747	1,449,228

17. Goodwill

17. 商譽

		HK\$'000 千港元
At 31 March 2018:	於2018年3月31日：	
Cost	成本	54,194
Accumulated impairment	累計減值	(20,066)
Net carrying amount	賬面淨值	34,128
Cost at 1 April 2018, net of accumulated impairment	於2018年4月1日的成本，累計減值淨額	34,128
Acquisition of a subsidiary (note 40)	收購一家附屬公司(附註40)	144,164
Impairment during the year (note 6)	年內減值(附註6)	(134,228)
Exchange realignment	匯兌調整	5,047
Cost and net carrying amount at 31 March 2019	於2019年3月31日的成本及賬面淨額	49,111
At 31 March 2019:	於2019年3月31日：	
Cost	成本	201,700
Accumulated impairment	累計減值	(152,589)
Net carrying amount	賬面淨額	49,111

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating unit for impairment testing.

- Hotel cash-generating unit ("Hotel");
- Property leasing operation cash-generating unit-furniture ("Property leasing operation-furniture"); and
- Property leasing operation cash-generating unit-fur market ("Property leasing operation-fur market").

商譽減值測試

透過業務合併收購的商譽已分配至以下現金產生單位作減值測試。

- 酒店的現金產生單位(「酒店」)；
- 物業租賃經營的現金產生單位－傢俬(「物業租賃經營－傢俬」)；及
- 物業租賃經營的現金產生單位－皮草市場(「物業租賃經營－皮草市場」)。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

17. Goodwill (Continued)

Impairment testing of goodwill (Continued)

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

		Hotel		Property leasing operation-furniture		Property leasing operation-fur market		Total	
		酒店		物業租賃經營－傢俬		物業租賃經營－皮草市場		總額	
		2019	2018	2019	2018	2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
Carrying amount of goodwill	商譽賬面值	–	–	34,128	34,128	14,983	–	49,111	34,128

Hotel

The Group has leased its hotel properties to an independent party. A full impairment loss of HK\$20,066,000 was provided on the goodwill allocated to hotel cash-generating unit in the previous year.

Property leasing operation-furniture

The recoverable amount of property leasing operation-furniture has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15% (2018: 15%). The growth rate used to extrapolate the cash flows of property leasing operation-furniture beyond the five-year period is 3% (2018: 5%).

Property leasing operation-fur market

The recoverable amount of property leasing operation-fur market has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 15%. The growth rate used to extrapolate the cash flows of property leasing operation-fur market beyond the five-year period is 3%.

During the year, an impairment loss of HK\$134,228,000 was recognized to write down the carrying amount of goodwill allocated to property leasing operation-fur market. The impairment loss is recognized in the "Other expenses" in the consolidated statement of profit or loss (note 6).

17. 商譽(續)

商譽減值測試(續)

分配於各現金產生單位的商譽賬面值：

酒店

本集團已出租其酒店物業予一個獨立第三方。分配至酒店的現金產生單位的商譽在以前年度已計提了全部的減值虧損，金額為20,066,000港元。

物業租賃經營－傢俬

物業租賃經營－傢俬的可收回金額已使用價值計算法確定。該計算法使用以高級管理層批准為期五年的財務預算為基準的現金流量預測。現金流量預測的貼現率為15% (2018: 15%)。用作推斷五年期後物業租賃經營－傢俬的現金流的增長率為3% (2018: 5%)。

物業租賃經營－皮草市場

物業租賃經營－皮草市場的可收回金額已使用價值計算法確定。該計算法使用以高級管理層批准為期五年的財務預算為基準的現金流量預測。現金流量預測的貼現率為15%。用作推斷五年期後物業租賃經營－皮草市場的現金流的增長率為3%。

分配至物業租賃經營－皮草市場的商譽賬面值已於本年度確認134,228,000港元之減值虧損。減值虧損已於綜合損益表「其他開支」項內確認(附註6)。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

18. Investments in Associates

18. 於聯營公司的投資

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Due from associates	應收聯營公司款項	—	142,112

As at 31 March 2018, the amounts due from associates included in investments in associates above were unsecured and interest-free.

於2018年3月31日，計入上述於聯營公司的投資的應收聯營公司款項為無抵押及免息。

Particulars of the associates are as follows:

聯營公司詳情如下：

Names	Place of registration and business	Nominal value of issued and fully paid-up registered capital	Date of registration	Percentage of equity attributable to the Group as at 31 March		Principal activities
				2019 %	2018 %	
China South Intimex Technology (Shenzhen) Co., Ltd. 華南泰美科技(深圳)有限公司	PRC/Mainland China 中國/中國大陸	RMB10,000,000 人民幣10,000,000元	18 January 2004 18-01-2004	30	30	Website and software development 網站及軟件開發
Harbin Huayilong Fur Market Co., Ltd.* 哈爾濱華億龍皮革城有限公司*	PRC/Mainland China 中國/中國大陸	RMB80,000,000 人民幣80,000,000元	17 January 2014 17-01-2014	70.07	25	Property leasing 物業租賃

* On 12 April 2018, the Group obtained control over Harbin Huayilong Fur Market Co., Ltd., which then became a subsidiary of the Group (note 40).

* 於2018年4月12日，本集團取得哈爾濱華億龍皮革城有限公司的控制權，其後，該公司成為本公司的附屬公司(附註40)。

The associates have a financial year end of 31 December. The consolidated financial statements are adjusted for the material transactions between the associates and the group companies between 1 January and 31 March annually.

聯營公司的財政年度乃截至12月31日止。綜合財務報表就每年1月1日至3月31日期間聯營公司與集團成員公司之間的重大交易作出調整。

The associates have been accounted for using the equity method in these consolidated financial statements.

聯營公司乃以權益法於此等綜合財務報表入賬。

The Group has discontinued the recognition of its share of losses of the aforesaid associates because the share of losses of these associates exceeded the Group's interests in the associates and the Group has no obligation to take up further losses. The amounts of the Group's unrecognized share of losses of these associates for the current year and cumulatively was nil (2018: HK\$8,311,000) and HK\$654,000 (2018: HK\$39,685,000), respectively.

因應佔聯營公司之虧損之超過本集團於聯營公司的投資及本集團並無義務承擔其他虧損，所以本集團已停止確認其對於以上聯營公司的應佔之虧損。本集團於本年度及累計並無確認之應佔聯營公司之虧損金額分別為無(2018年：8,311,000港元)及654,000港元(2018年：39,685,000港元)。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

18. Investments in Associates (Continued)

The following table illustrates the aggregate financial information of the Group's associates:

18. 於聯營公司的投資(續)

下表列示摘錄本集團聯營公司的財務資料概要：

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Assets	資產	3,920	15,636
Liabilities	負債	5,052	145,531
Revenue	收入	—	9,294
Loss	虧損	—	(33,243)

19. Financial Assets at Fair Value Through Profit or Loss/Available-for-sale Investment

19. 透過損益以公平值列賬之金融資產／可供出售金融投資

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Financial assets at fair value through profit or loss			
透過損益以公平值列賬之金融資產			
Listed investments, at fair value	以公平值列賬之上市投資	50,208	205,966
Unlisted investments	非上市投資	12,965	—
Structured bank deposits with floating interest rates	浮動利率的結構性銀行存款	233,160	—
Total	總計	296,333	205,966
Current portion	即期部份	(283,368)	(205,966)
Non-current portion	非即期部份	12,965	—
Available-for-sale investments			
可供出售金融投資			
Unlisted investments	非上市投資	—	138

The above listed investments as at 31 March 2019 were classified as financial assets at fair value through profit or loss as they were held for trading.

於2019年3月31日的上市投資分類為透過損益以公平值列賬之金融資產，原因為該上市投資是持作買賣。

The above unlisted investments as at 31 March 2019 were classified as financial assets at fair value through profit or loss as the Group has not elected to recognize the fair value gain or loss through other comprehensive income.

於2019年3月31日的非上市投資分類為透過損益以公平值列賬之金融資產，原因為本集團尚未選擇透過其他全面收益以確認公平值損益。

The structured bank deposits have terms of one year and were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

一年期的結構性銀行存款強制性地分類為透過損益以公平值列賬之金融資產，原因為其合約現金流量並非純粹為支付本金及利息。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

20. Other Long-term Receivables

20. 其他長期應收款項

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Other long-term receivables	其他長期應收款項	21,904	15,684

The Group estimated that the expected credit loss rate is minimal.

本集團估計預期信貸虧損率極低。

21. Deposits Paid for Purchase of Land Use Rights and Property

The balance represents deposits paid for acquisitions of land use rights for parcels of land and property in Mainland China. The carrying amounts of the deposits paid for the purchase of land use rights and property approximate to their fair values.

21. 購買土地使用權及物業支付的按金

該結餘指在中國大陸收購地塊的土地使用權及物業所支付的按金。購買土地使用權及物業支付的按金的賬面值與其公平值相若。

22. Properties Held for Finance Lease and Sale

22. 持作融資租賃及銷售物業

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Completed properties held for finance lease	持作融資租賃物業	295,545	333,514
Completed properties held for sale	持作銷售竣工物業	16,454,104	20,831,313
Properties under development expected to be completed within the normal operating cycle	預期於正常營運週期內竣工的發展中物業	22,700,974	17,276,704
		39,155,078	38,108,017
Properties under development expected to be completed and ready for sale	發展中物業預期竣工及可作銷售		
Within one year	一年內	6,357,259	6,954,970
Beyond one year	一年後	16,343,715	10,321,734
Total	總值	22,700,974	17,276,704

Certain of the Group's properties held for finance lease and properties held for sale with aggregate carrying values of HK\$48,958,000 (2018: HK\$40,778,000) and HK\$6,838,744,000 (2018: HK\$6,352,132,000) at the end of the reporting period, respectively, were pledged to secure general banking facilities granted to the Group (note 30).

於報告期末時，本集團的若干持作融資租賃物業及持作銷售物業賬面總值分別為48,958,000港元(2018：40,778,000港元)及6,838,744,000港元(2018：6,352,132,000港元)已抵押作為本集團獲授一般銀行融資的擔保(附註30)。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

23. Inventories

23. 存貨

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Finished goods	成品	133,427	177,095

24. Trade Receivables

24. 應收貿易賬款

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Trade receivables	應收貿易賬款	1,351,630	1,598,286
Impairment	減值	(286,740)	(412,908)
		1,064,890	1,185,378

Trade receivables represent sales income, rental receivables and service income receivables from customers which are payable on issuance of invoices or in accordance with the terms of the related sale and purchase agreements. The Group generally allows a credit period of not exceeding 60 days to its customers. The Group seeks to maintain strict control over its outstanding receivables and closely monitors them to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at 31 March 2019 and 2018 based on the payment due date, net of loss allowance, is as follows:

應收貿易賬款指於出具發票時應收或根據相關買賣協議條款應收客戶的銷售收入、應收租金及服務收入。本集團一般提供不超過60天信貸期予客戶。本集團致力對未償還應收賬款維持嚴謹的控制及監控以把信用風險降至最低。高級管理層會定期審閱逾期結餘。有鑑於此及本集團的應收貿易賬款與大量不同客戶有關，故並無重大集中信貸風險。本集團並沒有對應收貿易賬款持有任何的抵押或其他信用增級。應收貿易賬款為免息。

於2019年及2018年3月31日，根據付款到期日，應收貿易賬款扣除信貸虧損後的賬齡分析如下：

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Within 1 month	1個月以內	628,622	716,256
1 to 2 months	1至2個月	74,424	37,059
2 to 3 months	2至3個月	26,808	28,940
Over 3 months	超過3個月	335,036	403,123
		1,064,890	1,185,378

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

24. Trade Receivables (Continued)

Movement in the loss allowance for impairment of trade receivables are as follows:

	Note 附註	2019 HK\$'000 千港元	2018 HK\$'000 千港元
Carrying amount at the beginning of year		412,908	296,250
Effect of adoption of HKFRS 9		59,267	–
At the beginning of year (restated)		472,175	296,250
Provision for impairment of trade receivables	6	86,115	112,134
Write-off of trade receivables		(238,035)	(16,102)
Exchange realignment		(33,515)	20,626
Carrying amount at the end of year		286,740	412,908

Impairment under HKFRS 9 for the year ended 31 March 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by product type, service type, customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 March 2019

		Past due 逾期					Total 總計
		Current 即期	Less than 1 year 少於1年	1-2 years 1至2年	2-3 years 2至3年	Over 3 years 超過3年	
Expected credit loss rate	預期信貸虧損率	2%	2%	25%	75%	100%	21%
Gross carrying amount (HK\$'000)	原賬面金額 (千港元)	567,462	391,936	122,568	130,263	139,401	1,351,630
Expected credit losses (HK\$'000)	預期信貸虧損 (千港元)	11,238	7,762	30,642	97,697	139,401	286,740

24. 應收貿易賬款(續)

應收貿易賬款的減值虧損撥備變動如下：

截至2019年3月31日止年度的香港財務報告準則第9號的減值

本集團會在每個財政年度完結時使用撥備矩陣以計量預期信貸虧損。撥備率基於具有類似損失模式的各個客戶群分組的過期天數(如按產品類型、服務類型、客戶類型和評級)。該計算反映了概率加權結果、貨幣時間價值以及報告日期可獲得的關於過去事件、當前狀況和未來經濟狀況預測的合理和可支持的信息。一般而言，應收貿易賬款如逾期超過一年並且沒有強制追討行動的則予以註銷。

下表載列有關本集團應收貿易賬款的信貸風險使用撥備矩陣的資料：

於2019年3月31日

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

24. Trade Receivables (Continued)

Impairment under HKAS 39 for the year ended 31 March 2018

The ageing analysis of trade receivables as at 31 March 2018 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

24. 應收貿易賬款(續)

截至2018年3月31日止年度的香港會計準則第39號減值

於2018年3月31日，個別或合計均不被視為減值的應收貿易賬款的賬齡根據香港會計準則第39號分析如下：

		2018 HK\$'000 千港元
Neither past due nor impaired	未逾期及未減值	626,433
Less than 1 month past due	逾期少於1個月	89,823
1 to 3 months past due	逾期1至3個月	65,999
Over 3 months past due	逾期3個月以上	403,123
		1,185,378

Receivables that were neither past due nor impaired and past due but not impaired relate to a large number of diversified customers for whom there was no recent history of default. The Group would not release the property ownership certificates to the buyers before the buyers fully settle the payment.

未逾期及未減值以及已逾期但未減值的應收款項與大量不同客戶有關，彼等最近並無欠款記錄。在買家全數清償付款前，本集團不會向其發出房產證。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

25. Prepayments, Other Receivables and Other Assets 25. 預付款項、其他應收款項及其他資產

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Prepayments	預付款項	455,773	422,242
Deposits and other receivables	按金及其他應收款項	2,385,226	1,187,923
Right-of-return assets	退貨權資產	6,706	–
Current portion of finance lease receivables	融資租賃應收款項之 即期部分	25	3,041
		2,847,730	1,613,206

The financial assets included in the above balances relate to receivables for which there was no recent history of default. The Group estimated that the expected credit loss rate is minimal.

於上述結餘入賬的金融資產最近並無欠款記錄。本集團估計預期信貸虧損率極低。

26. Contract Assets

26. 合約資產

		31 March 2019 2019年3月31日 HK\$'000 千港元	1 April 2018 2018年4月1日 HK\$'000 千港元	31 March 2018 2018年3月31日 HK\$'000 千港元
Contract assets arising from:	產生的合約資產：			
Sale of properties	銷售物業	99,621	77,821	–

The Group estimated that the expected credit loss rate is minimal.

本集團估計預期信貸虧損率極低。

The expected timing of recovery or settlement for contract assets as at 31 March 2019 is as follows:

於2019年3月31日，合約資產的預計收回或結算時間如下：

		HK\$'000 千港元
Within one year	一年內	99,621

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

27. Cash and Cash Equivalents and Restricted Cash

27. 現金及現金等價物及受限制現金

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Cash and bank balances	現金及銀行結餘	9,359,772	10,655,692
Less: Restricted cash*	減：受限制現金*	(3,425,940)	(2,451,359)
Cash and cash equivalents	現金及現金等價物	5,933,832	8,204,333

* Restricted cash mainly comprises: (i) guarantee deposits for the mortgage loan facilities granted by the banks to purchasers of the Group's properties; (ii) guarantee funds of construction projects to meet local authorities' requirements; (iii) certain amounts of pre-sale proceeds from properties placed as guarantee deposits for the construction of related properties; (iv) certain amounts of proceeds from lease of properties which have been placed as guarantee deposits for the borrowings; and (v) pledged deposits to secure general banking facilities granted to the Group.

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK\$6,512,169,000 (2018: HK\$7,882,747,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

Certain of the Group's bank deposits with a carrying amount of HK\$1,296,098,000 as at 31 March 2019 (2018: HK\$255,416,000), were pledged to secure general banking facilities granted to the Group (note 30).

* 受限制現金主要包括：(i)就購買本集團物業之買家獲銀行授予的按揭貸款融資的保證按金；(ii)建設項目的保證金，以符合當地機關的要求；(iii)物業預售的若干所得款項金額，以作為相關物業建設的保證按金；(iv)租賃物業的若干出租所得款項金額以作為借貸保證的保證按金；及(v)已質押銀行存款作為本集團獲授一般銀行融資擔保。

於報告期末，本集團以人民幣為單位的現金及銀行結餘達6,512,169,000港元(2018年：7,882,747,000港元)。人民幣並不可自由兌換為其他貨幣，然而，根據中國大陸的外匯管制條例及結匯、付匯及售匯規定，本集團可以透過獲准進行外匯業務的銀行將人民幣兌換為其他貨幣。

存於銀行之現金根據每日銀行存款利率之浮動利率賺取利息。短期定期存款的存款期各異，由一天至三個月不等，視乎本集團即時的現金需求而定，而利息則按各個短期定期存款利率賺取。銀行結餘及受限制現金乃存放於信譽良好且近期並無欠款記錄的銀行。

於2019年3月31日，本集團賬面總值為1,296,098,000港元(2018年：255,416,000港元)的若干存款已抵押作為本集團獲授一般銀行融資的擔保(附註30)。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

28. Trade and Other Payables

28. 貿易及其他應付款項

		Notes 附註	2019 HK\$'000 千港元	2018 HK\$'000 千港元
Other payables and accruals	其他應付款項及應計項目		5,500,942	3,973,463
Notes payable	應付票據	(i)	2,951,877	607,291
Sales deposits received	銷售按金款項		–	10,597,370
Advanced rental and other receipts	預收租金及其他款項		2,135,255	2,504,805
Refund liabilities	退款負債		8,273	–
Construction fee and retention payables	應付建築費用及保留金	(ii)	5,132,879	5,124,825
			15,729,226	22,807,754

(i) An ageing analysis of the Group's notes payable presented based on the invoice date at the end of the reporting period is as follows:

(i) 於報告期末本集團基於發票日之應付票據的賬齡分析如下：

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
1 to 3 months	1至3個月	1,102,099	–
Over 3 months	超過3個月	1,849,778	607,291
		2,951,877	607,291

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

28. Trade and Other Payables(Continued)

- (ii) An ageing analysis of the construction fee and retention payables as at the end of the reporting period is as follows:

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Within 1 year	1年內	3,906,003	4,147,578
Over 1 year	超過1年	1,226,876	977,247
		5,132,879	5,124,825

All the notes payable have maturity dates within 365 days. As at 31 March 2019, notes payable amounting to HK\$1,832,556,000 were discounted by these notes holders.

The construction fee and retention payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

The other payables are non-interest-bearing.

28. 貿易及其他應付款項(續)

- (ii) 於報告期末應付建築費用及保留金的賬齡分析如下：

所有應付票據均於365日內到期。於2019年3月31日，本集團為港幣1,832,556,000元的應付票據已由這票據持有人貼現。

應付建築費用及保留金為免息及須於一般業務週期或應要求償還。

其他應付款項為免息。

29. CONTRACT LIABILITIES

Details of contract liabilities as at 31 March 2019 and 1 April 2018 are as follows:

		31 March 2019 2019年3月31日 HK\$'000 千港元	1 April 2018 2018年4月1日 HK\$'000 千港元
Advances received from customers	收取客戶的預付款項	13,655,066	10,731,075
Sale of properties	銷售物業		

Contract liabilities include advances received from customers in relation to the pre-sale of properties. The increase in contract liabilities in 2019 was mainly due to the increase in advances received from customers in relation to the pre-sale of properties during the year.

29. 合約負債

於2019年3月31日與2018年4月1日之合約負債明細列示如下：

合約負債包括預售物業收取客戶所得的預付款項。2019年合約負債的增加主要是由於本年度從預售物業收取客戶所得的預付款項增加。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

30. Interest-Bearing Bank and Other Borrowings

30. 計息銀行及其他借貸

		2019			2018		
		Effective interest rate (%)			Effective interest rate (%)		
		實際利率 (%)	Maturity 到期	HK\$'000 千港元	實際利率 (%)	Maturity 到期	HK\$'000 千港元
Current	即期						
Bank and other borrowings	銀行及其他借貸	4.35%-7.20%	2019-2020	1,762,147	4.79%-6.50%	2018-2019	906,581
– unsecured	– 無抵押				HIBOR+ 2.5%		
Bank and other borrowings	銀行及其他借貸	4.08%-7.00%	2019-2020	3,975,036	4.08%-7.00%	2018-2019	1,574,490
– secured	– 有抵押						
Current portion of long term bank and other borrowings:	長期銀行及其他借貸的 即期部分：						
Bank and other borrowings	銀行及其他借貸	5.15%-6.80%	2019-2020	58,475	5.15%-5.70%	2018-2019	325,052
– unsecured	– 無抵押						
Bank and other borrowings	銀行及其他借貸	4.75%-10.00%	2019-2020	2,983,245	4.75%-8.50%	2018-2019	4,292,381
– secured	– 有抵押						
				8,778,903			7,098,504
Non-current	非即期						
Bank and other borrowings	銀行及其他借貸	5.15%-6.80%	2021	277,109	5.15%-5.70%	2020	81,264
– unsecured	– 無抵押						
Bank and other borrowings	銀行及其他借貸	4.75%-12.35%	2020-2033	8,682,666	4.75%-9.00%	2019-2027	8,918,437
– secured	– 有抵押						
				8,959,775			8,999,701
				17,738,678			16,098,205

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

30. Interest-Bearing Bank and Other Borrowings 30. 計息銀行及其他借貸(續)

(Continued)

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Analyzed into:	分析列為：		
Bank and other borrowings repayable:	須於以下期間償還的		
	銀行及其他借貸：		
Within one year or on demand	一年內或應要求	8,778,903	7,098,504
In the second year	第二年	4,281,269	3,702,696
In the third to fifth years, inclusive	第三至第五年 (包括首尾兩年在內)	4,141,655	4,505,663
Beyond five years	五年後	536,851	791,342
		17,738,678	16,098,205

The Group has entered into an asset-backed securities ("ABS") arrangement with an independent third party by pledging of the future six years' right of receiving management fees for certain properties under its management for a maximum of 6 years. As at 31 March 2019, an aggregate amount of RMB760,000,000 is the priority portion of the ABS which had been purchased by the third parties. The net proceeds from the ABS, after deducting the issuance costs, amounted to approximately RMB742,535,000 (equivalent to HK\$865,647,000), which are repayable from one year to six years. Interest is payable quarterly in arrears. On the twelfth interest payment date, the Group is eligible to redeem all the undue priority securities as of the interest payment date at one time. Currently, holders of the priority portions of the ABS are entitled to receive interests which are at varying interest rates ranging from 6.3% to 6.6% per annum based on the terms and dates of redemption. A portion of the above ABS with a principal amount of RMB120,000,000 matured and was settled on 15 September 2018. As at 31 March 2019, amounts of HK\$116,580,000 and HK\$615,682,000 of the ABS are included in the current and non-current portions of secured bank and other borrowings, respectively.

本集團與一獨立第三方訂立最長為期6年的資產支持證券(「資產支持證券」)安排，以未來6年若干物業收取管理費用權利作抵押。於2019年3月31日，第三方已購買總值為人民幣760,000,000元的優先級資產支持證券。扣除發行成本後，資產支持證券所得款項淨額約為人民幣742,535,000元(相當於約865,647,000港元)，於一至六年償還。利息於每季支付。於第十二個利息支付日，本集團有權於利息支付日行使一次性贖回所有未到期資產支持證券的權利。優先級資產支持證券持有人，根據不同期限，現行可享有介乎年利率6.3%至6.6%之利息。上述一部分本金為人民幣120,000,000元的資產支持證券已於2018年9月15日到期並結算。截至2019年3月31日，116,580,000港元和615,682,000港元的資產支持證券分別包括在有抵押銀行及其他借貸的即期和非即期部份。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

30. Interest-Bearing Bank and Other Borrowings

(Continued)

Bank loans with a total amount of HK\$15,640,947,000 (2018: HK\$14,785,308,000) are secured by:

- (i) Certain of the Group's buildings with an aggregate carrying value of approximately HK\$445,957,000 as at 31 March 2019 (2018: HK\$732,660,000) (note 13);
- (ii) Certain of the Group's investment properties situated in Mainland China with an aggregate carrying value of approximately HK\$29,439,659,000 as at 31 March 2019 (2018: HK\$22,399,725,000) (note 14);
- (iii) Certain of the Group's properties under development situated in Mainland China with an aggregate carrying value of approximately HK\$586,152,000 as at 31 March 2019 (2018: HK\$2,251,941,000) (note 15);
- (iv) Certain of the Group's properties held for finance lease and properties held for sale with aggregate carrying values of HK\$48,958,000 (2018: HK\$40,778,000) and HK\$6,838,744,000 (2018: HK\$6,352,132,000) respectively (note 22); and
- (v) Certain of Group's bank deposits with a carrying amount of HK\$1,296,098,000 as at 31 March 2019 (2018: HK\$255,416,000) (note 27).

As at 31 March 2019, interest-bearing bank and other borrowings of the Group are denominated in RMB and bear interest at floating rates ranging from 4.08% to 12.35% per annum (2018: 4.08% to 9.00% per annum). As at 31 March 2018, except for the bank loans equivalent to HK\$400,000,000 which were denominated in Hong Kong dollars and bore interest at a floating rate of HIBOR+ 2.5%, all interest-bearing bank and other borrowings of the Group were denominated in RMB.

30. 計息銀行及其他借貸(續)

總共15,640,947,000港元(2018年: 14,785,308,000港元)的銀行貸款以下列各項抵押:

- (i) 於2019年3月31日賬面總值約445,957,000港元的本集團若干樓宇(2018年: 732,660,000港元)(附註13);
- (ii) 於2019年3月31日賬面總值約29,439,659,000港元的本集團位於中國大陸的若干投資物業(2018年: 22,399,725,000港元)(附註14);
- (iii) 於2019年3月31日賬面總值約586,152,000港元的本集團位於中國大陸的若干發展中物業(2018年: 2,251,941,000港元)(附註15);
- (iv) 於2019年3月31日賬面總值分別約48,958,000港元(2018: 40,778,000港元)及6,838,744,000港元(2018: 6,352,132,000港元)的本集團若干持作融資租賃物業及持作銷售物業(附註22);及
- (v) 於2019年3月31日賬面總值約1,296,098,000港元的本集團若干銀行存款(2018年: 255,416,000港元)(附註27)。

於2019年3月31日,本集團計息銀行及其他借貸均以人民幣為單位,並按每年4.08%至12.35%的浮動利率計息(2018年: 每年4.08%至9.00%的浮動利率)。於2018年3月31日,除400,000,000港元銀行貸款以港元為單位及按香港銀行同業拆息加2.5%之浮動利率計息外,本集團所有計息銀行及其他借貸以人民幣為單位。

31 March 2019 2019年3月31日

30. Interest-Bearing Bank and Other Borrowings

(Continued)

The carrying amounts of the Group's bank and other borrowings approximate to their fair values, which have been calculated by discounting the expected future cash flows at the prevailing interest rates.

31. Short-Term Notes

The Group issued the following short-term notes in the current and prior years:

- (i) On 13 September 2016, China South International completed the issuance of the first tranche of short-term notes of 2016 (the "2016 First Tranche STN") with a total principal amount of RMB1,200,000,000 (equivalent to HK\$1,395,187,000) in the national inter-bank market of the PRC. The 2016 First Tranche STN carried interest at the rate of 4.9% per annum, payable on 13 September in arrears and matured on 13 September 2017. The amount was fully settled on 13 September 2017.
- (ii) On 22 June 2017, China South International completed the issuance of the first tranche of short-term notes of 2017 (the "2017 First Tranche STN") with a total principal amount of RMB500,000,000 (equivalent to HK\$571,886,000) in the national inter-bank market of the PRC. The 2017 First Tranche STN carried interest at the rate of 6.5% per annum, payable on 23 March in arrears, and matured on 23 March 2018. The amount was fully settled on 23 March 2018.
- (iii) On 30 August 2017, China South International completed the issuance of the second tranche of short-term notes of 2017 (the "2017 Second Tranche STN") with a total principal amount of RMB500,000,000 (equivalent to HK\$591,898,000) in the national inter-bank market of the PRC. The 2017 Second Tranche STN carried interest at the rate of 6.5% per annum, payable on 28 May in arrears, and matured on 28 May 2018. The amount was fully settled on 28 May 2018.

30. 計息銀行及其他借貸(續)

本集團計息銀行及其他借貸的賬面值與其公平值相若，乃按預期日後現金流量以當時利率貼現計算。

31. 短期融資券

本集團於本年及以前年度發行以下短期融資券：

- (i) 華南國際於2016年9月13日完成在中國銀行間市場發行2016年第一期短期融資券，本金總額為人民幣1,200,000,000元(相等於1,395,187,000港元)。2016年第一期短期融資券年利率為4.9%，每年於9月13日支付，並於2017年9月13日到期。其金額已於2017年9月13日全數支付。
- (ii) 華南國際於2017年6月22日完成在中國銀行間市場發行2017年第一期短期融資券，本金總額為人民幣500,000,000元(相等於571,886,000港元)。2017年第一期短期融資券年利率為6.5%，每年於3月23日支付，並於2018年3月23日到期。其金額已於2018年3月23日全數支付。
- (iii) 華南國際於2017年8月30日完成在中國銀行間市場發行2017年第二期短期融資券，本金總額為人民幣500,000,000元(相等於591,898,000港元)。2017年第二期短期融資券年利率為6.5%，每年於5月28日支付，並於2018年5月28日到期。其金額已於2018年5月28日全數支付。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

32. Senior Notes

The Group issued the following senior notes in the current and prior years:

- (i) On 13 September 2016 and 3 October 2016, the Company issued senior notes with the aggregate principal amounts of US\$200,000,000 and US\$150,000,000, respectively, (collectively known as, the “2016 Notes”). The 2016 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2016 Notes carry interest at the rate of 6.75% per annum, payable semi-annually on 13 September and 13 March in arrears, and will mature on 13 September 2021, unless redeemed earlier. The offering prices were at 98.960% and 98.964% of the principal amounts of the 2016 Notes of US\$200,000,000 and US\$150,000,000, respectively.

At any time and from time to time on or after 13 September 2019, the Company may redeem the 2016 Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount set forth below plus accrued and unpaid interest as of (but not including) the redemption date if redeemed during the twelve-month period beginning on 13 September of each of the years indicated below:

Period	Redemption price
2019	103.3750%
2020 and thereafter	101.6875%

At any time prior to 13 September 2019, the Company may at its option redeem the 2016 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2016 Notes plus the applicable premium and accrued and unpaid interest, if any, as of (but not including) the redemption date.

32. 優先票據

本集團於本年及以前年度發行以下優先票據：

- (i) 於2016年9月13日及2016年10月3日，本公司分別發行本金總額200,000,000美元及150,000,000美元的優先票據（統稱為「2016年票據」）。2016年票據於新加坡證券交易所有限公司上市。2016年票據按年利率6.75%計息，每半年於9月13日及3月13日支付，並將於2021年9月13日到期（除非提早贖回）。發售價分別為2016年票據之200,000,000美元及150,000,000美元本金總額的98.960%及98.964%。

於2019年9月13日或之後任何時候，本公司可按相等於下述本金額百分比的贖回價，另加截至贖回日期（但不包括該日）的累計及未付利息，贖回全部或部分2016年票據（倘於下文所示各年度9月13日開始的12個月期間內贖回）：

期間	贖回價
2019	103.3750%
2020及之後	101.6875%

於2019年9月13日前任何時間，本公司可按相等於2016年票據本金總額100%的贖回價，另加截至贖回日期（但不包括該日）2016年票據的適用溢價以及累計及未付利息（如有），贖回全部但非部分2016年票據。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

32. Senior Notes (Continued)

(i) (Continued)

At any time and from time to time prior to 13 September 2019, the Company may redeem up to 35% of the aggregate principal amount of the 2016 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 106.75% of the principal amount of the 2016 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the 2016 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related sales of the Company's capital stock and is subject to certain conditions.

- (ii) On 9 March 2017, the Company issued senior notes with the aggregate principal amount of US\$300,000,000 (the "2017 March Notes"). The 2017 March Notes are listed on the Singapore Exchange Securities Trading Limited. The 2017 March Notes carry interest at the rate of 5.75% per annum, payable semi-annually on 9 March and 9 September in arrears, and will mature on 9 March 2020, unless redeemed earlier. The offering price was at 98.986% of the principal amount of the 2017 March Notes.

At any time prior to 9 March 2020, the Company may at its option redeem the 2017 March Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2017 March Notes plus the applicable premium and accrued and unpaid interest, if any, as of (but not including) the redemption date.

At any time and from time to time prior to 9 March 2020, the Company may redeem up to 35% of the aggregate principal amount of the 2017 March Notes at a redemption price of 105.75% of the principal amount of the 2017 March Notes, plus accrued and unpaid interest, if any, as of (but not including) the redemption date, with the proceeds from sales of certain kinds of capital stock of the Company.

32. 優先票據(續)

(i) (續)

於2019年9月13日前任何時間，本公司可以在股份發售中進行一次或多次銷售本公司普通股所得的現金款項淨額，按2016年票據本金額106.75%的贖回價，另加截至贖回日期(但不包括該日)的累計及未付利息(如有)，贖回最多2016年票據本金總額的35%，惟每次贖回後2016年票據原發行本金總額最少65%須仍未贖回，且任何有關贖回須於相關本公司股本銷售結束後60日內進行及受限於若干條件。

- (ii) 於2017年3月9日，本公司發行本金總額300,000,000美元的優先票據(「2017年3月票據」)。2017年3月票據於新加坡證券交易所有限公司上市。2017年3月票據按年利率5.75%計息，每半年於3月9日及9月9日支付，並將於2020年3月9日到期(除非提早贖回)。發售價為2017年3月票據本金總額的98.986%。

於2020年3月9日前任何時間，本公司可按相等於2017年3月票據本金總額100%的贖回價，另加截至贖回日期(但不包括該日)2017年3月票據的適用溢價以及累計及未付利息(如有)，贖回全部但非部分2017年3月票據。

於2020年3月9日前任何時間，本公司可以在銷售本公司任何股份中所得的款項，按2017年3月票據本金額105.75%的贖回價，另加截至贖回日期(但不包括該日)的累計及未付利息(如有)，贖回最多2017年3月票據本金總額的35%。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

32. Senior Notes (Continued)

- (iii) On 20 November 2017, the Company issued senior notes with the aggregate principal amount of US\$300,000,000 (the "2017 November Notes"). The 2017 November Notes are listed on the Singapore Exchange Securities Trading Limited. The 2017 November Notes carry interest at the rate of 7.25% per annum, payable semi-annually on 20 May and 20 November in arrears, and will mature on 20 November 2022, unless redeemed earlier. The offering price was at 97.96% of the principal amount of the 2017 November Notes.

At any time prior to 20 November 2022, the Company may at its option redeem the 2017 November Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2017 November Notes plus the applicable premium and accrued and unpaid interest, if any, as of (but not including) the redemption date.

At any time and from time to time prior to 20 November 2022, the Company may redeem up to 35% of the aggregate principal amount of the 2017 November Notes at a redemption price of 107.25% of the principal amount of the 2017 November Notes, plus accrued and unpaid interest, if any, as of (but not including) the redemption date, with the proceeds from sales of certain kinds of capital stock of the Company.

- (iv) On 25 January 2018, the Company issued senior notes with the aggregate principal amount of US\$250,000,000 (the "2018 January Notes"). The 2018 January Notes are listed on the Singapore Exchange Securities Trading Limited. The 2018 January Notes carry interest at the rate of 7.25% per annum, payable semi-annually on 25 January and 25 July in arrears, and will mature on 25 January 2021, unless redeemed earlier. The offering price was at 99.011% of the principal amount of the 2018 January Notes.

At any time prior to 25 January 2021, the Company may at its option redeem the 2018 January Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2018 January Notes plus the applicable premium and accrued and unpaid interest, if any, as of (but not including) the redemption date.

At any time and from time to time prior to 25 January 2021, the Company may redeem up to 35% of the aggregate principal amount of the 2018 January Notes at a redemption price of 107.25% of the principal amount of the 2018 January Notes, plus accrued and unpaid interest, if any, as of (but not including) the redemption date, with the proceeds from sales of certain kinds of capital stock of the Company.

32. 優先票據(續)

- (iii) 於2017年11月20日，本公司發行本金總額300,000,000美元的優先票據(「2017年11月票據」)。2017年11月票據於新加坡證券交易所有限公司上市。2017年11月票據按年利率7.25%計息，每半年於5月20日及11月20日支付，並將於2022年11月20日到期(除非提早贖回)。發售價為2017年11月票據本金總額的97.96%。

於2022年11月20日前任何時間，本公司可按相等於2017年11月票據本金總額100%的贖回價，另加截至贖回日期(但不包括該日)2017年11月票據的適用溢價以及累計及未付利息(如有)，贖回全部但非部分2017年11月票據。

於2022年11月20日前任何時間，本公司可以在銷售本公司任何股份中所得的款項，按2017年11月票據本金總額107.25%的贖回價，另加截至贖回日期(但不包括該日)的累計及未付利息(如有)，贖回最多2017年11月票據本金總額的35%。

- (iv) 於2018年1月25日，本公司發行本金總額250,000,000美元的優先票據(「2018年1月票據」)。2018年1月票據於新加坡證券交易所有限公司上市。2018年1月票據按年利率7.25%計息，每半年於1月25日及7月25日支付，並將於2021年1月25日到期(除非提早贖回)。發售價為2018年1月票據本金總額的99.011%。

於2021年1月25日前任何時間，本公司可按相等於2018年1月票據本金總額100%的贖回價，另加截至贖回日期(但不包括該日)2018年1月票據的適用溢價以及累計及未付利息(如有)，贖回全部但非部分2018年1月票據。

於2021年1月25日前任何時間，本公司可以在銷售本公司任何股份中所得的款項，按2018年1月票據本金總額107.25%的贖回價，另加截至贖回日期(但不包括該日)的累計及未付利息(如有)，贖回最多2018年1月票據本金總額的35%。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

32. Senior Notes (Continued)

- (v) On 24 May 2018 and 4 June 2018, the Company issued senior notes with the aggregate principal amounts of US\$150,000,000 and US\$100,000,000, respectively, (collectively known as, the “2018 May Notes”). The 2018 May Notes are listed on the Singapore Exchange Securities Trading Limited. The 2018 May Notes carry interest at the rate of 10.875% per annum, payable semi-annually on 24 February and 24 August in arrears, and will mature on 24 August 2020, unless redeemed earlier. The offering prices were at 99.654% and 99.649% of the principal amounts of the 2018 May Notes of US\$150,000,000 and US\$100,000,000, respectively.

At any time prior to 24 August 2020, the Company may at its option redeem the 2018 May Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2018 May Notes plus the applicable premium and accrued and unpaid interest, if any, as of (but not including) the redemption date.

At any time and from time to time prior to 24 August 2020, the Company may redeem up to 35% of the aggregate principal amount of the 2018 May Notes at a redemption price of 110.875% of the principal amount of the 2018 May Notes, plus accrued and unpaid interest, if any, as of (but not including) the redemption date, with the proceeds from sales of certain kinds of capital stock of the Company.

- (vi) On 27 March 2019, the Company issued senior notes with the aggregate principal amount of US\$200,000,000 (the “2019 March Notes”). The 2019 March Notes are listed on the Singapore Exchange Securities Trading Limited. The 2019 March Notes carry interest at the rate of 11.875% per annum, payable semi-annually on 27 March and 27 September in arrears, and will mature on 27 March 2021, unless redeemed earlier. The offering price was at 99.567% of the principal amount of the 2019 March Notes.

At any time prior to 27 March 2021, the Company may at its option redeem the 2019 March Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2019 March Notes plus the applicable premium and accrued and unpaid interest, if any, as of (but not including) the redemption date.

32. 優先票據(續)

- (v) 於2018年5月24日及2018年6月4日，本公司分別發行本金總額150,000,000美元及100,000,000美元的優先票據(統稱為「2018年5月票據」)。2018年5月票據於新加坡證券交易所有限公司上市。2018年5月票據按年利率10.875%計息，每半年於2月24日及8月24日支付，並將於2020年8月24日到期(除非提早贖回)。發售價分別為2018年5月票據之150,000,000美元及100,000,000美元本金總額的99.654%及99.649%。

於2020年8月24日前任何時間，本公司可按相等於2018年5月票據本金總額100%的贖回價，另加截至贖回日期(但不包括該日)2018年5月票據的適用溢價以及累計及未付利息(如有)，贖回全部但非部分2018年5月票據。

於2020年8月24日前任何時間，本公司可以在銷售本公司任何股份中所得的款項，按2018年5月票據本金總額110.875%的贖回價，另加截至贖回日期(但不包括該日)的累計及未付利息(如有)，贖回最多2018年5月票據本金總額的35%。

- (vi) 於2019年3月27日，本公司發行本金總額200,000,000美元的優先票據(「2019年3月票據」)。2019年3月票據於新加坡證券交易所有限公司上市。2019年3月票據按年利率11.875%計息，每半年於3月27日及9月27日支付，並將於2021年3月27日到期(除非提早贖回)。發售價為2019年3月票據本金總額的99.567%。

於2021年3月27日前任何時間，本公司可按相等於2019年3月票據本金總額100%的贖回價，另加截至贖回日期(但不包括該日)2019年3月票據的適用溢價以及累計及未付利息(如有)，贖回全部但非部分2019年3月票據。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

32. Senior Notes (Continued)

(vi) (Continued)

At any time and from time to time prior to 27 March 2021, the Company may redeem up to 35% of the aggregate principal amount of the 2019 March Notes at a redemption price of 111.875% of the principal amount of the 2019 March Notes, plus accrued and unpaid interest, if any, as of (but not including) the redemption date, with the proceeds from sales of certain kinds of capital stock of the Company.

At the end of the reporting period, the 2016 Notes, 2017 March Notes, 2017 November Notes, 2018 January Notes, 2018 May Notes and 2019 March Notes (collectively named as the "Senior Notes") contain liability components and early redemption options as follows:

- (i) The liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments with comparable credit status that provided substantially the same cash flows, on the same terms, but without the embedded derivatives.

Interest charged for the year is calculated by applying effective interest rates of approximately 7%, 7%, 8%, 8%, 11% and 12% per annum to the liability components of the 2016 Notes, 2017 March Notes, 2017 November Notes, 2018 January Notes, 2018 May Notes and 2019 March Notes, respectively, since they were issued.

- (ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The Directors consider that the fair value of the above early redemption options is insignificant on initial recognition and as at 31 March 2019.

32. 優先票據(續)

(vi) (續)

於2021年3月27日前任何時間，本公司可以在銷售本公司任何股份中所得的款項，按2019年3月票據本金額111.875%的贖回價，另加截至贖回日期(但不包括該日)的累計及未付利息(如有)，贖回最多2019年3月票據本金總額的35%。

於報告期末，2016年票據、2017年3月票據、2017年11月票據、2018年1月票據、2018年5月票據及2019年3月票據(統稱為「優先票據」)含有下列負債部分及上述提早贖回權：

- (i) 負債部分指合約所釐定未來現金流量按具有可資比較信貸評級並按相同條款提供大致相同現金流量但無嵌入衍生工具的工具當時適用的現行市場利率折現的現值。

期內的利息費用乃按2016年票據、2017年3月票據、2017年11月票據、2018年1月票據、2018年5月票據及2019年3月票據發行以來的負債部分分別按實際年利率約7%、7%、8%、8%、11%及12%計算。

- (ii) 提早贖回權被視為並非與主合約有密切關係的嵌入衍生工具。董事認為於初始確認及在2019年3月31日，上述提早贖回權的公平值不大。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

32. Senior Notes (Continued)

The Senior Notes recognized in the consolidated statement of financial position were calculated as follows:

32. 優先票據(續)

已於綜合財務狀況表確認的優先票據計算如下：

	Note 附註	2019 HK\$'000 千港元	2018 HK\$'000 千港元
Carrying amount at the beginning of year	於年初的賬面值	9,230,272	6,425,992
Additions	新增	3,449,469	4,149,512
Interest expenses	利息開支	867,425	452,711
Payment for interest	支付利息	(708,755)	(318,825)
Redemption of the senior notes	贖回優先票據	—	(1,479,118)
Repurchase of the senior notes	回購優先票據 (i)	(506,039)	—
Carrying amount at the end of year	於年終的賬面值	12,332,372	9,230,272
Current portion	即期部份	(2,314,682)	—
Non-current portion	非即期部份	10,017,690	9,230,272

- (i) During the year, the Company and a subsidiary of the Company repurchased part of the senior notes with an aggregated principal amount of US\$65,600,000 (equivalent to HK\$511,680,000) from the open market. The total consideration of the repurchase was US\$52,748,000 (equivalent to HK\$411,432,000). The carrying amount of the repurchase was US\$64,877,000 (equivalent to HK\$506,039,000), resulting in a gain on repurchase amounting to HK\$94,607,000 in the current year (note 5).

The fair value of the Senior Notes as at 31 March 2019 amounted to HK\$11,431,686,000 (2018: HK\$8,894,383,000). The fair value was calculated by using the quoted market price of the Senior Notes on 31 March 2019.

- (i) 於本年度，本公司和本公司的一家附屬公司於公開市場回購部份優先票據合共本金金額為65,600,000美元（相等於511,680,000港元）。回購總代價為52,748,000美元（相等於411,432,000港元）。所回購之票據的賬面值為64,877,000美元（相等於506,039,000港元），導致於本年度錄得94,607,000港元之回購收益（附註5）。

於2019年3月31日，優先票據的公平值達11,431,686,000港元（2018年：8,894,383,000港元）。公平值乃使用優先票據於2019年3月31日的市場價格之報價計算。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

33. Medium-Term Notes

The Group had the following medium-term notes which remained in issue at the end of the reporting period:

- (i) On 9 May 2014, China South International completed the issuance of the first tranche of medium-term notes of 2014 (the “2014 First Tranche MTN”) with a total principal amount of RMB1,000,000,000 in the national inter-bank market of the PRC. The 2014 First Tranche MTN carry interest at the rate of 7.5% per annum, payable annually on 9 May in arrears, and matured on 9 May 2019. The amount was fully settled in May 2019.
- (ii) On 12 September 2014, China South International completed the issuance of the second tranche of medium-term notes of 2014 (the “2014 Second Tranche MTN”) with a total principal amount of RMB1,000,000,000 in the national inter-bank market of the PRC. The 2014 Second Tranche MTN carry interest at the rate of 8.4% per annum, payable annually on 12 September in arrears, and will mature on 12 September 2019.
- (iii) On 13 July 2015, China South International completed the issuance of the first tranche of medium-term notes of 2015 (the “2015 First Tranche MTN”) with a total principal amount of RMB2,000,000,000 in the national inter-bank market of the PRC. The 2015 First Tranche MTN carry interest at the rate of 7.0% per annum, payable annually on 13 July in arrears, and matured on 13 July 2018. The amount was fully settled in July 2018.

33. 中期票據

本集團於報告期末尚有以下中期票據在發行：

- (i) 華南國際於2014年5月9日完成在中國銀行間市場發行2014年第一期中期票據，本金總額為人民幣1,000,000,000元。2014年第一期票據年利率為7.5%，每年於5月9日支付，並於2019年5月9日到期。其金額已於2019年5月全數支付。
- (ii) 華南國際於2014年9月12日完成在中國銀行間市場發行2014年第二期中期票據，本金總額為人民幣1,000,000,000元。2014年第二期票據年利率為8.4%，每年於9月12日支付，並將於2019年9月12日到期。
- (iii) 華南國際於2015年7月13日完成在中國銀行間市場發行2015年第一期中期票據，本金總額為人民幣2,000,000,000元。2015年第一期中期票據年利率為7.0%，每年於7月13日支付，並於2018年7月13日到期。其金額已於2018年7月全數支付。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

33. Medium-Term Notes (Continued)

The medium-term notes recognized in the consolidated statement of financial position were calculated as follows:

33. 中期票據 (續)

已於綜合財務狀況表確認的中期票據計算如下：

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Carrying amount at the beginning of year	於年初的賬面值	5,251,644	4,723,000
Repayment of the 2015 First Tranche MTN	償還2015年第一期中期票據	(2,352,443)	–
Interest expenses	利息開支	242,968	367,288
Payment for interest	支付利息	(348,574)	(352,581)
Exchange realignment	匯兌調整	(333,692)	513,937
Carrying amount at the end of year	於年終的賬面值	2,459,903	5,251,644
Current portion	即期部份	(2,459,903)	(2,622,149)
Non-current portion	非即期部份	–	2,629,495

The fair value of the medium-term notes as at 31 March 2019 amounted to HK\$2,430,103,000 (2018: HK\$5,261,155,000). The fair value was calculated by using the quoted market price of the medium-term notes on 31 March 2019.

於2019年3月31日，中期票據的公平值為2,430,103,000港元(2018年：5,261,155,000港元)。公平值乃使用中期票據於2019年3月31日的市場價格之報價計算。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

34. Corporate Bonds

The Group had the following corporate bonds which remained in issue at the end of the reporting period:

On 13 April 2015, China South International completed the issuance of the corporate bonds with a total principal amount of RMB1,500,000,000 on the Shanghai Stock Exchange of the PRC. The corporate bonds carry interest at the rate of 7.0% per annum, payable annually on 13 April in arrears, and have a term of up to 6 years at a maximum.

On 13 April 2018, China South International had redeemed a portion of the above corporate bonds with a principal amount of RMB1,499,518,000 (equivalent to HK\$1,866,186,000) from the open market, and the remaining portion carries interest at the rate of 8.05% per annum, payable annually on 13 April in arrears, and will mature on 13 April 2021, that was early repaid in full in April 2019.

The corporate bonds recognized in the consolidated statement of financial position were calculated as follows:

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Carrying amount at the beginning of year	於年初的賬面值	1,978,294	1,778,744
Redemption	贖回	(1,866,186)	–
Interest expenses	利息開支	26,368	129,785
Payment for interest	支付利息	(122,409)	(123,816)
Exchange realignment	匯兌調整	(15,505)	193,581
Carrying amount at the end of year	於年終的賬面值	562	1,978,294

The fair value of the corporate bonds as at 31 March 2019 amounted to HK\$554,000 (2018: HK\$1,874,550,000). The fair value was calculated by using the quoted market price of the corporate bonds on 31 March 2019.

34. 企業債券

本集團於報告期末尚有以下企業債券在發行：

華南國際於2015年4月13日完成於中國上海證券交易所發行本金總額為人民幣1,500,000,000元的企業債券。企業債券年利率為7.0%，每年於4月13日支付，期限最高為6年。

於2018年4月13日，華南國際於市場贖回部分本金為人民幣1,499,518,000元（相等於1,866,186,000港元）的企業債券。剩餘部份的企業債券之年利率為8.05%，於每年4月13日支付並於2021年4月13日到期，該已於2019年4月提早償還。

已於綜合財務狀況表確認的企業債券計算如下：

於2019年3月31日，企業債券的公平值為554,000港元（2018年：1,874,550,000港元）。公平值乃使用企業債券於2019年3月31日的市場價格之報價計算。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

35. Domestic Company Bonds

The Group had the following domestic company bonds which remained in issue at the end of the reporting period:

- (i) On 14 January 2016, China South International completed the issuance of the first tranche of domestic company bonds of 2016 (the "2016 First Tranche DCB") with a total principal amount of RMB3,000,000,000 on the Shenzhen Stock Exchange of the PRC. The 2016 First Tranche DCB carry interest at the rate of 5.98% per annum, payable annually on 13 January in arrears, and matured on 13 January 2019. The amount was fully settled in January 2019.
- (ii) On 4 May 2016, China South International completed the issuance of the second tranche of domestic company bonds of 2016 (the "2016 Second Tranche DCB") with a total principal amount of RMB1,400,000,000 on the Shenzhen Stock Exchange of the PRC. The 2016 Second Tranche DCB carry interest at the rate of 6.85% per annum, payable annually on 3 May in arrears, and matured on 3 May 2019. The amount was fully settled in May 2019.

The domestic company bonds recognized in the consolidated statement of financial position were calculated as follows:

35. 境內公司債券

本集團於報告期末尚有以下境內公司債券在發行：

- (i) 華南國際於2016年1月14日完成於深圳證券交易所發行本金總額為人民幣3,000,000,000元的2016年第一期境內公司債券。2016年第一期境內公司債券年利率為5.98%，每年於1月13日支付，並於2019年1月13日到期。其金額已於2019年1月全數支付。
- (ii) 華南國際於2016年5月4日完成於深圳證券交易所發行本金總額為人民幣1,400,000,000元的2016年第二期境內公司債券。2016年第二期境內公司債券年利率為6.85%，每年於5月3日支付，並於2019年5月3日到期。其金額已於2019年5月全數支付。

已於綜合財務狀況表確認的境內公司債券計算如下：

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Carrying amount at the beginning of year	於年初的賬面值	5,644,169	5,079,429
Repayment of the 2016 First Tranche DCB	償還2016年第一期境內公司債券	(3,497,400)	—
Interest expenses	利息開支	288,370	336,868
Payment for interest	支付利息	(320,945)	(324,633)
Exchange realignment	匯兌調整	(381,033)	552,505
Carrying amount at the end of year	於年終的賬面值	1,733,161	5,644,169
Current portion	即期部份	(1,733,161)	(3,789,933)
Non-current portion	非即期部份	—	1,854,236

The fair value of the domestic company bonds as at 31 March 2019 amounted to HK\$1,623,959,000 (2018: HK\$5,169,152,000). The fair value was calculated by using the quoted market price of the domestic company bonds on 31 March 2019.

於2019年3月31日，境內公司債券的公平值達1,623,959,000港元（2018年：5,169,152,000港元）。公平值乃使用境內公司債券於2019年3月31日的市場價格之報價計算。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

36. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Note	Costs to obtain contracts 獲得合約的成本 HK\$'000 千港元	Accelerated tax depreciation 加速稅項折舊 HK\$'000 千港元	Revaluation of investment properties 投資物業重估 HK\$'000 千港元	Withholding tax 預扣稅 HK\$'000 千港元	Revaluation of property, plant and equipment 物業、廠房及設備重估 HK\$'000 千港元	Capitalized interest expense 資本化利息 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 31 March 2018	於2018年3月31日	–	628,079	7,062,410	341,265	93,123	396,583	8,521,460
Effect of Adoption of HKFRS 15	採納香港財務報告準則第15號之影響	19,455	–	–	–	–	–	19,455
At 1 April 2018 (restated)	於2018年4月1日(經重列)	19,455	628,079	7,062,410	341,265	93,123	396,583	8,540,915
Deferred tax charged to the consolidated statement of profit or loss during the year	年內於綜合損益表內計入／的遞延稅項	6,763 (1,313)	128,818 (46,405)	889,873 (476,778)	27,357 (23,040)	– (6,287)	92,954 (26,773)	1,145,765 (580,596)
Exchange differences	匯兌差異							
Gross deferred tax liabilities at 31 March 2019	於2019年3月31日的總遞延稅項負債	24,905	710,492	7,475,505	345,582	86,836	462,764	9,106,084

Deferred tax assets

遞延稅項資產

	Note	Tax effect of LAT 土地增值稅的稅務影響 HK\$'000 千港元	Losses available for offsetting against future taxable profits 可供抵銷未來應課稅利潤的虧損 HK\$'000 千港元	Provision for impairment of trade receivables 應收賬款減值撥備 HK\$'000 千港元	Tax effect of government grants relating to assets 有關資產之政府補助的稅務影響 HK\$'000 千港元	Accrued expense 應計開支 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 31 March 2018	於2018年3月31日	1,327,190	545,359	72,458	1,194,817	–	3,139,824
Effect of adoption of HKFRS 9	採納香港財務報告準則第9號之影響	–	–	14,817	–	–	14,817
At 1 April 2018 (restated)	於2018年4月1日(經重列)	1,327,190	545,359	87,275	1,194,817	–	3,154,641
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	年內於綜合損益表內計入／(扣除)的遞延稅項	152,921 (89,598)	(19,290) (36,817)	8,190 (5,892)	412,397 (80,660)	82,910 –	637,128 (212,967)
Exchange differences	匯兌差異						
Gross deferred tax assets at 31 March 2019	於2019年3月31日的總遞延稅項資產	1,390,513	489,252	89,573	1,526,554	82,910	3,578,802

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

36. Deferred Tax (Continued)

Deferred tax liabilities

36. 遞延稅項(續)

遞延稅項負債

		Accelerated tax depreciation 加速稅項折舊	Revaluation of investment properties 投資物業重估	Withholding tax 預扣稅	Revaluation of property, plant and equipment 物業、廠房及 設備重估	Capitalized interest expense 資本化利息	Total 總計
Note		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
附註							
At 1 April 2017	於2017年4月1日	456,351	5,355,369	365,400	83,998	257,143	6,518,261
Deferred tax charged/(credited) to the consolidated statement of profit or loss during the year	年內於綜合損益表內計入/ (扣除)的遞延稅項	10	115,218	1,081,351	(60,203)	105,174	1,241,540
Exchange realignment	匯兌調整		56,510	625,690	36,068	9,125	761,659
At 31 March 2018	於2018年3月31日	628,079	7,062,410	341,265	93,123	396,583	8,521,460

Deferred tax assets

遞延稅項資產

			Tax effect of LAT 土地增值稅的 稅務影響	Losses available for offsetting against future taxable profits 可供抵銷未來 應課稅利潤的 虧損	Provision for impairment of trade receivables 應收賬款 減值撥備	Tax effect of government grants relating to assets 有關資產之 政府補助的 稅務影響	Total 總計
Note		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
附註							
At 1 April 2017	於2017年4月1日		1,032,799	425,650	75,605	755,945	2,289,999
Deferred tax credited/(charged) to the consolidated statement of profit or loss during the year	年內於綜合損益表內計入/ (扣除)的遞延稅項	10	171,871	70,337	(10,715)	336,494	567,987
Exchange realignment	匯兌調整		122,520	49,372	7,568	102,378	281,838
At 31 March 2018	於2018年3月31日		1,327,190	545,359	72,458	1,194,817	3,139,824

The Group has tax losses arising in Hong Kong of HK\$387,896,000 (2018: HK\$299,412,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

本集團於香港產生的稅項虧損為387,896,000港元(2018年: 299,412,000港元)，可無限期結轉，以抵銷產生虧損的公司未來應課稅溢利。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

36. Deferred Tax (Continued)

The Group also has tax losses in Mainland China of HK\$931,550,000 (2018: HK\$900,097,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings generated from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. In the current year, the Group accrued withholding tax of HK\$27,357,000 (2018: reversed of HK\$60,203,000) for those subsidiaries established in Mainland China.

As at 31 March 2019, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognized was HK\$7,234,975,000 (2018: HK\$6,115,313,000). No liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

37. Share Capital Shares

36. 遞延稅項(續)

本集團亦於中國大陸產生稅項虧損為931,550,000港元(2018年: 900,097,000港元)，將於一至五年內屆滿，可用以抵銷未來應課稅溢利。

由於該等虧損由已出現虧損一段時期的附屬公司產生，且被認為並不可能有充足應課稅溢利以抵銷該等可動用的稅項虧損，故並無就該等虧損確認遞延稅項資產。

根據中國企業所得稅法，凡於中國內地成立的外商投資企業向海外投資者宣派的股息須繳納10%預扣所得稅。該規定自2008年1月1日起生效，並適用於2008年1月1日後所產生之盈利。倘中國與海外投資者所處司法權區訂有稅務條約，則可採用較低預扣所得稅率。本集團的適用稅率為5%或10%。因此，本集團須就於中國內地成立的附屬公司分派2008年1月1日後所賺取盈利的股息而繳納預扣所得稅。於本年度，本集團計提預扣所得稅27,357,000港元(2018年: 撥回60,203,000港元)。

於2019年3月31日，與附屬公司之投資相關而尚未確認遞延稅項負債之暫時性差額總額合共約為7,234,975,000港元(2018年: 6,115,313,000港元)。概無就有關差額確認負債乃由於本集團可控制撥回暫時性差額之時間及暫時性差額於可預見之將來可能不會撥回。

37. 股本 股份

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Issued and fully paid: 8,117,130,848 (31 March 2018: 8,009,571,999) ordinary shares	已發行及繳足: 8,117,130,848股 (2018年3月31日: 8,009,571,999股)普通股	7,222,312	7,060,973

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

37. Share Capital (Continued)

A summary of the movements in the Company's share capital is as follows:

37. 股本 (續)

本公司的股本變動摘要如下：

		Number of shares in issue 已發行股份數目	Share capital 股本 HK\$'000 千港元
At 1 April 2017	於2017年4月1日	8,006,321,999	7,054,362
Exercise of share options	行使購股權	3,250,000	6,611
At 31 March 2018	於2018年3月31日	8,009,571,999	7,060,973
At 1 April 2018	於2018年4月1日	8,009,571,999	7,060,973
Scrip dividend (note)	以股代息(附註)	107,558,849	161,339
At 31 March 2019	於2019年3月31日	8,117,130,848	7,222,312

Note:

The final dividend (with scrip option) of HK5.0 cents per share amounting to HK\$400,479,000 for financial year ended 31 March 2018 was approved on 21 August 2018. The final dividend paid in cash was HK\$239,140,000, and paid in allotment and issuance of 107,558,849 shares at the price of approximately HK\$1.50 per share, which was settled or dispatched to shareholders on 10 October 2018.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 38 to the financial statements.

附註：

截至2018年3月31日之財政年度每股5.0港仙的末期股息(附有以股代息選擇權)已於2018年8月21日批准，總金額為400,479,000港元。以現金支付的末期股息239,140,000港元及以配發及以每股1.5港元發行股份的末期股息107,558,849股已於2018年10月10日支付或派發給股東。

購股權

關於本公司的購股權計劃及於計劃下已發行的購股權已詳載於財務報表的附註38。

31 March 2019 2019年3月31日

38. Share Options

The Company has adopted a share option scheme on 4 September 2009 (the "Share Option Scheme") to provide incentives and reward to selected eligible persons which include the Directors, employees, officers, agents, consultants or representatives of the Group for their contribution or potential contribution to the Company or its subsidiaries. The Share Option Scheme became effective on 30 September 2009 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Further details of the Share Option Scheme are set out in the "Report of the Directors" in the Company's annual report.

On 27 June 2013, a total of 186,300,000 share options under the Share Option Scheme were granted. These share options have an exercise price of HK\$1.69 per share and an exercise period ranging from 27 June 2013 to 26 June 2018. Of the total 186,300,000 share options, 70,800,000 share options were granted to certain Executive Directors of the Company, and 115,500,000 share options were granted to certain employees of the Group.

The fair value of the 186,300,000 share options granted was HK\$44,470,000, of which no share option expense was recognized during the current year (2018: Nil).

On 17 February 2014, a total of 48,000,000 share options under the Share Option Scheme were granted. These share options have an exercise price of HK\$4.14 per share and an exercise period ranging from 17 February 2014 to 16 February 2019. Of the total 48,000,000 share options, 8,000,000 share options were granted to certain Independent Non-Executive Directors of the Company, and 40,000,000 share options were granted to certain employees of the Group.

The fair value of the 48,000,000 share options granted was HK\$36,470,000, of which no share option expense was recognized during the current year (2018: Nil).

On 30 June 2014, a total of 103,300,000 share options under the Share Option Scheme were granted to certain Directors, senior management and certain other employees of the Company and its subsidiaries in respect of their services to the Group. These share options have an exercise price of HK\$4.07 per share and an exercise period ranging from 30 June 2014 to 29 June 2019.

The fair value of the 103,300,000 share options granted was HK\$83,552,000, of which no share option expense was recognized during the current year (2018: Nil).

38. 購股權

本公司已於2009年9月4日採納購股權計劃(「購股權計劃」)，向對本公司或其附屬公司作出貢獻或潛在貢獻的經甄選合資格人士(包括本集團董事、僱員、高級職員、代理、顧問或代表)提供獎勵及回報，購股權計劃自2009年9月30日起生效，並由當日起持續十年(除非取消或作出修訂)。購股權計劃的進一步詳情載於公司年報中的「董事會報告」。

於2013年6月27日，根據購股權計劃授出合共186,300,000份購股權。該等購股權的行使價為每股1.69港元，行使期為2013年6月27日至2018年6月26日。於合共186,300,000份購股權中，70,800,000份購股權已授予本公司若干本公司之執行董事，另115,500,000份購股權則授予本集團若干僱員。

所授出的186,300,000份購股權之公平值為44,470,000港元，本集團於本年度並無確認購股權開支(2018年：無)。

於2014年2月17日，根據購股權計劃授出合共48,000,000份購股權。該等購股權的行使價為每股4.14港元，行使期為2014年2月17日至2019年2月16日。於合共48,000,000份購股權中，8,000,000份購股權已授予本公司若干本公司之獨立非執行董事，另40,000,000份購股權則授予本集團若干僱員。

所授出的48,000,000份購股權的公平值為36,470,000港元，本集團於本年度並無確認購股權開支(2018年：無)。

於2014年6月30日，根據購股權計劃向本公司若干本公司之董事、高級管理層及本公司及其附屬公司若干僱員就彼等向本集團所提供的服務授出合共103,300,000份購股權。該等購股權的行使價為每股4.07港元，行使期為2014年6月30日至2019年6月29日。

所授出的103,300,000份購股權之公平值為83,552,000港元，本集團於本年度並無確認購股權開支(2018年：無)。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

38. Share Options (Continued)

On 13 January 2016, a total of 79,990,000 share options under the Share Option Scheme were granted to a Director of the Company in respect of his services to the Group. These share options have an exercise price of HK\$1.528 per share and an exercise period ranging from 13 January 2016 to 12 January 2022.

The fair value of the 79,990,000 share options granted was HK\$29,802,000, of which no share option expense was recognized during the current year (2018: Nil).

On 22 August 2016, a total of 70,500,000 share options under the Share Option Scheme were granted to certain senior management and other employees of the Company and its subsidiaries in respect of their services to the Group. These share options have an exercise price of HK\$1.75 per share and an exercise period ranging from 22 August 2016 to 21 August 2023.

The fair value of the 70,500,000 share options granted was HK\$27,739,000, of which the Group recognized a share option expense of HK\$319,000 during the current year (2018: HK\$7,699,000).

On 3 July 2017, a total of 120,000,000 share options under the Share Option Scheme were granted to certain Directors of the Company in respect of their services to the Group. These share options have an exercise price of HK\$1.52 per share and an exercise period ranging from 3 July 2017 to 2 July 2025.

The fair value of the 120,000,000 share options granted was HK\$45,599,000, of which the Group recognized a share option expense of HK\$5,838,000 during the current year (2018: HK\$34,366,000).

On 13 April 2018, a total of 25,500,000 share options under the Share Option Scheme were granted to four Independent Non-Executive Directors and certain management of the Company in respect of their services to the Group. These share options have an exercise price of HK\$1.81 per share and an exercise period ranging from 13 April 2018 to 12 April 2025.

The fair value of the 25,500,000 share options granted was HK\$11,342,000, of which the Group recognized a share option expense of HK\$8,438,000 during the current year.

38. 購股權(續)

於2016年1月13日，根據購股權計劃向本公司一名董事就彼等向本集團所提供的服務授出合共79,990,000份購股權。該等購股權的行使價為每股1.528港元，行使期為2016年1月13日至2022年1月12日。

所授出79,990,000份購股權之公平值為29,802,000港元，本集團於本年度並無確認購股權開支(2018年：無)。

於2016年8月22日，根據購股權計劃向本公司若干本公司之高級管理層及本公司及其附屬公司若干僱員就彼等向本集團所提供的服務授出合共70,500,000份購股權。該等購股權的行使價為每股1.75港元，行使期為2016年8月22日至2023年8月21日。

所授出70,500,000份購股權之公平值為27,739,000元，其中本集團於本年度內確認購股權開支合共319,000港元(2018年：7,699,000港元)。

於2017年7月3日，根據購股權計劃向本公司若干本公司之董事就彼等向本集團所提供的服務授出合共120,000,000份購股權。該等購股權的行使價為每股1.52港元，行使期為2017年7月3日至2025年7月2日。

所授出120,000,000份購股權之公平值為45,599,000港元，其中本集團已於本年度內確認購股權開支合共5,838,000港元(2018年：34,366,000港元)。

於2018年4月13日，根據購股權計劃向本公司若干本公司之四位獨立非執行董事及若干管理人員就彼等向本集團所提供的服務授出合共25,500,000份購股權。該等購股權的行使價為每股1.81港元，行使期為2018年4月13日至2025年4月12日。

所授出25,500,000份購股權之公平值為11,342,000港元，其中本集團已於本年度內確認購股權開支合共8,438,000港元。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

38. Share Options (Continued)

The fair value of the share options granted on 13 April 2018 was estimated as at the date of grant by Vigers Appraisal and Consulting Limited, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model:

Share price at the date of grant (HK\$)	1.80
Exercise price (HK\$)	1.81
Dividend yield (%)	4.61
Expected volatility (%)	39.0–42.0
Risk-free interest rate (%)	1.73–1.80
Exercise multiple	2.10–2.50

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility was determined based on the movement of the share price of the Company since its listing, which may also not necessarily be the actual outcome. No other feature of the options granted was incorporated into the measurement of fair value.

The following share options were outstanding under the Share Option Scheme during the year:

38. 購股權(續)

於2018年4月13日授出的購股權的公平值，威格斯資產評估有限公司於授出日期採用二項式模式對該等購股權進行估計，當中已考慮購股權獲授出時的條款及條件。下表列示所用模式的主要元素：

於授出日之股價(港元)	1.80
行使價(港元)	1.81
股息率(%)	4.61
預期波動性(%)	39.0–42.0
無風險利率(%)	1.73–1.80
行使倍數	2.10–2.50

購股權的預期年期乃按歷史數據得出，及未必顯示可能發生的行使情況。預期波動性乃按自上市日期起本公司股價之變動而釐定，未必是實際結果。計量公平值時，並無考慮所授出的購股權的其他特性。

於年內根據購股權計劃尚未行使之購股權如下：

		Year ended 31 March 截至3月31日止年度			
		2019		2018	
		Weighted average exercise price per share 每股加權 平均行使價 HK\$ 港元	Number of options 購股權數目 '000 千份	Weighted average exercise price per share 每股加權 平均行使價 HK\$ 港元	Number of options 購股權數目 '000 千份
At the beginning of year	於年初	2.4815	408,790	2.8165	310,540
Granted during the year	年內授出	1.8100	25,500	1.5200	120,000
Lapsed during the year	年內失效	2.8959	(95,500)	2.0000	(18,500)
Exercised during the year	年內行使	–	–	1.7223	(3,250)
Forfeited during the year	年內沒收	1.5522	(22,500)	–	–
At the end of year	於年終	2.3684	316,290	2.4815	408,790

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

38. Share Options (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2019

Number of options 購股權數目 '000 千股	Exercise price 行使價 HK\$ per share 每股港元	Exercise period 行使期
49,650	4.07	30-06-2014 to 29-06-2019 2014年6月30日至2019年6月29日
49,650	4.07	30-06-2015 to 29-06-2019 2015年6月30日至2019年6月29日
39,995	1.528	13-01-2016 to 12-01-2021 2016年1月13日至2021年1月12日
39,995	1.528	13-01-2017 to 12-01-2022 2017年1月13日至2022年1月12日
13,750	1.75	22-08-2016 to 21-08-2021 2016年8月22日至2021年8月21日
17,000	1.75	22-08-2017 to 21-08-2022 2017年8月22日至2022年8月21日
3,250	1.75	22-08-2018 to 21-08-2023 2018年8月22日至2023年8月21日
40,000	1.52	03-07-2017 to 02-07-2022 2017年7月3日至2022年7月2日
40,000	1.52	03-07-2018 to 02-07-2023 2018年7月3日至2023年7月2日
4,000	1.81	13-04-2018 to 12-04-2023 2018年4月13日至2023年4月12日
11,500	1.81	13-04-2019 to 12-04-2024 2019年4月13日至2024年4月12日
7,500	1.81	13-04-2020 to 12-04-2025 2020年4月13日至2025年4月12日
316,290		

38. 購股權(續)

於報告期末，未行使購股權的行使價及行使期如下：

2019年

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

38. Share Options (Continued)
2018

Number of options 購股權數目 '000 千股	Exercise price 行使價 HK\$ per share 每股港元	Exercise period 行使期
1,000	1.69	27-06-2013 to 26-06-2018 2013年6月27日至2018年6月26日
9,500	1.69	27-06-2014 to 26-06-2018 2014年6月27日至2018年6月26日
1,000	1.69	27-06-2015 to 26-06-2018 2015年6月27日至2018年6月26日
22,000	4.14	17-02-2014 to 16-02-2019 2014年2月17日至2019年2月16日
24,000	4.14	17-02-2015 to 16-02-2019 2015年2月17日至2019年2月16日
2,000	4.14	17-02-2016 to 16-02-2019 2016年2月17日至2019年2月16日
49,650	4.07	30-06-2014 to 29-06-2019 2014年6月30日至2019年6月29日
49,650	4.07	30-06-2015 to 29-06-2019 2015年6月30日至2019年6月29日
39,995	1.528	13-01-2016 to 12-01-2021 2016年1月13日至2021年1月12日
39,995	1.528	13-01-2017 to 12-01-2022 2017年1月13日至2022年1月12日
17,500	1.75	22-08-2016 to 21-08-2021 2016年8月22日至2021年8月21日
28,000	1.75	22-08-2017 to 21-08-2022 2017年8月22日至2022年8月21日
4,500	1.75	22-08-2018 to 21-08-2023 2018年8月22日至2023年8月21日
40,000	1.52	03-07-2017 to 02-07-2022 2017年7月3日至2022年7月2日
60,000	1.52	03-07-2018 to 02-07-2023 2018年7月3日至2023年7月2日
10,000	1.52	03-07-2019 to 02-07-2024 2019年7月3日至2024年7月2日
10,000	1.52	03-07-2020 to 02-07-2025 2020年7月3日至2025年7月2日
408,790		

At the end of the reporting period, the Company had 316,290,000 share options outstanding under the Share Option Scheme, which represented approximately 3.90% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 316,290,000 additional ordinary shares of the Company and additional share capital of HK\$749,106,000 (before issue expenses).

於報告期末時，根據購股權計劃，本公司有316,290,000份未行使購股權，相當於本公司當日已發行股份約3.90%。根據本公司現時的資本結構而言，全數行使未行使購股權將會導致本公司發行316,290,000股額外普通股及額外股本749,106,000港元(扣除發行開支前)。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

38. Share Options (Continued)

At the date of approval of these financial statements, the Company had 314,790,000 share options outstanding under the Share Option Scheme, which represented approximately 3.88% of the Company's shares in issue as at that date.

39. Other Reserves

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on pages 140 and 141 of the financial statements.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries which are established in the PRC has been transferred to the statutory reserve which is restricted as to use.

The capital reserve represents additional contribution made by the shareholders of the Company's subsidiaries and, in the case of an acquisition of an additional equity interest in a non-wholly-owned subsidiary, the difference between the cost of acquisition and the non-controlling interests acquired.

The revaluation reserve represents the difference arising from change in use from owner-occupied properties to investment properties carried at fair value.

40. ACQUISITION OF A SUBSIDIARY

As at 31 March 2018, Harbin China South City Company Limited ("CSC Harbin"), a subsidiary of the Company, held a 25% equity interest in Harbin Huayilong Fur Market Co., Ltd. ("Huayilong"), which was accounted for as an investment in an associate.

On 12 April 2018, CSC Harbin entered into a share purchase agreement with the then existing shareholders of Huayilong to acquire additional 45.07% equity interests in Huayilong with no consideration. Upon completion of the share purchase, CSC Harbin held 70.07% of the equity interest in Huayilong. On 12 April 2018, the Group obtained control over Huayilong, which then became a subsidiary of the Company.

The Group has elected to measure the non-controlling interests in Huayilong at the non-controlling interest's proportionate share of Huayilong's identifiable net assets.

38. 購股權(續)

於該等財務報表批准當日，根據購股權計劃，本公司有314,790,000份未行使購股權，相當於本公司當日已發行股份約3.88%。

39. 其他儲備

有關本集團於本年度及過往年度的儲備及其變動已呈列於財務報表第140及141頁的綜合權益變動表內。

根據中外合營企業相關法律及法規，本集團旗下在中國成立的附屬公司的部分利潤已轉撥至用途受限制的法定儲備金。

資本儲備指本公司附屬公司之股東作出的額外注資，以及在收購一家非全資附屬公司的額外股權後，收購成本與所收購非控制權益兩者之差額。

重估儲備指因用途變更而由自用物業轉為以公平值列賬的投資物業而產生的差額。

40. 收購一家附屬公司

於2018年3月31日，本公司附屬公司哈爾濱華南城有限公司(「哈爾濱華南城公司」)持有哈爾濱華億龍皮草城有限公司(「華億龍」)25%股權，列作於一家聯營公司的投資入賬。

於2018年4月12日，哈爾濱華南城公司與華億龍當時現任股東訂立股份購買協議，無需代價收購華億龍額外的45.07%股權。於股份購買完成後，哈爾濱華南城公司持有華億龍的70.07%股權。於2018年4月12日，本集團取得華億龍的控制權，其後，該公司成為本公司的附屬公司。

本集團已選擇以非控股權益應佔華億龍可識別資產淨值的比例，計算於華億龍的非控股權益。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

40. ACQUISITION OF A SUBSIDIARY (Continued)

The fair values of the identifiable assets and liabilities of Huayilong as at the date of acquisition were as follows:

40. 收購一家附屬公司(續)

華億龍於收購日期之可識別資產及負債公平值如下：

		Notes 附註	Fair value recognized on acquisition 於收購時確認之 公平值 HK\$'000 千港元
Property, plant and equipment	物業、廠房及設備	13	2,842
Trade receivables	應收貿易賬款		413
Prepayments, other receivables and other assets	預付款項、其他應收款項及其他資產		5,776
Cash and cash equivalents and restricted cash	現金及現金等價物及受限制現金		1,855
Trade and other payables	貿易及其他應付款項		(161,451)
Total identifiable net liabilities at fair value	按公平值計量的可識別負債淨值 總額		(150,565)
Non-controlling interests	非控股權益		6,401
			(144,164)
Goodwill	商譽	17	144,164
			—
Satisfied by:	以下方式支付：		
Previously held equity interest remeasured at acquisition-date fair value	按收購日期公平值重新計量的 先前持有的股權		—
Total consideration	代價總額		—

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

40. ACQUISITION OF A SUBSIDIARY (Continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

40. 收購一家附屬公司(續)

有關收購附屬公司的現金流量分析如下：

		HK\$'000 千港元
Cash consideration	現金代價	—
Cash and cash equivalents and restricted cash acquired	所獲現金及現金等價物及受限制資金	1,855
Net inflow of cash and cash equivalents and restricted cash included in cash flows from investing activities	計入投資活動現金流的現金及現金等價物及受限制資金淨流入	1,855

Since the acquisition, Huayilong contributed HK\$8,977,000 to the Group's turnover and net loss of HK\$20,296,000 to the consolidated profit for the year ended 31 March 2019.

自是次收購後，截至2019年3月31日止期間，華億龍為本集團收入額貢獻8,977,000港元及為本集團合併利潤帶來淨虧損20,296,000港元。

Had the combination taken place at the beginning of the year, the consolidated revenue and the consolidated profit of the Group for the year would have been HK\$10,274,474,000 and HK\$3,242,814,000, respectively.

若該合併於本年度初發生，則本集團於本年度的合併收入及合併利潤分別為10,274,474,000港元及3,242,814,000港元。

41. DISPOSAL OF SUBSIDIARIES

41. 處置附屬公司

		Notes 附註	2019 HK\$'000 千港元
Net assets disposed of:	淨資產之處置：		
Property, plant and equipment	物業、廠房及設備	13	1,688
Cash and cash equivalents and restricted cash	現金及現金等價物及受限制現金		3,305
Properties under development	發展中物業	15	190,448
Prepayments, other receivables and other assets	預付款項、其他應收款及其他資產		14,107
Trade and other payables	貿易及其他應付款項		(204,206)
Non-controlling interests	非控股權益		(905)
Gain on disposal of subsidiaries	處置附屬公司之利潤	5	24,515
			28,952
Satisfied by:	以下方式支付：		
Cash	現金		28,952

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

41. DISPOSAL OF SUBSIDIARIES (Continued)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

41. 處置附屬公司(續)

有關處置附屬公司的現金及現金等價物淨流入分析如下：

		HK\$'000 千港元
Cash consideration	現金代價	28,952
Cash and cash equivalents and restricted disposed of	所處理現金及現金等價物及受限制資金	(3,305)
Net inflow of cash and cash equivalents and restricted cash in respect of disposal of subsidiaries	因處置附屬公司計入的現金及現金等價物及受限制資金淨流入	25,647

42. Note to the Consolidated Statement of Cash Flows
Changes in liabilities arising from financing activities

42. 綜合現金流量表附註

融資活動產生的負債變動

		Interest-bearing bank and other borrowings 計息銀行及其他借貸 HK\$'000 千港元	Short-term notes 短期融資券 HK\$'000 千港元	Senior notes 優先票據 HK\$'000 千港元	Medium-term notes 中期票據 HK\$'000 千港元	Corporate bonds 企業債券 HK\$'000 千港元	Domestic company bonds 境內公司債券 HK\$'000 千港元	Interest payable included in trade and other payables 貿易及其他應付款項內的應付利息 HK\$'000 千港元
At 1 April 2018	於2018年4月1日	16,098,205	625,100	9,230,272	5,251,644	1,978,294	5,644,169	45,929
Interest expense	利息開支	-	-	867,425	242,968	26,368	288,370	1,069,577
Changes from financing cash flows	融資現金流變動	2,548,601	(614,885)	2,329,282	(2,701,017)	(1,988,595)	(3,818,345)	(1,069,537)
Gain on repurchase of the senior notes	回購優先票據之收益	-	-	(94,607)	-	-	-	-
Exchange realignment	匯兌變動	(908,128)	(10,215)	-	(333,692)	(15,505)	(381,033)	(3,101)
At 31 March 2019	於2019年3月31日	17,738,678	-	12,332,372	2,459,903	562	1,733,161	42,868

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

42. Note to the Consolidated Statement of Cash Flows (Continued)
Changes in liabilities arising from financing activities (Continued)

42. 綜合現金流量表附註(續)
融資活動產生的負債變動(續)

		Interest-bearing bank and other borrowings 計息銀行及其他借貸 HK\$'000 千港元	Short-term notes 短期融資券 HK\$'000 千港元	Senior notes 優先票據 HK\$'000 千港元	Medium-term notes 中期票據 HK\$'000 千港元	Corporate bonds 企業債券 HK\$'000 千港元	Domestic company bonds 境內公司債券 HK\$'000 千港元	Interest payable included in trade and other payables 貿易及其他應付款項內的應付利息 HK\$'000 千港元
At 1 April 2017	於2017年4月1日	13,412,462	1,353,240	6,425,992	4,723,000	1,778,744	5,079,429	59,398
Interest expense	利息開支	–	–	452,711	367,288	129,785	336,868	923,244
Changes from financing cash flows	融資現金流變動	1,184,232	(853,186)	2,261,693	(352,581)	(123,816)	(324,633)	(938,824)
Loss on redemption of the 2014 Notes	贖回2014年票據之虧損	–	–	89,876	–	–	–	–
Exchange realignment	匯兌變動	1,501,511	125,046	–	513,937	193,581	552,505	2,111
At 31 March 2018	於2018年3月31日	16,098,205	625,100	9,230,272	5,251,644	1,978,294	5,644,169	45,929

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

43. Pledge of Assets

Details of the Group's assets pledged for the Group's bank and other borrowings are included in notes 13, 14, 15, 22, 27 and 30 to the financial statements.

44. Contingent Liabilities

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

43. 資產抵押

以本集團的資產作抵押的銀行及其他借貸詳情載於財務報表附註13、14、15、22、27及30。

44. 或然負債

於報告期末，財務報表內未有撥備的或然負債如下：

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Guarantees given to banks in connection with facilities granted to:	就以下各方獲授的融資而向銀行提供的擔保：		
Third parties	第三方	15,218,964	12,574,525

The Group has provided guarantees in respect of banking facilities granted by certain banks to the purchasers of the Group's properties held for sale and held for finance lease. Pursuant to the terms of the guarantees, if there is default of the loan payments by the purchasers and lessees, the Group is responsible for repaying the outstanding loans together with accrued interest thereon and any penalty owed by the defaulted purchasers and lessees to banks. The Group is then entitled to take over the legal titles and usage rights of the related properties. For trade center units and residential properties sold, the guarantee period commences from the dates of grant of the relevant loans and ends when the purchasers obtain the building ownership certificates which will then be pledged to the banks. For residential and commercial properties under finance lease, the guarantees will be released along with the full repayment of loan principals by the lessees.

本集團就若干銀行授予持作銷售物業及融資租賃物業的買家的銀行信貸提供擔保。根據該等擔保條款，倘該等買家及承租人拖欠貸款還款，本集團負責償還未付貸款，連同應計利息，以及欠款買家及承租人結欠銀行的任何罰金。其後，本集團有權接管相關物業的法律業權及使用權。已售交易中心商舖及住宅物業方面，擔保期由相關貸款授出日期起至買家取得其後抵押予銀行的房地產權證日期止。就融資租賃下的住宅及商業物業而言，擔保將隨承租人償還貸款本金解除。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

44. Contingent Liabilities (Continued)

The Group did not incur any material losses during the financial year in respect of the guarantees provided for mortgage facilities granted to the purchasers and lessees of the Group's properties. The Directors consider that in case of default on payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore the fair value of the guarantees is not significant.

45. Operating Lease Arrangements
(a) As lessor

The Group leases its investment properties (note 14) and properties sold with cooperation and leasing arrangements with the purchasers under operating lease arrangements negotiated for terms ranging from one to twenty years. The terms of the leases also require the tenants to pay security deposits.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

44. 或然負債(續)

本集團於財政年度內並無因向本集團物業的買家及承租人於獲授按揭融資時所提供擔保而錄得任何重大虧損。董事認為，倘出現拖欠款項的情況，相關物業的可變現淨值足以支付未償還按揭貸款連同任何應計利息及罰款，故擔保之公平值並不重大。

45. 經營租賃安排
(a) 作為出租人

本集團根據經營租賃安排租賃其投資物業(附註14)及與買家的合作及租賃安排的已出售物業，並磋商一至二十年的租賃期。租賃條款亦規定租戶需支付押金。

於報告期末，本集團根據與租戶訂立的不可註銷經營租賃按下列年度到期之未來最低應收租金總額如下：

		2019	2018
		HK\$'000	HK\$'000
		千港元	千港元
Within one year	一年內	937,833	754,836
In the second to fifth years, inclusive	第二至第五年(包括首尾兩年)	1,768,876	1,575,985
After five years	五年後	828,458	488,270
Total	總計	3,535,167	2,819,091

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

45. Operating Lease Arrangements (Continued)

(b) As lessee

The Group leases certain of its land and buildings and vehicles under operating lease arrangements. Leases are negotiated for terms ranging from one to eight years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Within one year	一年內	73,685	133,205
In the second to fifth years, inclusive	第二至第五年(包括首尾兩年)	67,617	127,817
After five years	五年後	11,210	32,333
Total	總計	152,512	293,355

46. Commitments

In addition to the operating lease commitments detailed in note 45(b) above, the Group had the following commitments at the end of the reporting period:

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Contracted, but not provided for:	已訂約但未撥備：		
Properties under development	發展中物業	15,530,925	10,470,922
Prepaid land lease payments	預付土地出租金	—	254,416
Total	總計	15,530,925	10,725,338

45. 經營租賃安排(續)

(b) 作為承租人

本集團以經營租賃安排租用若干土地及房屋及汽車，並磋商一至八年的租賃期。

於報告期末，本集團根據不可註銷經營租賃按下列年度到期之未來最低租金總額如下：

46. 承擔

除上文附註45(b)詳述的經營租賃承擔外，於報告期末，本集團有下列承擔：

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

47. Related Party Transactions

(a) Outstanding balances with related parties

As at 31 March 2019, an amount included in trade and other payables amounting to HK\$53,627,000 from a non-controlling shareholder of a subsidiary was unsecured, interest-free and had no fixed terms of repayment.

Details of the Group's amounts due from associates as at the end of the reporting period are disclosed in note 18.

(b) Compensation of key management personnel of the Group

47. 關連人士交易

(a) 與關連人士之間的未結付結餘

於2019年3月31日，來自一位附屬公司的非控股股東的款項包括貿易及其他應付款項總額為53,627,000港元，該款項為無抵押、免息及無固定還款期。

本集團於報告期末的應收聯營企業之款項詳情於附註18披露。

(b) 本集團主要管理人員薪酬

		2019 HK\$'000 千港元	2018 HK\$'000 千港元
Short term employee benefits	短期僱員福利	63,687	65,835
Post-employment benefits	離職後福利	72	73
Share-based payments	以權益結算的購股權開支	9,594	34,366
Total compensation paid to key management personnel	支付予主要管理人員的薪酬總額	73,353	100,274

Further details of Directors' emoluments are included in note 8 to the financial statements.

董事酬金的進一步詳情載於財務報表附註8。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

48. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets

48. 金融工具分類

於報告期末，各類金融工具的賬面值如下：

2019

金融資產

		Financial assets at fair value through profit or loss 透過損益以公平值列賬之 金融資產			
		Designated as such upon initial recognition 在初步 確認時指定為 HK\$'000 千港元	Held for trading 持作買賣 HK\$'000 千港元	Financial assets at amortized cost 按攤銷成本 計量之 金融資產 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Trade receivables	應收貿易賬款	—	—	1,064,890	1,064,890
Other long-term receivables	其他長期應收款項	—	—	21,904	21,904
Financial assets included in prepayments, other receivables and other assets	金融資產包括預付 款項、其他應收 款項及其他資產	—	—	2,385,251	2,385,251
Financial assets at fair value through profit or loss	透過損益以公平值 列賬之金融資產	12,965	283,368	—	296,333
Cash and cash equivalents and restricted cash	現金及現金等價物及 受限制現金	—	—	9,359,772	9,359,772
		12,965	283,368	12,831,817	13,128,150

Financial liabilities

金融負債

		Financial liabilities at amortized cost 按攤銷成本 計量之金融負債 HK\$'000 千港元
Financial liabilities included in trade and other payables	計入貿易及其他應付款項的金融負債	13,585,698
Interest-bearing bank and other borrowings	計息銀行及其他借貸	17,738,678
Senior notes	優先票據	12,332,372
Medium-term notes	中期票據	2,459,903
Corporate bonds	企業債券	562
Domestic company bonds	境內公司債券	1,733,161
		47,850,374

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

48. Financial Instruments by Category (Continued)
2018
Financial assets

48. 金融工具分類(續)
2018
金融資產

		Financial assets at fair value through profit or loss 透過損益 以公平值列賬 之金融資產 HK\$'000 千港元	Loans and receivables 貸款及 應收款項 HK\$'000 千港元	Available- for-sale financial assets 可供出售 金融資產 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Trade receivables	應收貿易賬款	–	1,185,378	–	1,185,378
Other long-term receivables	其他長期應收款項	–	15,684	–	15,684
Financial assets included in prepayments, other receivables and other assets	金融資產包括預付 款項、其他應收 款項及其他資產	–	1,190,964	–	1,190,964
Financial assets at fair value through profit or loss	透過損益以公平值 列賬之金融資產	205,966	–	–	205,966
Available-for-sale investments	可供出售金融投資	–	–	138	138
Cash and cash equivalents and restricted cash	現金及現金等價物及 受限制現金	–	10,655,692	–	10,655,692
		205,966	13,047,718	138	13,253,822

Financial liabilities

金融負債

		Financial liabilities at amortized cost 按攤銷成本 計量之金融負債 HK\$'000 千港元
Financial liabilities included in trade and other payables	計入貿易及其他應付款項的金融負債	9,705,579
Interest-bearing bank and other borrowings	計息銀行及其他借貸	16,098,205
Short-term notes	短期融資券	625,100
Senior notes	優先票據	9,230,272
Medium-term notes	中期票據	5,251,644
Corporate bonds	企業債券	1,978,294
Domestic company bonds	境內公司債券	5,644,169
		48,533,263

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

49. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

49. 金融工具之公平值及公平值等級架構

本集團之金融工具之賬面值及公平值(賬面值與公平值極其相近者除外)如下：

		Carrying amounts		Fair values	
		賬面值		公平值	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
Short-term notes	短期融資券	–	625,100	–	647,446
Senior notes	優先票據	12,332,372	9,230,272	11,431,686	8,894,383
Medium-term notes	中期票據	2,459,903	5,251,644	2,430,103	5,261,155
Corporate bonds	企業債券	562	1,978,294	554	1,874,550
Domestic company bonds	境內公司債券	1,733,161	5,644,169	1,623,959	5,169,152
		16,525,998	22,729,479	15,486,302	21,846,686

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in trade and other payables, the current portion of interest-bearing bank and other borrowings and amounts due from associates, approximate to their carrying amounts largely due to the short term maturities of these instruments.

管理層已評估現金及現金等價物、應收賬款、金融資產包括預付款、其他應收款項及其他資產，金融負債包括貿易及其他應付款項、計息銀行及其他借貸的即期部分及應收聯營公司款項之公平值與其各自之賬面值相若，主要因為該等工具於短期內到期。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

49. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The management reports directly to the Directors and the audit committee. At each reporting date, management analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of other long-term receivables and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk in interest-bearing bank and other borrowings as at 31 March 2019 was assessed to be insignificant. The fair values of the non-current portion of other long-term receivables and interest-bearing bank and other borrowings are not materially different from their carrying amounts.

The fair values of senior notes, medium-term notes, corporate bonds and domestic company bonds are calculated by using the quoted market prices on 31 March 2019.

As at 31 March 2019, the Group's financial instruments which comprised financial assets at fair value through profit or loss were measured at fair value. The Group's financial assets at fair value through profit or loss comprised listed and unlisted investments and structured bank deposits with floating interest rates. The fair values of listed investments were based on quoted market prices. The fair values of the unlisted investments have been estimated using valuation methodology according to the price of recent investments. The fair values of structured bank deposits with floating interest rates were measured using valuation techniques including the Hull-White model and net present value of the cash flow model. The models incorporate various market observable inputs including the interest rate yield curve and foreign exchange forward rate.

49. 金融工具之公平值及公平值等級架構 (續)

本集團管理層負責釐定金融工具公平值計量之政策及程序。管理層直接向董事及審核委員會報告。於各報告日期，管理層分析金融工具之價值變動並釐定估值中適用的主要元素。估值由董事審核及批准。估值過程及結果由審核委員會每年討論兩次，以便呈列於中期及年度財務報告。

金融資產及負債的公平值按可在自願雙方(強迫或清盤銷售除外)在現有交易中進行交換的工具之金額入賬。估計公平值時所用之方法及假設載述如下：

其他長期應收款項、計息銀行及其他借貸之非即期部分的公平值乃透過使用當前可供金融工具使用之現行利率按類似條款、信用風險及餘下到期日，折讓預期未來現金流量而計算。於2019年3月31日，本集團自身於計息銀行及其他借貸之不履約風險被評定為並不重大。其他長期應收款項及計息銀行及其他借貸非即期部分的公平值與賬面值相差不大。

優先票據、中期票據、企業債券及境內公司債券之公平值乃根據2019年3月31日的市場價格之報價釐定。

於2019年3月31日，本集團之金融工具包括透過損益以公平值列賬之金融資產以公平值計算。本集團之透過損益以公平值列賬之金融資產包括上市和非上市投資及浮動利率的結構性銀行存款。上市投資的公平值乃根據市場價格釐定。非上市投資的公平值乃根據最近投資的價格使用估值方法估算。浮動利率的結構性銀行存款的公平值乃根據包括赫爾懷特模型及現金流淨現值模型等估值方法計量。該等模型納入包括利率收益曲線及外匯遠期匯率等多項市場可觀察元素。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

49. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)
Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

49. 金融工具之公平值及公平值等級架構
(續)
公平值層級

本集團運用下列層級，以取決及披露金融工具之公平值：

按公平值計量之資產：

		Fair value measurement using 使用於公平值計量			Total 總額 HK\$'000 千港元
		Quoted prices in active markets 活躍市場之 報價 (Level 1) (第1級) HK\$'000 千港元	Significant observable inputs 重大可觀察 元素 (Level 2) (第2級) HK\$'000 千港元	Significant unobservable inputs 重大不可觀察 元素 (Level 3) (第3級) HK\$'000 千港元	
As at 31 March 2019	於2019年3月31日				
Listed investments	上市投資	50,208	–	–	50,208
Unlisted investments	非上市投資	–	–	12,965	12,965
Structured bank deposits with floating interest rates	浮動利率的結構性 銀行存款	–	233,160	–	233,160
		50,208	233,160	12,965	296,333
As at 31 March 2018	於2018年3月31日				
Listed investments	上市投資	205,966	–	–	205,966

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

49. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)
Fair value hierarchy (Continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (2018: Nil).

Liabilities for which fair values are disclosed:

As at 31 March 2019

49. 金融工具之公平值及公平值等級架構
(續)
公平值等級(續)

本年內，公平值計量於第1級別與第2級別之間並無轉換及無轉入或轉出至第3級別(2018年：無)。

已披露公平值之金融負債：

於2019年3月31日

		Fair value measurement using quoted prices in active markets (Level 1) 使用於活躍市場之 報價的公平值計量 (第一級) HK\$'000 千港元
Senior notes	優先票據	11,431,686
Medium-term notes	中期票據	2,430,103
Corporate bonds	企業債券	554
Domestic company bonds	境內公司債券	1,623,959
		15,486,302

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

49. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)
Fair value hierarchy (Continued)
As at 31 March 2018

49. 金融工具之公平值及公平值等級架構
(續)
公平值等級(續)
於2018年3月31日

		Fair value measurement using quoted prices in active markets (Level 1) 使用於活躍市場之 報價的公平值計量 (第一級) HK\$'000 千港元
Short-term notes	短期融資券	647,446
Senior notes	優先票據	8,894,383
Medium-term notes	中期票據	5,261,155
Corporate bonds	企業債券	1,874,550
Domestic company bonds	境內公司債券	5,169,152
		21,846,686

31 March 2019 2019年3月31日

50. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank and other borrowings, short-term notes, senior notes, medium-term notes, corporate bonds, domestic company bonds and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets such as trade receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's borrowings. The interest rates and terms of repayment of the Group's borrowings are disclosed in notes 30, 31, 32, 33, 34 and 35 to the financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

The Group will constantly assess the interest rate risk it encounters to decide whether it is required to hedge against the possible interest rate risk that may arise.

On 31 March 2019, if the interest rate of bank borrowings had increased/decreased by 0.5% and all other factors remained unchanged, the profit after tax for the year of the Group would have decreased/increased by approximately HK\$56,039,000 (2018: HK\$51,217,000).

50. 財務風險管理目標及政策

本集團主要金融工具包括銀行及其他借貸、短期融資券、優先票據、中期票據、企業債券、境內公司債券及現金及短期存款。該等金融工具主要為本集團業務籌集資金。本集團亦擁有多項其他金融資產，例如直接從業務營運產生的應收貿易賬款。

本集團金融工具所產生的主要風險包括利率風險、信貸風險、流動資金風險及外匯風險。董事會對管理上述各項風險的政策進行檢討及協定，該等風險概述如下。

利率風險

本集團面臨的利率風險主要與本集團的借貸相關。本集團借貸的利率及還款期於財務報表附註30、31、32、33、34及35中披露。本集團的政策是為其借貸取得最有利的利率。

本集團將持續評估所遇到的利率風險以決定是否需要對沖可能產生的利率風險。

於2019年3月31日，倘銀行借貸的利率上升/下降0.5%及所有其他因素保持不變，則本集團本年度稅後利潤將會減少/增加約56,039,000港元（2018年：51,217,000港元）。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

50. Financial Risk Management Objectives and Policies (Continued)
Credit risk

Maximum exposure and year-end staging as at 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019.

		12-month ECLs 12個月的 預期信貸虧損	Lifetime ECLs 整個期間 預期信貸虧損		
		Stage 1 階段一 HK\$'000 千港元	Stage 2 階段二 HK\$'000 千港元	Stage 3 階段三 HK\$'000 千港元	Simplified approach 簡化方法 HK\$'000 千港元
Other long-term receivables	其他長期應收款項	21,904	–	–	–
Trade receivables*	應收貿易賬款*	–	–	–	1,064,890
Contract assets*	合約資產*	–	–	–	99,621
Financial assets included in prepayments, other receivables and other assets	計入預付款項、其他應收賬項及其他資產的金融資產	2,385,251	–	–	–
Cash and cash equivalents and restricted cash	現金及現金等價物及受限制現金	9,359,772	–	–	–
		11,766,927	–	–	1,164,511
					12,931,438

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 24 and 26 to the financial statements, respectively.

50. 財務風險管理目標及政策(續)

信貸風險

於2019年3月31日的最高金額和年終分期

下表顯示了基於本集團信貸政策的信貸質量和最高信貸風險金額，除非其他可用信息並不需要額外成本或加工，該信貸政策主要基於過去的信息，以及截至2019年3月31日的年終分期分類。

* 就本集團採用簡化方法減值的應收貿易賬款及合約資產，其資料基於撥備矩陣分別於財務報表附註24及26中披露。

31 March 2019 2019年3月31日

50. Financial Risk Management Objectives and Policies (Continued)**Credit risk** (Continued)**Maximum exposure and year-end staging as at 31 March 2018**

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, trade and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 44 to the financial statements.

To manage the risk, deposits are mainly placed with banks with high credit quality. The Group trades only with recognized and creditworthy third parties. For the sales of properties, the Group has policies in place to ensure that sales are made to buyers with appropriate financial strength and appropriate percentage of down payments. The Group would not release the property ownership certificates to the buyers before the buyers fully settle the payment. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate provisions for impairment losses are made for irrecoverable amounts. With exposure spread over a number of counterparties and customers, the Group has no significant concentration of credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings, short-term notes, senior notes, medium-term notes, corporate bonds and domestic company bonds.

50. 財務風險管理目標及政策(續)**信貸風險(續)****於2018年3月31日的最高金額和年終分期**

本集團金融資產包括現金及現金等價物、應收貿易賬款及其他應收款項的信貸風險來自對方拖欠付款，而可能拖欠的最高金額等於此等工具的賬面值。本集團亦因提供財務擔保而面對信貸風險，有關詳情於財務報表附註44中披露。

為管理風險，本集團主要將存款存入高信貸質素的銀行。本集團僅與知名及具信譽的第三方進行交易。就出售物業方面，本集團已實行政策確保向具有適當財務實力及支付適當百分比首期付款的買家作出銷售。在買家全數清償付款前，本集團不會向其發出房產證。本集團亦擁有其他監控程序以確保採取跟進措施收回逾期款項。此外，本集團定期審閱每個別應收貿易賬款的可收回金額，以確保就不可收回金額作出足夠的減值虧損撥備列賬。本集團並無任何重大集中信貸風險，而所面對的風險分散到多名交易對手及客戶。

有關本集團就應收貿易賬款的信貸風險所承擔的風險的進一步量化數據於財務報表附註24中披露。

流動資金風險

本集團的目標是透過使用銀行及其他借貸、短期融資券、優先票據、中期票據、企業債券及境內公司債券，維持資金持續性與靈活性之間的平衡。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

50. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

50. 財務風險管理目標及政策(續)

流動資金風險(續)

本集團於報告期末時的金融負債的到期狀況(按照合同未折現付款)如下：

		2019					Total 總計
		On demand	Within one year	One to two years	Two to five years	Beyond five years	
		應要求	一年內	第一至二年	第二至五年	五年後	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		千港元	千港元	千港元	千港元	千港元	千港元
Interest-bearing bank and other borrowings	計息銀行及其他借貸	–	8,776,589	4,709,169	4,464,197	592,685	18,542,640
Senior notes	優先票據	–	3,398,286	6,588,319	5,786,318	–	15,772,923
Medium-term notes	中期票據	–	2,516,962	–	–	–	2,516,962
Corporate bonds	企業債券	–	562	–	–	–	562
Domestic company bonds	境內公司債券	–	1,743,920	–	–	–	1,743,920
Financial liabilities included in trade and other payables	計入應付貿易及其他應付款項的金融負債	–	13,585,698	–	–	–	13,585,698
Financial guarantees granted to third parties	對第三方授予財務擔保	15,218,964	–	–	–	–	15,218,964
Total	總計	15,218,964	30,022,017	11,297,488	10,250,515	592,685	67,381,669

		2018					Total 總計
		On demand	Within one year	One to two years	Two to five years	Beyond five years	
		應要求	一年內	第一至二年	第二至五年	五年後	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		千港元	千港元	千港元	千港元	千港元	千港元
Interest-bearing bank and other borrowings	計息銀行及其他借貸	–	7,892,373	4,193,177	4,933,369	864,157	17,883,076
Short-term notes	短期融資券	–	665,732	–	–	–	665,732
Senior notes	優先票據	–	787,438	3,712,906	9,935,011	–	14,435,355
Medium-term notes	中期票據	–	2,874,210	2,699,182	–	–	5,573,392
Corporate bonds	企業債券	–	1,978,294	–	–	–	1,978,294
Domestic company bonds	境內公司債券	–	4,094,780	1,870,174	–	–	5,964,954
Financial liabilities included in trade and other payables	計入應付貿易及其他應付款項的金融負債	–	9,705,579	–	–	–	9,705,579
Financial guarantees granted to third parties	對第三方授予財務擔保	12,574,525	–	–	–	–	12,574,525
Total	總計	12,574,525	27,998,406	12,475,439	14,868,380	864,157	68,780,907

31 March 2019 2019年3月31日

50. Financial Risk Management Objectives and Policies (Continued)

Foreign exchange risk

The Group only conducts business within Mainland China. Except for interest payables, repayment of foreign currency loans obtained to finance the Group's operations and any potential future dividends of its subsidiaries that might be declared to their shareholders, the bulk of the Group's revenue, capital investment and expenses are denominated in RMB. At the date of approval of the financial statements, the Group has not experienced any difficulties in obtaining government approval for its necessary foreign exchange purchases. During the year, the Group did not issue any financial instruments for hedging purposes.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

		Increase/ (decrease) in Changes in profit before tax RMB rate 稅前利潤增加/ 人民幣匯率變動 (減少) % HK\$'000 千港元	
2019	2019年		
If Hong Kong dollar weakens against RMB	倘港元兌人民幣轉弱	5	69,419
If Hong Kong dollar strengthens against RMB	倘港元兌人民幣轉強	5	(69,419)
2018	2018年		
If Hong Kong dollar weakens against RMB	倘港元兌人民幣轉弱	5	55,206
If Hong Kong dollar strengthens against RMB	倘港元兌人民幣轉強	5	(55,206)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

50. 財務風險管理目標及政策(續)

外匯風險

本集團僅在中國大陸經營業務。除應付利息、本集團就撥資營運所需而取得的外幣貸款的還款，以及其附屬公司可能向其股東宣派的任何潛在股息外，本集團大部分收入、資本投資及開支均以人民幣為單位。於財務報表批准日期，本集團在申領政府批文就其外匯購買所需方面，從未遇上任何困難。年內，本集團並無為對沖目的而發行任何金融工具。

下表顯示在所有其他變量維持不變的情況下，本集團稅前利潤於報告期末對人民幣匯率的可能合理變動的敏感度，有關稅前利潤的變動乃因貨幣資產及負債的公平值出現變動所致。

資本管理

本集團資本管理的首要目標是為了確保本集團持續發展及穩健資本比率的能力，以支持其業務運作及實現最大股東價值。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

50. Financial Risk Management Objectives and Policies (Continued)

Capital management (Continued)

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 31 March 2018.

The Group monitors capital using a gearing ratio (net debt to total equity) and total liabilities to total assets ratio. Net debt includes interest-bearing bank and other borrowings, short-term notes, senior notes, medium-term notes, corporate bonds and domestic company bonds, less cash and cash equivalents and restricted cash. The gearing ratios and total liabilities to total assets ratio as at the end of the reporting periods were as follows:

50. 財務風險管理目標及政策(續)

資本管理(續)

本集團根據經濟情況的變動及相關資產的風險特點，管理其資本結構並對其作出調整。為維持或調整資本結構，本集團可能會調整向股東派發的股息付款、向股東返還資本或發行新股。本集團毋須遵守任何外界施加的資本規定。截至2019年3月31日及2018年3月31日止年度，並無更改資本管理的目標、政策或程序。

本集團採用資本負債比率(債務淨額除以權益總額)和負債對資產比率監控資本情況。債務淨額包括計息銀行及其他借貸、短期融資券、優先票據、中期票據、企業債券及境內公司債券減現金及現金等價物及受限制現金。於報告期末，資本負債比率及負債對資產比率如下：

		Notes 附註	2019 HK\$'000 千港元	2018 HK\$'000 千港元
Interest-bearing bank and other borrowings	計息銀行及其他借貸	30	17,738,678	16,098,205
Short-term notes	短期融資券	31	–	625,100
Senior notes	優先票據	32	12,332,372	9,230,272
Medium-term notes	中期票據	33	2,459,903	5,251,644
Corporate bonds	企業債券	34	562	1,978,294
Domestic company bonds	境內公司債券	35	1,733,161	5,644,169
Less: Cash and cash equivalents and restricted cash	減：現金及現金等價物及受限制現金	27	(9,359,772)	(10,655,692)
Net debt	債務淨額		24,904,904	28,171,992
Total equity	權益總額		36,149,827	36,400,754
Total assets	總資產		113,106,962	111,545,966
Total liabilities	總負債		76,957,135	75,145,212
Net debt/Total equity	資本負債比率		69%	77%
Total liabilities/Total assets	負債對資產比率		68%	67%

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

51. Statement of Financial Position of the Company 51. 公司財務狀況表

		31 March 2019 2019年 3月31日 HK\$'000 千港元	31 March 2018 2018年 3月31日 HK\$'000 千港元
NON-CURRENT ASSETS	非流動資產		
Property, plant and equipment	物業、廠房及設備	890	1,177
Investments in subsidiaries	於附屬公司的投資	3,247,972	3,246,958
Total non-current assets	非流動資產總額	3,248,862	3,248,135
CURRENT ASSETS	流動資產		
Due from subsidiaries	應收附屬公司款項	16,927,664	13,521,584
Prepayments, other receivables and other assets	預付款項、其他應收款項及其他資產	514	514
Cash and cash equivalents	現金及現金等價物	510,343	631,113
Total current assets	流動資產總額	17,438,521	14,153,211
CURRENT LIABILITIES	流動負債		
Other payables, accruals and deposits received	其他應付款項、應計項目及已收按金	177,966	144,184
Senior notes	優先票據	2,326,500	–
Total current liabilities	流動負債總額	2,504,466	144,184
NET CURRENT ASSETS	流動資產淨值	14,934,055	14,009,027
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總額減流動負債	18,182,917	17,257,162
NON-CURRENT LIABILITIES	非流動負債		
Senior notes	優先票據	10,226,417	9,230,272
Total non-current liabilities	非流動負債總額	10,226,417	9,230,272
Net assets	資產淨值	7,956,500	8,026,890
EQUITY	權益		
Share capital	股本	7,222,312	7,060,973
Reserves (note)	其他儲備(附註)	734,188	965,917
Total equity	權益總額	7,956,500	8,026,890

CHENG CHUNG HING 鄭松興
Director 董事

ZHAO LIDONG 趙立東
Director 董事

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2019 2019年3月31日

51. Statement of Financial Position of the Company

(Continued)

Note:

A summary of the Company's reserves is as follows:

		Share option reserve 購股權儲備 HK\$'000 千港元	Retained profits 保留利潤 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2018	於2018年4月1日	202,795	763,122	965,917
Profit for the year	年內利潤	–	154,155	154,155
Equity-settled share option arrangements	以權益結算的購股權安排	14,595	–	14,595
Lapse of share options	購股權失效	(55,569)	55,569	–
Scrip dividend	以股代息	–	(161,339)	(161,339)
Final 2018 dividend paid	已付2018末期股息	–	(239,140)	(239,140)
At 31 March 2019	於2019年3月31日	161,821	572,367	734,188

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to share capital when the related options are exercised, or be transferred to retained profits should the related options expire.

51. 公司財務狀況表(續)

附註：

公司之儲備變動詳情如下：

	Share option reserve 購股權儲備 HK\$'000 千港元	Retained profits 保留利潤 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2018	202,795	763,122	965,917
Profit for the year	–	154,155	154,155
Equity-settled share option arrangements	14,595	–	14,595
Lapse of share options	(55,569)	55,569	–
Scrip dividend	–	(161,339)	(161,339)
Final 2018 dividend paid	–	(239,140)	(239,140)
At 31 March 2019	161,821	572,367	734,188

購股權儲備包含已授出但未行使之購股權的公平值，其有關以股份為基礎之會計政策已詳載於財務報表附註2.4內，當有關購股權被行使，此金額會轉入股本，或者當有關購股權失效，此金額會轉至保留利潤。

		Share option reserve 購股權儲備 HK\$'000 千港元	Retained profits 保留利潤 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2017	於2017年4月1日	169,245	584,673	753,918
Profit for the year	年內利潤	–	571,264	571,264
Equity-settled share option arrangements	以權益結算的購股權安排	42,065	–	42,065
Exercise of share options	行使購股權	(1,014)	–	(1,014)
Lapse of share options	購股權失效	(7,501)	7,501	–
Final 2017 dividend paid	已付2017末期股息	–	(400,316)	(400,316)
At 31 March 2018	於2018年3月31日	202,795	763,122	965,917

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2019 2019年3月31日

52. Events After the Reporting Period

On 18 April 2019, China South International completed the issuance of the first tranche of medium-term notes of 2019 (the “2019 First Tranche MTN”) with a total principal amount of RMB600,000,000 in the national inter-bank market of the PRC. The 2019 First Tranche MTN carry interest at the rate of 8.5% per annum, payable annually on 18 April in arrears, and have a term of up to 3 years at maximum.

On 12 June 2019, the Company further issued senior notes with an aggregate principal amounts of US\$60,000,000 (the “2019 June Notes”). The 2019 June Notes consolidated and form a single series with the 2019 March Notes issued by the Company on 27 March 2019 (note 32) are listed on the Singapore Exchange Securities Trading Limited. The 2019 June Notes carry interest at the rate of 11.875% per annum, payable semi-annually on 27 March and 27 September in arrears, and will mature on 27 March 2021, unless redeemed earlier.

53. Approval of the Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on 26 June 2019.

52. 報告期間結束後事項

華南國際於2019年4月18日完成在中國銀行間市場發行2019年第一期中期票據，本金總額為人民幣600,000,000元。2019年第一期票據年利率為8.5%，每年於4月18日支付，期限最長為3年。

於2019年6月12日，本公司進一步發行本金總額60,000,000美元的優先票據（「2019年6月票據」）。2019年6月票據與本公司於2019年3月27日發行之2019年3月票據合併並組成單一系列（附註32）並於新加坡證券交易所有限公司上市。2019年6月票據按年利率11.875%計息，每半年於3月27日及9月27日支付，並將於2021年3月27日到期（除非提早贖回）。

53. 批核財務報表

董事會於2019年6月26日批准及授權刊發財務報表。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告



To the members of China South City Holdings Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of China South City Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 136 to 256, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 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 Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

致華南城控股有限公司各股東
(於香港註冊成立之有限公司)

意見

我們已審核華南城控股有限公司(「貴公司」)及其附屬公司(「貴集團」)載於第136至256頁的綜合財務報表，當中載有於2018年3月31日的綜合財務狀況表、及截至該日止年度的綜合損益表、綜合全面收益表、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」)頒布之香港財務報告準則(「香港財務報告準則」)真實而公允地反映了貴集團於2018年3月31日的綜合財務狀況及截至該日止年度的綜合財務表現及綜合現金流量，並已遵照香港公司條例妥為編制。

意見之基礎

我們根據香港會計師公會頒布之香港審計準則(「香港審計準則」)進行審核。根據該等準則下，我們的責任於本報告內核數師就審核綜合財務報表須承擔之責任一節中進一步闡述。根據香港會計師公會之專業會計師操守守則(「守則」)，我們獨立於貴集團，並已根據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足夠及能適當地為我們的審核意見提供基礎。

關鍵審核事項

關鍵審核事項根據我們的專業判斷，認為對我們審核本期綜合財務報表最為重要之事項。該等事項是在我們對綜合財務報表整體進行審核並形成意見之背景下處理，我們不會對該等事項提供單獨意見。我們對下述每一事項在審核中是如何處理之描述亦以此為背景。

INDEPENDENT AUDITOR'S REPORT (Continued)

獨立核數師報告(續)

Key audit matters (Continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

Fair value of investment properties

As of 31 March 2018, the carrying amount of investment properties was HK\$48,135,043,000. Fair value gains on investment properties amounted to HK\$4,378,474,000, which accounted for 64.5% of profit before tax of the Group. The Group engaged an external valuation expert to perform valuation of the Group's investment properties to estimate their fair values as at 31 March 2018. The fair values of investment properties were determined principally using the income capitalization method by capitalizing the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The determination of application of the valuation technique, future rental income and renting rate involved significant management judgment and estimates.

The related disclosures are included in notes 3 and 14 to the consolidated financial statements.

How our audit addressed the key audit matter

Our audit procedures included evaluating the valuation process and the independence and expertise of the external valuation expert. We assessed the related data of the properties as used by the external valuation expert as inputs for the valuations by comparing to the historical data and market index. We also involved our valuation specialists to assist us in evaluating the valuation methodology and the underlying assumptions which principally included the market unit rental rate and capitalization rate. We further assessed the adequacy of the disclosures of the valuations of investment properties in the consolidated financial statements.

關鍵審核事項(續)

我們已履行本報告中核數師審核綜合財務報表之責任一節中所述的責任，包括有關該等事項之責任。因此，我們的審核包括執行旨在應對綜合財務報表存有重大錯誤陳述風險評估而設定之程序。審核程序的結果包括處理以下事項的程序，為我們就隨附的綜合財務報表的審核意見提供基礎。

關鍵審核事項

投資物業之公平值

於2018年3月31日，投資物業的賬面值為48,135,043,000港元。投資物業之公平值收益為4,378,474,000港元，佔貴集團稅前利潤之64.5%。貴集團委聘外部估值專家進行貴集團投資物業於2018年3月31日的估值。投資物業公平值主要按收入資本化法釐定，方法是將現有租賃所得的租金收入資本化，並就物業的潛在可復歸收入計提適當撥備。決定估值技術的運用、未來租金收入及出租率涉及重大的管理層判斷及估計。

相關披露載於綜合財務報表附註3及14。

該事項在審計中如何處理

我們的審核程序包括評估估值程序及外部估值專家的獨立性及專業性。我們比較歷史數據及市場指數，從而評估外部估值專家用於估值中有關物業資料投入。我們亦委託我們的評估專家協助評定評估的方法及包括市場單位租金率及資本化比率等主要基礎假設。我們亦評估在綜合財務報表中對投資物業估值披露的充分性。

INDEPENDENT AUDITOR'S REPORT (Continued)
獨立核數師報告(續)

Key audit matters (Continued)

Key audit matter

Impairment of trade receivable balances

As at 31 March 2018, the carrying amount of trade receivables was HK\$1,185,378,000. The Group estimates the impairment allowances for trade receivables by assessing the recoverability based on historical recovery of the overdue trade receivables of respective ages and related prevailing market conditions. This requires the use of significant estimates and judgments.

The related disclosures are included in notes 3 and 24 to the consolidated financial statements.

How our audit addressed the key audit matter

We obtained an understanding of management's analysis of the recoverability of trade receivables. We evaluated the accuracy of the aging analysis prepared by management by checking to the related sales invoices, and the credit terms specified in the related sales contracts. We also assessed the historical settlement history and checked the settlement received subsequent to the year end with respective bank slips on a sampling basis.

關鍵審核事項(續)

關鍵審核事項

應收貿易賬款減值

於2018年3月31日，應收貿易賬款賬面值為1,185,378,000港元。貴集團以個別賬齡的逾期賬款之歷史回收紀錄及普遍的市場條件評估應收貿易賬款的可回收性，從而估計應收貿易賬款減值撥備。此涉及重大判斷及估計之使用。

相關披露載於綜合財務報表附註3及24。

該事項在審計中如何處理

我們對管理層對應收貿易賬款可回收性分析作出了解。我們核對有關的銷售發票及銷售合同上的信貸期，以評估管理層編制的賬齡分析的準確性。我們亦分析過往還款紀錄及以樣本方式核對期後回款的銀行賬單。

INDEPENDENT AUDITOR'S REPORT (Continued)

獨立核數師報告(續)

Other information included in the Annual Report

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the consolidated financial statements

The Directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The Directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

年報中所載之其他資料

貴公司董事須對其他資料承擔責任。其他資料包括年報所載資料，惟不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表作出之意見並不涵蓋其他資料，我們亦不會就其他資料發表任何形式之鑒證結論。

就審核綜合財務報表而言，我們的責任為閱讀其他資料，及在此過程中，考慮其他資料是否與綜合財務報表或我們在審核過程中所了解的情況有重大不符，或者似乎有重大錯誤陳述。基於我們已執行之工作，如我們認為其他資料出現重大錯誤陳述，我們需要報告有關事實。就此而言，我們並無需報告任何事項。

董事就綜合財務報表須承擔之責任

貴公司董事須負責根據香港會計師公會頒布之香港財務報告準則及香港公司條例規定編製綜合財務報表使其真實而公允地列報，及制訂董事認為必要之相關內部監控，以使綜合財務報表之編製不會存在由於欺詐或錯誤而導致之重大錯誤陳述。

在編製綜合財務報表時，貴公司董事須負責評估貴集團持續經營之能力，並在適用情況下披露與持續經營有關之事項。除非貴公司董事有意將貴集團清盤或停止經營，或別無其他實際的替代方案。

貴公司董事在審核委員會協助下履行監督貴集團財務報告過程之責任。

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment 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之責任

我們的目標為對整體綜合財務報表是否不存在由於欺詐或錯誤而導致之任何重大錯誤陳述取得合理保證，並發出載有我們意見的核數師報告。我們根據香港公司條例第405條，僅向整體股東報告，而不作其他用途。我們概不就本報告之內容對任何其他人士承擔任何責任或負責。

合理保證是高水平的保證，惟根據香港審計準則進行之審核工作不能保證總能察覺所存在之重大錯誤陳述。錯誤陳述可因欺詐或錯誤產生，如按合理預期情況下可影響使用者根據綜合財務報表作出之經濟決定時，則被視為重大錯誤陳述。

在根據香港審計準則進行審核之過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別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之風險、設計及執行審核程序以應對該等風險，以及獲取充足和適當之審核憑證，作為我們意見之基礎。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之情況，因此未能發現因欺詐而導致之重大錯誤陳述之風險較因錯誤而導致之重大錯誤陳述之風險為高。
- 了解與審核相關之內部監控，以設計適當之審核程序，但目的並非對貴集團內部監控之有效性發表意見。
- 評估董事所採用會計政策之恰當性及作出會計估計和相關披露之合理性。

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

核數師就審核綜合財務報表須承擔之責任 (續)

- 對董事採用持續經營會計基礎之恰當性作出結論，並根據所獲取之審核憑證，決定是否存在與事件或情況有關之重大不確定性，而可能對貴集團持續經營之能力構成重大疑慮。如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之相關披露，或倘有關之披露不足，則修改吾等之意見。我們的結論是基於截至核數師報告日期止所取得的審核憑證。然而，未來事件或情況可能導致貴集團無法持續經營。
- 評價綜合財務報表之整體列報方式、結構及內容，包括披露資料，以及綜合財務報表是否公允反映相關交易和事項。
- 就貴集團實體或業務活動之財務資料獲取充分及適當的審核憑證，以對綜合財務報表發表意見。我們負責指導、監督和執行集團審核。我們對審核意見承擔全部責任。

我們與審核委員會溝通計劃審計範圍、時間安排及重大審核發現等事項，包括我們在審核期間識別出內部監控之任何重大缺陷。

我們亦向審核委員會提交聲明，說明我們已符合有關獨立性之相關道德要求，並與彼等溝通所有合理地被認為會影響我們獨立性之關係及其他事宜，以及相關防範措施(如適用)。

INDEPENDENT AUDITOR'S REPORT (Continued)

獨立核數師報告(續)

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Law Kwok Kee.

核數師就審核綜合財務報表須承擔之責任(續)

就與審核委員會溝通之事項中，我們釐定對本期綜合財務報表之審核最為重要之事項，因而構成關鍵審核事項。我們於核數師報告中描述該等事項，除非法律法規不允許公開披露該等事項，或在極端罕見之情況下，若合理預期下於我們報告中溝通某事項造成之負面後果將會超過其產生之公眾利益，我們將不會在報告中溝通該事項。

本獨立核數師報告之審核項目合伙人為羅國基。

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

28 June 2018

安永會計師事務所

執業會計師

香港

中環

添美道1號

中信大廈22樓

2018年6月28日

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

綜合損益表

Year ended 31 March 2018 截至2018年3月31日止年度

			For the year ended 31 March	
			截至3月31日止年度	
			2018	2017
			HK\$'000	HK\$'000
			千港元	千港元
		Notes 附註		
Revenue	收入	5	9,405,370	7,838,510
Cost of sales	銷售成本		(5,336,191)	(4,328,365)
Gross profit	毛利		4,069,179	3,510,145
Other income and gains/(losses)	其他收入及收益/(虧損)	5	856,965	726,027
Fair value gains on investment properties	投資物業公平值收益	5	4,378,474	4,549,509
Selling and distribution expenses	銷售及分銷開支		(680,691)	(624,629)
Administrative expenses	行政開支		(1,216,023)	(1,146,292)
Other expenses	其他開支		(329,668)	(147,028)
Finance costs	融資成本	7	(294,771)	(275,478)
PROFIT BEFORE TAX	稅前利潤	6	6,783,465	6,592,254
Income tax expenses	所得稅開支	10	(2,281,133)	(2,269,292)
PROFIT FOR THE YEAR	本年度利潤		4,502,332	4,322,962
Attributable to:	下列各方應佔：			
Owners of the parent	母公司擁有人		4,511,679	4,322,626
Non-controlling interests	非控股權益		(9,347)	336
			4,502,332	4,322,962
EARNINGS PER SHARE	歸屬於母公司普通股			
ATTRIBUTABLE TO ORDINARY	權益持有人之			
EQUITY HOLDERS OF THE PARENT	每股盈利	12		
Basic	基本			
– for profit for the year	– 本年度利潤		HK56.35 cents港仙	HK53.99 cents港仙
Diluted	攤薄			
– for profit for the year	– 本年度利潤		HK56.19 cents港仙	HK53.96 cents港仙

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

綜合全面收益表

Year ended 31 March 2018 截至2018年3月31日止年度

		For the year ended 31 March	
		截至3月31日止年度	
		2018	2017
		HK\$'000	HK\$'000
		千港元	千港元
PROFIT FOR THE YEAR	本年度利潤	4,502,332	4,322,962
OTHER COMPREHENSIVE INCOME/(LOSS)	其他全面收入／(虧損)		
Other comprehensive income/(loss)	將於其後期間重分類至損益的		
to be reclassified to profit or loss	其他全面收入／(虧損)：		
in subsequent periods:			
Exchange differences on translation of foreign	換算海外業務的		
operations	匯兌差額	3,776,276	(1,853,190)
OTHER COMPREHENSIVE INCOME/(LOSS)	本年度除稅後		
FOR THE YEAR, NET OF TAX	其他全面收入／(虧損)	3,776,276	(1,853,190)
TOTAL COMPREHENSIVE INCOME	本年度總全面收入		
FOR THE YEAR		8,278,608	2,469,772
Attributable to:	下列各方應佔：		
Owners of the parent	母公司擁有人	8,271,536	2,482,231
Non-controlling interests	非控股權益	7,072	(12,459)
		8,278,608	2,469,772

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況表

31 March 2018 2018年3月31日

			31 March 2018 2018年3月31日	31 March 2017 2017年3月31日
	Notes 附註		HK\$'000 千港元	HK\$'000 千港元
NON-CURRENT ASSETS		非流動資產		
Property, plant and equipment	13	物業、廠房及設備	1,749,787	1,454,909
Investment properties	14	投資物業	48,135,043	42,191,542
Properties under development	15	發展中物業	3,451,245	4,493,810
Prepaid land lease payments	16	預付土地出租金	1,449,228	1,146,108
Goodwill	17	商譽	34,128	34,128
Investments in associates	18	於聯營公司的投資	142,112	82,497
Available-for-sale investments	19	可供出售金融投資	138	175,512
Other long-term receivables	20	其他長期應收款項	15,684	5,926
Deposits paid for purchase of land use rights and property	21	購買土地使用權及物業支付的按金	1,149,909	15,235
Deferred tax assets	35	遞延稅項資產	3,139,824	2,289,999
Total non-current assets		非流動資產總值	59,267,098	51,889,666
CURRENT ASSETS		流動資產		
Properties held for finance lease	22	持作融資租賃物業	333,514	305,240
Properties held for sale	22	持作銷售物業	38,108,017	23,847,433
Inventories	23	存貨	177,095	137,555
Trade receivables	24	應收貿易賬款	1,185,378	1,238,228
Prepayments, deposits and other receivables	25	預付款項、按金及其他應收款項	1,613,206	1,066,802
Held-for-trading investments at fair value through profit or loss	26	透過損益以公平值列賬之持作買賣投資	205,966	–
Cash and cash equivalents and restricted cash	27	現金及現金等價物及受限制現金	10,655,692	10,490,909
Total current assets		流動資產總值	52,278,868	37,086,167
CURRENT LIABILITIES		流動負債		
Trade and other payables	28	貿易及其他應付款項	22,807,754	16,763,218
Interest-bearing bank and other borrowings	29	計息銀行及其他借貸	7,098,504	7,042,625
Short-term notes	30	短期融資券	625,100	1,353,240
Medium-term notes	32	中期票據	2,622,149	–
Corporate bonds	33	企業債券	1,978,294	–
Domestic company bonds	34	境內公司債券	3,789,933	–
Tax payables		應付稅項	4,988,314	4,442,096
Total current liabilities		流動負債總額	43,910,048	29,601,179
NET CURRENT ASSETS		流動資產淨值	8,368,820	7,484,988
TOTAL ASSETS LESS CURRENT LIABILITIES		資產總值減流動負債	67,635,918	59,374,654

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
綜合財務狀況表(續)

31 March 2018 2018年3月31日

			31 March 2018 2018年3月31日	31 March 2017 2017年3月31日
		Notes 附註	HK\$'000 千港元	HK\$'000 千港元
NON-CURRENT LIABILITIES	非流動負債			
Interest-bearing bank and other borrowings	計息銀行及其他借貸	29	8,999,701	6,369,837
Senior notes	優先票據	31	9,230,272	6,425,992
Medium-term notes	中期票據	32	2,629,495	4,723,000
Corporate bonds	企業債券	33	–	1,778,744
Domestic company bonds	境內公司債券	34	1,854,236	5,079,429
Deferred tax liabilities	遞延稅項負債	35	8,521,460	6,518,261
Total non-current liabilities	非流動負債總額		31,235,164	30,895,263
Net assets	資產淨值		36,400,754	28,479,391
EQUITY	權益			
Equity attributable to owners of the parent	母公司擁有人應佔權益			
Share capital	股本	36	7,060,973	7,054,362
Other reserves	其他儲備	38	29,157,371	21,243,892
			36,218,344	28,298,254
Non-controlling interests	非控股權益		182,410	181,137
Total equity	權益總額		36,400,754	28,479,391

CHENG CHUNG HING 鄭松興
Director 董事

SONG CHUAN 宋川
Director 董事

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表

Year ended 31 March 2018 截至2018年3月31日止年度

		Attributable to owners of the parent 母公司擁有人應佔							Non-controlling interests		Total equity
		Share capital	Statutory surplus reserve	Share option reserve	Exchange fluctuation reserve	Capital reserve	Revaluation reserve	Retained profits	Total		
		股本	法定盈餘儲備	購股權儲備	匯兌波動儲備	資本儲備	重估儲備	保留利潤	總計	非控股權益	權益總額
Note		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
附註		千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元	千港元
			Note (i) 附註(i)								
At 1 April 2016	於2016年4月1日	7,043,784	1,344,766	140,818	374,180	(274,021)	286,456	17,262,534	26,178,517	189,948	26,368,465
Profit for the year	本年度利潤	-	-	-	-	-	-	4,322,626	4,322,626	336	4,322,962
Other comprehensive loss for the year:	本年度其他全面虧損：										
Exchange differences on translation of foreign operations	換算海外業務的匯兌差額	-	-	-	(1,840,395)	-	-	-	(1,840,395)	(12,795)	(1,853,190)
Total comprehensive income for the year	本年度總全面收入	-	-	-	(1,840,395)	-	-	4,322,626	2,482,231	(12,459)	2,469,772
Capital contribution from non-controlling shareholders	非控股股東的資本出資	-	-	-	-	-	-	-	-	36,676	36,676
Acquisition of non-controlling interests	收購非控股權益	-	-	-	-	(1,820)	-	-	(1,820)	(33,028)	(34,848)
Exercise of share options	行使購股權	37	10,578	(1,548)	-	-	-	-	9,030	-	9,030
Lapse of share options	購股權失效	-	-	(637)	-	-	-	637	-	-	-
Equity-settled share option arrangement	以權益結算的購股權安排	37	-	30,612	-	-	-	-	30,612	-	30,612
Final 2016 dividend paid	已付2016年末期股息	-	-	-	-	-	-	(400,316)	(400,316)	-	(400,316)
Transfer from retained profits	轉撥自保留利潤	-	246,281	-	-	-	-	(246,281)	-	-	-
At 31 March 2017	於2017年3月31日	7,054,362	1,591,047*	169,245*	(1,466,215)*	(275,841)*	286,456*	20,939,200*	28,298,254	181,137	28,479,391

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

綜合權益變動表(續)

Year ended 31 March 2018 截至2018年3月31日止年度

		Attributable to owners of the parent 母公司擁有人應佔							Non-controlling interests 非控股權益		Total equity 權益總額
		Share capital 股本	Statutory surplus reserve 法定盈餘儲備	Share option reserve 購股權儲備	Exchange fluctuation reserve 匯兌波動儲備	Capital reserve 資本儲備	Revaluation reserve 重估儲備	Retained profits 保留利潤	Total 總計		
Note 附註		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
			Note (i) 附註(i)								
At 1 April 2017	於2017年4月1日	7,054,362	1,591,047	169,245	(1,466,215)	(275,841)	286,456	20,939,200	28,298,254	181,137	28,479,391
Profit for the year	本年度利潤	-	-	-	-	-	-	4,511,679	4,511,679	(9,347)	4,502,332
Other comprehensive income for the year:	本年度其他全面收入：										
Exchange differences on translation of foreign operations	換算海外業務的匯兌差額	-	-	-	3,759,857	-	-	-	3,759,857	16,419	3,776,276
Total comprehensive income for the year	本年度總全面收入	-	-	-	3,759,857	-	-	4,511,679	8,271,536	7,072	8,278,608
Disposal of subsidiaries	處置附屬公司	-	(371)	-	1,579	-	-	-	1,208	(5,799)	(4,591)
Exercise of share options	行使購股權	37	6,611	(1,014)	-	-	-	-	5,597	-	5,597
Lapse of share options	購股權失效	-	-	(7,501)	-	-	-	7,501	-	-	-
Equity-settled share option arrangement	以權益結算的購股權安排	37	-	42,065	-	-	-	-	42,065	-	42,065
Final 2017 dividend paid	已付2017年末期股息	-	-	-	-	-	-	(400,316)	(400,316)	-	(400,316)
Transfer from retained profits	轉撥自保留利潤	-	411,035	-	-	-	-	(411,035)	-	-	-
At 31 March 2018	於2018年3月31日	7,060,973	2,001,711*	202,795*	2,295,221*	(275,841)*	286,456*	24,647,029*	36,218,344	182,410	36,400,754

* These reserve accounts comprise the consolidated other reserves of HK\$29,157,371,000 (31 March 2017: HK\$21,243,892,000) in the consolidated statement of financial position.

* 該等儲備賬包括綜合財務狀況表所載的綜合其他儲備29,157,371,000港元(2017年3月31日：21,243,892,000港元)。

Note:

附註：

(i) In accordance with the PRC Company Law, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory surplus reserve can be utilized to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the registered capital after such usages.

(i) 根據中國公司法，本公司於中國註冊的附屬公司須將年度法定稅後利潤(經抵銷任何過往年度虧損後)的10%撥入法定盈餘儲備。當儲備資金結餘達至實體註冊資本的50%時，可以選擇是否再次撥入資金。法定盈餘儲備可用於抵銷過往年度虧損或增加資本。然而，法定盈餘儲備於作出該等用途後的結餘必須最少維持於註冊資本的25%。

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

Year ended 31 March 2018 截至2018年3月31日止年度

		For the year ended 31 March		
		截至3月31日止年度		
		2018	2017	
		HK\$'000	HK\$'000	
		千港元	千港元	
	Notes 附註			
CASH FLOWS FROM OPERATING ACTIVITIES	經營活動現金流量			
Profit before tax	稅前利潤	6,783,465	6,592,254	
Adjustments for:	調整：			
Finance costs	融資成本	294,771	275,478	
Interest income	利息收入	(77,945)	(71,603)	
(Gain)/loss on disposal of items of property, plant and equipment	出售物業、廠房及設備項目(收益)/虧損	(113)	1,708	
Depreciation	折舊	130,309	137,317	
Amortization of prepaid land lease payments	預付土地出租金攤銷	28,269	27,020	
Changes in fair value of investment properties	投資物業公平值變動	(4,378,474)	(4,549,509)	
Provision for impairment of trade receivables	應收貿易賬款減值撥備	112,134	73,885	
Provision for impairment loss of available-for-sale investments	可供出售金融投資減值撥備	175,500	—	
Gain on disposal of subsidiaries	處置附屬公司收益	(1,142)	—	
Loss on redemption of the 2012 Notes and 2014 Notes	贖回2012年票據及2014年票據之虧損	89,876	178,317	
Gain on purchase of the 2014 Notes	購買2014年票據之收益	—	(597)	
Fair value losses/(gains) on held-for-trading investments at fair value through profit or loss, net	透過損益以公平值列賬之持作買賣投資的公平值虧損/(收益)，淨額	4,461	(3,770)	
Dividend income from held-for-trading investments at fair value through profit or loss	透過損益以公平值列賬之持作買賣投資的股息收入	—	(1,014)	
Equity-settled share option expense	以權益結算的購股權開支	42,065	30,612	
		3,203,176	2,690,098	
Increase in properties held for sale	持作銷售物業增加	(349,935)	(1,687,649)	
Decrease in properties held for finance lease	持作融資租賃物業減少	4,884	135,524	
Increase in inventories	存貨增加	(24,597)	(100,187)	
Increase in other long-term receivables	其他長期應收款項增加	(8,883)	(1,469)	
Decrease/(increase) in trade receivables	應收貿易賬款減少/(增加)	75,107	(234,419)	
Increase in prepayments, deposits and other receivables	預付款項、按金及其他應收款項增加	(420,124)	(8,768)	
Decrease/(increase) in restricted cash	受限制現金減少/(增加)	285,721	(256,917)	
Increase in trade and other payables	貿易及其他應付款項增加	2,721,755	3,622,321	
Cash generated from operations	經營所得的現金	5,487,104	4,158,534	
Overseas taxes paid	已付海外稅項	(1,543,899)	(875,766)	
Net cash flows from operating activities	經營活動現金流入淨額	3,943,205	3,282,768	

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

綜合現金流量表(續)

Year ended 31 March 2018 截至2018年3月31日止年度

		For the year ended 31 March	
		截至3月31日止年度	
	Notes	2018	2017
	附註	HK\$'000	HK\$'000
		千港元	千港元
Net cash flows from operating activities	經營活動現金流入淨額	3,943,205	3,282,768
CASH FLOWS FROM INVESTING ACTIVITIES	投資活動現金流量		
Purchases of items of property, plant and equipment	購買物業、廠房及設備項目	(50,342)	(39,284)
Dividends received from held-for-trading investments at fair value through profit or loss	透過損益以公平值列賬之持作買賣投資已收股息	–	1,014
Net cash (outflow)/inflow on purchase/disposal of held-for-trading investments at fair value through profit or loss transactions	透過損益以公平值列賬之持作買賣投資交易現金(流出)/流入淨額	(210,431)	31,135
Proceeds from disposal of items of property, plant and equipment	出售物業、廠房及設備項目所得款項	34,058	11,826
Purchase of an available-for-sale investment	購買一可供出售金融投資	(126)	–
Increase in amounts due from associates	應收聯營公司增加	(50,654)	(25,943)
Acquisition of non-controlling interests	收購非控股權益	–	(34,848)
Cash outflow from disposal of subsidiaries, net	處置附屬公司現金流出淨額	(11,805)	–
Deposits paid for purchase of land use rights and property	購買土地使用權及物業支付的按金	(1,133,019)	–
Additions to properties under development	發展中物業添置	(3,613,317)	(2,105,868)
Additions to prepaid land lease payments	預付土地出租金增加	–	(210,642)
Interest received	已收利息	74,654	71,603
Net cash flows used in investing activities	投資活動現金流出淨額	(4,960,982)	(2,301,007)
CASH FLOWS FROM FINANCING ACTIVITIES	融資活動現金流量		
Issue of short-term notes	發行短期融資券	1,163,784	1,395,187
Payment for interest on short-term notes	短期融資券利息付款	(97,686)	(111,524)
Repayment of short-term notes	償還短期融資券	(2,016,970)	(2,446,897)
Issue of senior notes	發行優先票據	4,149,512	4,930,000
Payment for interest on senior notes	優先票據利息付款	(318,825)	(336,667)
Redemption of the 2012 Notes and 2014 Notes	贖回2012年票據及2014年票據	(1,568,994)	(2,652,420)
Purchase of the 2014 Notes	購買2014年票據	–	(154,128)
Payment of a consent fee for the 2014 Notes	支付2014年票據同意費	–	(23,193)
Payment for interest on medium-term notes	中期票據利息付款	(352,581)	(350,637)
Payment for interest on corporate bonds	企業債券利息付款	(123,816)	(123,134)
Issue of domestic company bonds	發行境內公司債券	–	1,615,390
Payment for interest on domestic company bonds	境內公司債券利息付款	(324,633)	(206,830)
New bank and other borrowings	新借銀行及其他貸款	9,612,905	6,218,187
Repayment of bank and other borrowings	償還銀行及其他貸款	(8,428,673)	(8,393,172)
Exercise of share options	行使購股權	5,597	9,030
Capital contribution from a non-controlling shareholder	非控股股東出資	–	36,676
Dividends paid	分派股息	(400,316)	(400,316)
Interest paid	已付利息	(841,138)	(784,145)
Net cash flows from/(used in) financing activities	融資活動現金流入/(流出)淨額	458,166	(1,778,593)
NET DECREASE IN CASH AND CASH EQUIVALENTS	現金及現金等價物減少淨額	(559,611)	(796,832)
Cash and cash equivalents at the beginning of year	年初的現金及現金等價物	8,022,020	9,327,807
Effect of foreign exchange rate changes, net	匯率變動影響淨額	741,924	(508,955)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	年終的現金及現金等價物	8,204,333	8,022,020
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	現金及現金等價物結餘分析		
Cash and cash equivalents	現金及現金等價物	8,204,333	8,022,020

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 March 2018 2018年3月31日

1. Corporate and Group Information

China South City Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Room 2205, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the development and operation of large-scale integrated logistics and trade centers, development of residential and commercial ancillary facilities, property management and the provision of E-commerce, outlet operations, logistics and warehousing services.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

1. 公司及本集團資料

華南城控股有限公司(「本公司」)在香港註冊成立為有限公司。本公司註冊辦事處位於香港九龍尖沙咀廣東道15號港威大廈永明金融大樓22樓2205室。

年內，本公司及其附屬公司(統稱「本集團」)主要從事發展及經營大型綜合物流及商品交易中心、開發商住配套設施、物業管理以及提供電子商貿、奧特萊斯運營、物流及倉儲服務。

附屬公司資料

本公司的主要附屬公司詳情如下：

Name 名稱	Place of incorporation/ registration and business 註冊成立／註冊及 經營地點	Nominal value of issued ordinary/ registered share capital as at 31 March 2018 於2018年3月31日 已發行普通／註冊 股本面值	Date of incorporation/ registration 註冊成立／ 註冊日期	Percentage of equity attributable to the		Principal activities 主要業務
				Company 本公司應佔 權益百分比		
				Direct 直接 %	Indirect 間接 %	
China South International Industrial Materials City (Shenzhen) Company Limited (ii)(iv) ("China South International") 華南國際工業原料城(深圳)有限公司(ii)(iv) (「華南國際」)	The People's Republic of China ("PRC")/ Mainland China 中國／中國大陸	HK\$2,200,000,000 2,200,000,000港元	18 December 2002 18-12-2002	100	–	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營
Nanchang China South City Company Limited (i)(iv) ("CSC Nanchang") 南昌華南城有限公司(i)(iv) (「南昌華南城」)	PRC/Mainland China 中國／中國大陸	Renminbi ("RMB") 1,100,000,000 人民幣1,100,000,000元	16 November 2007 16-11-2007	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營
Nanning China South City Company Limited (iii)(iv) ("CSC Nanning") 南寧華南城有限公司(iii)(iv) (「南寧華南城」)	PRC/Mainland China 中國／中國大陸	RMB1,000,000,000 人民幣1,000,000,000元	28 August 2009 28-08-2009	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

1. Corporate and Group Information (Continued) Information about subsidiaries (Continued)

1. 公司及本集團資料(續) 附屬公司資料(續)

Name 名稱	Place of incorporation/ registration and business 註冊成立/註冊及 經營地點	Nominal value of issued ordinary/ registered share capital as at 31 March 2018 於2018年3月31日 已發行普通/註冊 股本面值	Date of incorporation/ registration 註冊成立/ 註冊日期	Percentage of equity attributable to the		Principal activities 主要業務
				Company 本公司應佔 權益百分比		
				Direct 直接 %	Indirect 間接 %	
Xi'an China South City Company Limited (iii) 西安華南城有限公司(iii)	PRC/Mainland China 中國/中國大陸	RMB1,000,000,000 人民幣1,000,000,000元	12 November 2009 12-11-2009	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營
Harbin China South City Company Limited (iii) 哈爾濱華南城有限公司(iii)	PRC/Mainland China 中國/中國大陸	RMB1,500,000,000 人民幣1,500,000,000元	9 January 2012 09-01-2012	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營
Harbin Baoliton Market Development Management Company Limited (iii) 哈爾濱寶力通市場開發管理有限公司(iii)	PRC/Mainland China 中國/中國大陸	RMB500,000,000 人民幣500,000,000元	22 December 2011 22-12-2011	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營
Zhengzhou China South City Company Limited (iii)(iv) ("CSC Zhengzhou") 鄭州華南城有限公司(iii)(iv) (「鄭州華南城」)	PRC/Mainland China 中國/中國大陸	RMB1,000,000,000 人民幣1,000,000,000元	17 May 2012 17-05-2012	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營
Hefei China South City Company Limited (ii)(iv) ("CSC Hefei") 合肥華南城有限公司(ii)(iv) (「合肥華南城」)	PRC/Mainland China 中國/中國大陸	RMB1,000,000,000 人民幣1,000,000,000元	25 December 2012 25-12-2012	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營
Chongqing China South City Company Limited (ii)(iv) ("CSC Chongqing") 重慶華南城有限公司(ii)(iv) (「重慶華南城」)	PRC/Mainland China 中國/中國大陸	RMB1,000,000,000 人民幣1,000,000,000元	27 December 2013 27-12-2013	–	100	Development and operation of integrated logistics and trade centers 綜合商貿物流及商品交易中心 開發及運營

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

1. Corporate and Group Information (Continued) Information about subsidiaries (Continued)

1. 公司及本集團資料(續) 附屬公司資料(續)

Name 名稱	Place of incorporation/ registration and business 註冊成立／註冊及 經營地點	Nominal value of issued ordinary/ registered share capital as at 31 March 2018 於2018年3月31日 已發行普通／註冊 股本面值	Date of incorporation/ registration 註冊成立／ 註冊日期	Percentage of equity attributable to the		Principal activities 主要業務
				Company 本公司應佔 權益百分比		
				Direct 直接 %	Indirect 間接 %	
Shenzhen Huasheng Commercial Development Company Limited (iii) 深圳華盛商業發展有限公司(iii)	PRC/Mainland China 中國／中國大陸	RMB50,000,000/ RMB100,000,000 人民幣50,000,000元/ 人民幣100,000,000元	19 November 2010 19-11-2010	–	100	Management of outlet operations 奧特萊斯商場運營管理
Shenzhen China South City E-Commerce Technology Company Limited (ii) 深圳華南城網科技有限公司(ii)	PRC/Mainland China 中國／中國大陸	RMB100,000,000 人民幣100,000,000元	19 April 2012 19-04-2012	–	100	Development, operation and management of an E-commerce platform 電子商貿平台開發、運營及管理
Shenzhen First Asia Pacific Property Management Company Limited (i) 深圳第一亞太物業管理有限公司(i)	PRC/Mainland China 中國／中國大陸	RMB50,000,000 人民幣50,000,000元	31 December 2003 31-12-2003	–	100	Provision of property management services 提供物業管理服務
Qianlong Logistics Group Limited (iii) 乾龍物流集團有限公司(iii)	PRC/Mainland China 中國／中國大陸	RMB200,000,000 人民幣200,000,000元	2 July 2004 02-07-2004	–	100	Provision of logistics services 提供物流服務
Shenzhen HOBA Home Furnishing Chain Store Company Limited (iii) 深圳市好百年家居連鎖股份有限公司(iii)	PRC/Mainland China 中國／中國大陸	RMB480,000,000 人民幣480,000,000元	12 October 2001 12-10-2001	–	75	Furnishing market operation 家居廣場運營

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

1. Corporate and Group Information (Continued) Information about subsidiaries (Continued)

1. 公司及本集團資料(續) 附屬公司資料(續)

Name 名稱	Place of incorporation/ registration and business 註冊成立/註冊及 經營地點	Nominal value of issued ordinary/ registered share capital as at 31 March 2018 於2018年3月31日 已發行普通/註冊 股本面值	Date of incorporation/ registration 註冊成立/ 註冊日期	Percentage of equity attributable to the		Principal activities 主要業務
				Company 本公司應佔 權益百分比	Indirect 間接 %	
China South City Management Company Limited 華南城管理有限公司	Hong Kong 香港	HK\$1 1港元	9 November 2007 09-11-2007	-	100	Provision of management services 提供管理服務
China South City Group Company Limited (iii) 華南城集團有限公司(iii)	PRC/Mainland China 中國/中國大陸	RMB300,000,000 人民幣300,000,000元	20 July 2004 20-07-2004	-	100	Investment holding 投資控股

Notes:

- (i) Sino-foreign equity joint ventures under PRC law.
- (ii) Wholly-foreign-owned enterprises under PRC law.
- (iii) Limited companies under PRC law.
- (iv) Pursuant to certain project and land related contracts signed by the subsidiaries of the Group and the local governments, as well as pursuant to the requirements of the local governments and the local authorities related to the relevant public tender, auction and listing, some of the land acquired have sales restrictions on properties built on it. The saleable area of trade centers of China South International is limited to 30% of the total buildable gross floor area ("GFA") of properties built on the relevant parcels of land. The saleable area of trade centers and logistics facilities built on certain parcels of land acquired by CSC Nanchang and CSC Nanning in 2010 is limited to 60% of the relevant total buildable GFA. The saleable area of trade centers or commercial properties built by CSC Hefei and CSC Chongqing is limited to 50% of their relevant total buildable GFA. The saleable area of trade centers or commercial properties of phase I and future phases of CSC Zhengzhou is limited to 60% and 50% respectively of the relevant total buildable GFA. Except for the restrictions mentioned herein, there is no sales restriction on other parcels of land acquired by the Group.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

附註：

- (i) 中國法律下的中外合資經營公司。
- (ii) 中國法律下的外商獨資企業。
- (iii) 中國法律下的有限公司。
- (iv) 根據本集團附屬公司與當地政府簽訂的若干項目及土地相關合同，以及根據當地政府或招拍掛相關部門的文件要求，部分項目所建物業存在銷售限制，包括華南國際相關地塊上的交易中心的可銷售面積限於總可建建築面積的30%；南昌華南城和南寧華南城於2010年取得的若干土地，其上建設的交易中心及倉儲設施的可銷售面積限於該等物業總可建建築面積的60%；合肥華南城及重慶華南城建設的交易中心或商業物業的可銷售面積限於該等物業總可建建築面積的50%；鄭州華南城建設的一期及以後各期的交易中心或商業物業的可銷售面積分別限於該等物業總可建建築面積的60%及50%。除上述情況之外，本集團的其他土地並沒有銷售限制。

上表所列乃董事認為對本年度業績有重大影響或構成本集團資產淨值主要部分之本公司附屬公司。董事認為提供其他附屬公司之詳情將過於冗長。

31 March 2018 2018年3月31日

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and held-for-trading investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangement; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the dates on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 編製基準

該等財務報表乃根據香港會計師公會(「香港會計師公會」)頒布之香港財務報告準則(「香港財務報告準則」)(當中包括所有香港財務報告準則、香港會計準則(「香港會計準則」)及詮釋)、香港公認會計原則及香港公司條例之規定而編製，並按歷史成本法編製，惟投資物業及透過損益以公平值列賬之持作買賣投資按公平值計量則除外。除另有說明外，此等財務報表以港元呈列，所有數值均已四捨五入至最接近千位數。

綜合基準

合併財務報表包括本集團截至2018年3月31日止年度的財務報表。附屬公司為本公司直接或間接控制的實體(包括結構性實體)。當本集團承受或享有參與投資對象業務所得的可變回報，且能透過對投資對象的權力(即賦予本集團有能力主導投資對象相關活動的既存權利)影響該等回報時，即取得控制權。

倘本公司直接或間接擁有少於投資對象大多數的投票或類似權利，則本集團於評估其是否擁有對投資對象的權力時，會考慮一切相關事實及情況，包括：

- (a) 與投資對象其他投票持有人的合約安排；
- (b) 其他合約安排所產生的權利；及
- (c) 本集團的投票權及潛在投票權。

附屬公司的財務報表乃就與本公司相同的報告期間採納一致的會計政策編製。附屬公司的業績由本集團取得控制權當日起綜合計算，並會繼續綜合，直至該等控制權終止。

31 March 2018 2018年3月31日

2.1 Basis of Preparation (Continued)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.1 編製基準(續)

綜合基準(續)

即使會導致非控股權益出現虧蝕結餘，損益及其他全面收入的各個組成部分仍會歸屬於本集團母公司擁有人及非控股權益。

所有集團內公司間資產、負債、權益、收入及開支以及與本集團成員公司間交易有關的現金流，將於綜合時悉數對銷。

倘事實或情況顯示上文所述三個控制因素中有一個或以上出現變動，則本集團將重新評估其是否仍控制該投資對象。於附屬公司擁有權權益的變動(並無喪失控制權)於入賬時列作權益交易。

倘本集團失去附屬公司的控制權，則會終止確認(i)該附屬公司的資產(包括商譽)及負債；(ii)任何非控股權益的賬面值；及(iii)計入權益的累計匯兌差額；並確認(i)已收代價的公平值；(ii)任何獲保留投資的公平值；及(iii)其因而產生計入損益的盈餘或虧蝕。先前已於其他全面收入確認的本集團應佔部分，乃按照本集團直接出售相關資產及負債時所規定的相同基準，在適當的情況下重新分類至損益或保留利潤。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealized Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 39 to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 39 to the financial statements.

2.2 會計政策的變更及披露

本集團已於本年度之財務報表中首次採納以下經修訂香港財務報告準則。

香港會計準則第7號之修訂	<i>披露計劃</i>
香港會計準則第12號之修訂	<i>就未實現虧損確認遞延稅項資產</i>
香港財務報告準則第12號之修訂 (納入2014至2016年週期之年度改進)	<i>其他實體權益披露：釐清香港財務報告準則第12號之範疇</i>

上述香港財務報告準則修訂本概無對該等財務報表造成重大財務影響。採納香港會計準則第7號之修訂後已於財務報表附註39作出披露，該準則要求實體提供披露，使財務報表使用者能夠評估融資活動產生的負債變動，包括現金流變動及非現金變動。

該等修訂本的性質及影響載述如下：

- (a) 香港會計準則第7號之修訂本要求實體作出披露，以使財務報表之使用者可評估融資活動所產生之負債變動，包括現金流所產生之變動及非現金變動。有關融資活動產生的負債變動的披露載於財務報表附註39。

31 March 2018 2018年3月31日

2.2 Changes in Accounting Policies and Disclosures

(Continued)

- (b) Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilize a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.
- (c) Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the Group's financial statements as the Group has no subsidiaries classified as a disposal group held for sale as at 31 March 2018.

2.2 會計政策的變更及披露(續)

- (b) 香港會計準則第12號之修訂本澄清實體於評估是否將有應課稅利潤可用於抵銷可扣稅暫時性差額時，需要考慮稅法有否對於可扣減暫時性差額轉回時可作扣減之應課稅利潤來源有所限制。此外，該等修訂本就實體應如何釐定日後應課稅利潤提供指引，並解釋應課稅利潤可包括收回超過賬面金額之部分資產的情況。由於本集團並無列入修訂本範圍內的可扣稅暫時性差額或資產，故該等修訂本並無對本集團的財務狀況或表現造成影響。
- (c) 香港財務報告準則第12號之修訂本澄清香港財務報告準則第12號之披露規定(惟香港財務報告準則第12號第B10至B16段之披露規定除外)適用於分類為持作銷售或計入分類為持作銷售出售組別之實體於附屬公司、合營企業或聯營公司之權益或其於合營企業或聯營公司之部分權益。由於本集團於2018年3月31日並無分類為持作銷售出售組別的附屬公司，故該等修訂本並無對本集團的財務報表造成影響。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ¹
HKFRS 9	<i>Financial Instruments</i> ¹
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> ¹
HKFRS 16	<i>Leases</i> ²
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i> ²
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ²
Amendments to HKAS 40	<i>Transfers of Investment Property</i> ¹
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> ²
Annual Improvements 2014-2016 Cycle	<i>Amendments to HKFRS 1 and HKAS 28</i> ¹
Annual Improvements 2015-2017 Cycle	<i>Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23</i> ²

- ¹ Effective for annual periods beginning on or after 1 January 2018
² Effective for annual periods beginning on or after 1 January 2019
³ Effective for annual periods beginning on or after 1 January 2021
⁴ No mandatory effective date yet determined but available for adoption

2.3 已頒布但尚未生效的香港財務報告準則

本集團並未於此等財務報表中採納以下已頒布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2號之修訂	釐清及計量以股份為基礎付款之交易 ¹
香港財務報告準則第4號之修訂	採用香港財務報告準則第4號保險合約時一併應用香港財務報告準則第9號金融工具 ¹
香港財務報告準則第9號	金融工具 ¹
香港財務報告準則第9號之修訂	具有負補償的提前償付特徵 ²
香港財務報告準則第10號及香港會計準則第28號(2011年)之修訂	投資者與其聯營公司或合營企業之間的資產出售或注資 ⁴
香港財務報告準則第15號	客戶合約收益 ¹
香港財務報告準則第15號之修訂	對香港財務報告準則第15號客戶合約收益之澄清 ¹
香港財務報告準則第16號	租賃 ²
香港財務報告準則第17號	保險合約 ³
香港會計準則第19號之修訂	計劃修訂、縮減或結清 ²
香港會計準則第28號之修訂	於聯營公司及合營企業的長期權益 ²
香港會計準則第40號之修訂	投資物業轉讓 ¹
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 ¹
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 ²
2014年至2016年週期之年度改進	香港財務報告準則第1號及香港會計準則第28號之修訂 ¹
2015年至2017年週期之年度改進	香港財務報告準則第3號、香港財務報告準則第11號、香港會計準則第12號及香港會計準則第23號之修訂 ²

- ¹ 於2018年1月1日或之後開始之年度期間生效
² 於2019年1月1日或之後開始之年度期間生效
³ 於2021年1月1日或之後開始之年度期間生效
⁴ 尚未釐定強制生效日期惟可予以採納

31 March 2018 2018年3月31日

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 已頒布但尚未生效的香港財務報告準則(續)

預期將適用於本集團的香港財務報告準則的進一步資料如下：

香港會計師公會於2016年8月頒布的香港財務報告準則第2號之修訂本闡述三大範疇：歸屬條件對計量以股份為基礎的現金結算付款交易的影響；為僱員履行其以股份為基礎付款的稅務責任而預扣若干金額的以股份為基礎付款交易(附有淨額結算特質)的分類；以及對以股份為基礎付款交易的條款及條件作出修訂令其分類由現金結算變為權益結算的會計處理方法。該等修訂明確說明計量以股份為基礎的權益結算付款時歸屬條件的入賬方法亦適用於以股份為基礎的現金結算付款。該等修訂引入一個例外情況，在符合若干條件時，為僱員履行稅務責任而預扣若干金額的以股份為基礎付款交易(附有淨額結算特質)，將整項分類為以股份為基礎的權益結算付款交易。此外，該等修訂明確說明，倘以股份為基礎的現金結算付款交易的條款及條件有所修訂，令其成為以股份為基礎的權益結算付款交易，該交易自修訂日期起作為以權益結算的交易入賬。採納修訂時，實體須在不重述過往期間的情況下應用該等修訂，惟倘彼等選擇採納全部三項修訂，且符合其他準則，則可獲准作出追溯應用。本集團將自2018年4月1日起採納該等修訂。該等修訂預期不會對本集團財務報表產生任何重大影響。

31 March 2018 2018年3月31日

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 April 2018. The Group will not restate comparative information and will recognize any transition adjustments against the opening balance of equity at 1 April 2018. During the year, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarized as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognized.

2.3 已頒布但尚未生效的香港財務報告準則(續)

於2014年9月，香港會計師公會頒布香港財務報告準則第9號的最終版本，將金融工具項目的所有階段集於一起以代替香港會計準則第39號及香港財務報告準則第9號的全部先前版本。該準則引入分類及計量、減值及對沖會計處理的新規定。本集團將自2018年4月1日起採納香港財務報告準則第9號。本集團不會重述比較資料，而會確認對2018年4月1日權益年初結餘的任何過渡性調整。於本財年內，本集團已詳細評估採納香港財務報告準則第9號的影響。涉及分類及計量以及減值規定的預期影響概述如下：

(a) 分類及計量

本集團預期採納香港財務報告準則第9號不會對其金融資產的分類及計量造成重大影響。本集團預期繼續按公平值計量現時按公平值計量的所有金融資產。現時持作出售的股本投資將按公平值透過其他全面收益計量，此乃由於該等投資擬於可見未來持有，且本集團預期選擇於其他全面收益呈列公平值變動。該等投資終止確認時，於其他全面收益表列賬的股本投資收益及虧損不得重新計入損益。

31 March 2018 2018年3月31日

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)
(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortized cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months. The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the impairment assessment of its financial assets.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 已頒布但尚未生效的香港財務報告準則(續)
(b) 減值

香港財務報告準則第9號規定，按攤銷成本或公平值計入其他全面收益的債務工具、應收租金、貸款承諾及並非根據香港財務報告準則第9號按公平值計入損益的財務擔保合約的減值，須基於12個月或整個期間的預期信貸虧損模型入賬。本集團將應用簡化方法，將基於所有現金缺口的現值估計的整個期間預期虧損，在其所有應收貿易賬款的餘下年期內入賬。此外，本集團將應用一般方法，將基於未來12個月內其他應收賬款的可能違約事件估計的12個月預期信貸虧損入賬。本集團預期採納香港財務報告準則第9號不會對其金融資產的減值評估有重大影響。

香港財務報告準則第10號及香港會計準則第28號(2011年)之修訂本針對香港財務報告準則第10號及香港會計準則第28號(2011年)的規定於處理投資者與其聯營公司或合營企業之間的資產出售或注資時的不一致性。該等修訂規定投資者與其聯營公司或合營企業之間的資產出售或注資構成一項業務時，須全數確認盈虧。至於涉及不構成業務的資產的交易，交易產生的盈虧於投資者的損益確認，惟僅以非關連投資者於該聯營公司或合營企業的權益為限。該等修訂將以未來適用基準應用。香港會計師公會於2016年1月取消香港財務報告準則第10號及香港會計準則第28號(2011年)之修訂本先前的強制性生效日期，新的強制性生效日期將於對聯營公司及合營企業之會計處理的更全面檢討完成後釐定。然而，該等修訂現時可予採納。

31 March 2018 2018年3月31日

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognizing revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgments and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licenses of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognize the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 April 2018. The expected changes in accounting policies, as further explained below, will have a material impact on the Group's financial statements from 2018 onwards. During the year, the Group has performed a detailed assessment on the impact of the adoption of HKFRS 15.

2.3 已頒布但尚未生效的香港財務報告準則(續)

於2014年7月頒布的香港財務報告準則第15號訂立新五步驟模型，以將來自客戶合約的收入列賬。根據香港財務報告準則第15號，收入按反映實體預期向客戶交付貨品或服務而有權換取的代價金額確認。香港財務報告準則第15號的原則為計量及確認收入提供更有條理的方法。該項準則亦引入大量定性及定量披露規定，包括分拆總收入、有關履約責任的資料、合約資產及負債賬目結餘於各期間的變動以及主要判斷及估計。該項準則將取代香港財務報告準則的所有現行收入確認規定。首次應用該準則時，需按全面追溯基準或經修訂追溯基準應用。於2016年6月，香港會計師公會頒布香港財務報告準則第15號修訂本，以應對有關識別履約責任、委託人及代理人的應用指引及知識產權許可，以及過渡的實行問題。該等修訂亦旨在確保實體更貫徹一致地應用香港財務報告準則第15號，並減低應用該準則的成本及複雜程度。本集團計劃採納香港財務報告準則第15號的過渡性條文，以將首次採納的累計影響確認為對2018年4月1日期初保留利潤結餘的調整。此外，本集團計劃僅對2018年4月1日前尚未完成的合約採納新規定。本集團預期，於2018年4月1日因首次採納香港財務報告準則第15號而將作出的過渡性調整並不重大。然而，會計政策的預期變動(詳情於下文闡釋)將對本集團2018年起的財務報表造成重大影響。於本財年，本集團已對採納香港財務報告準則第15號的影響作出詳細評估。

31 March 2018 2018年3月31日

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

The Group's principal activities consist of property development, property investment, property management and E-commerce. The expected impacts arising from the adoption of HKFRS 15 on the Group are summarized as follows:

(a) Sale of completed properties

During the year and in prior years, the Group accounted for sales of completed properties when the significant risks and rewards of ownership of the properties were transferred to the purchasers, which is when the construction of the relevant properties has been completed and the properties have been delivered to the purchasers pursuant to the sales agreement, and the collectability of related receivables is reasonably assured. Under HKFRS 15, for the sale of completed properties, the control of the property is transferred at a point in time, and revenue is recognized when the customer obtains the physical possession or the legal title of the completed property and the Group has present rights to payment and the collection of the consideration is probable. The Group has determined that when HKFRS 15 is adopted, there would be no impact on the revenue recognition from the sale of completed properties based on the current contracts terms.

For contract where the period between the payment by the customer and the transfer of the promised property or service exceeds one year, the transaction price is adjusted for the effects of a significant financing component. The transaction price is determined by discounting the amount of promised considerations. The Group uses the same discount rate that it would use if it were to enter into a separate financing transaction with the customer. The discount rate reflects the credit characteristics of the borrower in the arrangement. The Group has determined that when HKFRS 15 is adopted, there would be no significant impact on the amount of revenue from sale of completed properties.

2.3 已頒布但尚未生效的香港財務報告準則(續)

本集團的主要業務包括物業開發、物業投資、物業管理及電子商貿。採納香港財務報告準則第15號對本集團造成的預計影響概述如下：

(a) 銷售已竣工物業

於本年度及過往年度，當物業的重大風險及擁有權回報轉移予買家時，即相關物業已完成建設且根據銷售協議交付予買家，且可合理保證能收回相關應收款項時，本集團會將已竣工物業的銷售入賬。根據香港財務報告準則第15號，對於在某一時點轉移物業控制權的已竣工物業銷售而言，收入於客戶取得已竣工物業的實物擁有權或法定業權，且本集團獲得現時收款權且很可能收取代價時確認。本集團認為，採納香港財務報告準則第15號時，按照現有合約條款，銷售已竣工物業的收入確認將不會受影響。

就客戶付款與轉移已承諾物業或服務之間的期限超過一年的合約，交易價格會就重大融資部分的影響作出調整。交易價格乃貼現已承諾代價金額後釐定。本集團所使用的貼現率為與客戶訂立個別融資交易時將使用的相同貼現率。貼現率反映該安排中借款人的信貸特徵。本集團預期採納香港財務報告準則第15號對本集團銷售物業收益並無重大影響。

31 March 2018 2018年3月31日

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

(a) Sale of completed properties (Continued)

Under HKFRS 15, incremental costs of obtaining contracts (i.e., costs that would not have been incurred if the contract had not been obtained) are recognized as contract assets if they are recoverable and subsequently amortized on a systematic basis consistent with the pattern of transfer of the services to which the asset is related when the related revenue is recognized. Recovery can be direct (i.e., through reimbursement under the contract) or indirect (i.e., through the margin inherent in the contract). Upon the adoption of HKFRS 15, sale commissions that are directly related to sales achieved during a time period would represent incremental costs that would require capitalization and amortized when the related revenue is recognized. The Group has determined that when HKFRS 15 is adopted, there would be no significant impact on the profit or loss of the Group.

(b) Presentation and disclosure

The presentation and disclosure requirements in HKFRS 15 are more detailed than those under the current HKAS 18. The presentation requirements represent a significant change from current practice and will significantly increase the volume of disclosures required in the Group's financial statements.

2.3 已頒布但尚未生效的香港財務報告準則(續)

(a) 銷售已竣工物業(續)

根據香港財務報告準則第15號，倘取得合約的增量成本(即未能取得合約時不會產生的成本)可收回，則確認為合約資產，其後按照符合於確認相關收入時與資產有關的服務轉移模式有系統地攤銷。補償可為直接(即根據合約作出補償)或間接(即合約固有的利潤)。採納香港財務報告準則第15號後，於某一期間所完成銷售直接相關的銷售佣金，須於確認相關收入資本化及攤銷的增量成本。本集團預期採納香港財務報告準則第15號對本集團損益表並無重大影響。

(b) 呈列及披露

香港財務報告準則第15號的呈列及披露規定較現有香港會計準則第18號所規定者更為詳盡。呈列規定要求大幅改變現有慣例，並將大幅增加須在本集團財務報表作出的披露量。

31 March 2018 2018年3月31日

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

(b) Presentation and disclosure (Continued)

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 April 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 42 to the financial statements, as at 31 March 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK\$293,355,000. Upon adoption of HKAS 16, certain amounts included therein may need to be recognized as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognized, including, but not limited to, any amounts relating to leases of low-value assets and short-term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.3 已頒布但尚未生效的香港財務報告準則(續)

(b) 呈列及披露(續)

於2016年5月頒布的香港財務報告準則第16號取代香港會計準則第17號「租賃」、香港(國際財務報告詮釋委員會)－詮釋第4號「釐定安排是否包括租賃」、香港(準則詮釋委員會)－詮釋第15號「經營租賃優惠」及香港(準則詮釋委員會)－詮釋第27號「評估涉及租賃法律形式交易的內容」。該準則載列確認、計量、呈列及披露租賃的原則，並要求承租人就大多數租賃確認資產及負債。該準則包括給予承租人兩項確認豁免低價值資產租賃及短期租賃。於租賃開始日期，承租人將確認於租賃期作出租賃付款為負債(即租賃負債)及代表可使用相關資產的權利為資產(即有使用權資產)。除非有使用權資產符合香港會計準則第40號投資物業的定義，或與重估模式適用的物業、廠房及設備類別相關，否則有使用權資產其後按成本減累計折舊及任何減值虧損計量。租賃負債其後會就反映租賃負債利息而增加及因租賃付款而減少。承租人將須分別確認租賃負債的利息開支及有使用權資產的折舊開支。承租人亦須於若干事件發生時重新計量租賃負債，例如租賃期變更或用於釐定該等付款的一項指數或比率變更而引致未來租賃付款變更。承租人一般將重新計量租賃負債的數額確認為有使用權資產的調整。香港財務報告準則第16號大致沿用香港會計準則第17號內出租人的會計處理方式。出租人將繼續使用與香港會計準則第17號相同的分類原則對所有租賃進行分類，並將之分為經營租賃及融資租賃。香港財務報告準則第16號要求承租人及出租人作出較香港會計準則第17號更為詳盡的披露。承租人可選擇以全面追溯基準或經修訂追溯基準應用該準則。本集團預期自2019年4月1日起採納香港財務報告準則第16號。本集團目前正評估採納香港財務報告準則第16號的影響，並正考慮是否選擇得益於可得的實際權宜之舉，以及將採納的過渡性方案及寬免。誠如財務報表附註42披露，於2018年3月31日，本集團根據不可撤銷經營租賃的未來最低租賃付款合共約為293,355,000港元。於採納香港財務報告準則第16號後，當中計入的若干金額或需確認為新有使用權資產及租賃負債。然而，本集團仍需作出進一步分析，以釐定將確認的新有使用權資產及租賃負債金額，包括但不限於有關租賃低價值資產及短期租約、所選擇的其他實際權宜之舉及寬免，以及於採納日期前訂立的新租約的任何金額。

31 March 2018 2018年3月31日

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

Amendments to HKAS 40, issued in April 2017, clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to the changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at the date that it first applies the amendments and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application is only permitted if it is possible without the use of hindsight. The Group expects to adopt the amendments prospectively from 1 April 2018. The Group has assessed that the amendments would not have any significant impact on the Group's financial statements.

HK(IFRIC)-Int 22, issued in June 2017, provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognizes a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognizes the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognizing the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. Entities may apply the interpretation on a full retrospective basis or on a prospective basis, either from the beginning of the reporting period in which the entity first applies the interpretation or the beginning of the prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation. The Group expects to adopt the interpretation prospectively from 1 April 2018. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.3 已頒布但尚未生效的香港財務報告準則(續)

於2017年4月頒布的香港會計準則第40號之修訂本澄清實體應將物業(包括在建或發展中物業)轉入或轉出投資物業的時間。該等修訂載述,當物業符合或不再符合投資物業的定義,且有證據顯示用途有變時,即發生用途變更。單單管理層對物業擬定用途的改變,並不會提供用途有變的證據。該等修訂本應按未來適用基準應用於實體首次應用該等修訂本的年度報告期初或之後發生的用途變更。實體應重新評估於首次應用該等修訂本當日已持有的物業分類,並(如適用)將物業重新分類,以反映在該日存在的情況。倘毋須採用事後確認,方可追溯應用。本集團預期自2018年4月1日起以未來適用基準採納該等修訂本。本集團已評估該等修訂將不會對本集團的財務報表產生任何重大影響。

香港(國際財務報告詮釋委員會)一詮釋第22號於2017年6月頒布,就實體以外幣收取或支付預付代價及確認非貨幣性資產或負債的情況下應用香港會計準則第21號時如何釐定交易日期提供指引。該詮釋澄清,就釐定於初步確認有關資產、開支或收入(或其中部分)所用的匯率時,交易日期為實體初步確認因支付或收取預付代價而產生的非貨幣性資產(如預付款項)或非貨幣性負債(如遞延收入)之日。倘確認有關項目前存在多筆預付款或預收款,實體應就預付代價的每筆付款或收款釐定交易日期。實體可按全面追溯基準或未來適用基準應用該詮釋,時間為自實體首次應用該詮釋的報告期初或於實體首次應用該詮釋的報告期財務報表中呈列為比較資料的先前報告期初開始。本集團預期自2018年4月1日起按未來適用基準採納該詮釋。該等詮釋預期不會對本集團的財務報表產生任何重大影響。

31 March 2018 2018年3月31日

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

HK(IFRIC)-Int 23, issued in July 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group’s financial statements.

2.4 Summary of Significant Accounting Policies Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

2.3 已頒布但尚未生效的香港財務報告準則(續)

香港(國際財務報告詮釋委員會)－詮釋第23號於2017年7月頒布，提供倘稅項處理涉及影響香港會計準則第12號的應用的不確定性(通常稱之為「不確定稅務狀況」)，對所得稅(即期及遞延)的會計處理方法。該詮釋不適用於香港會計準則第12號範圍外的稅項或徵稅，尤其亦不包括與不確定稅項處理相關的權益及處罰相關規定。該詮釋具體處理(i)實體是否考慮對不確定稅項進行單獨處理；(ii)實體對稅務機關的稅項處理檢查所作的假設；(iii)實體如何釐定應課稅利潤或稅項虧損、稅基、未動用稅項虧損、未動用稅收抵免及稅率；及(iv)實體如何考慮事實及情況變動。該詮釋須追溯應用(倘毋須採用事後確認，則可全面追溯應用；或追溯應用，則應用的累計影響將作為於首次應用日期的期初權益的調整，而毋須重列比較資料)。本集團預期自2019年4月1日起採納該詮釋。該等詮釋預期不會對本集團的財務報表產生任何重大影響。

2.4 重大會計政策概要於聯營公司的投資

聯營公司為本集團一般擁有不少於20%股本投票權的長期權益，並能對其發揮重大影響力的實體。重大影響力為參與投資對象財政及經營政策決策的權力，但並非控制或共同控制該等政策。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Investments in associates (Continued)

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 重大會計政策概要(續)

於聯營公司的投資(續)

本集團於聯營公司的投資乃按以權益會計法計算之本集團應佔資產淨值減任何減值虧損於綜合財務狀況表內列賬。

倘出現任何不相符的會計政策，即會作出調整加以修正。

本集團應佔聯營公司收購後業績和其他全面收入分別計入綜合損益表及綜合其他全面收益內。此外，倘直接於聯營公司的權益確認變動，則本集團會於綜合權益變動表確認其應佔的任何變動(如適用)。本集團與其聯營公司進行交易而出現的未實現利益及虧損會互相抵銷，金額以本集團於聯營公司的投資為限，但如果未實現虧損證明所轉讓資產發生減值則除外。收購聯營公司產生的商譽計入本集團於聯營公司的投資的一部分。

倘於聯營公司的投資變為於合營企業的投資或出現相反情況，則不會重新計量保留權益。反之，該投資繼續根據權益法入賬。在所有其他情況下，對聯營公司失去重大影響力或對合營企業失去共同控制後，本集團按其公平值計量及確認任何保留投資。於失去重大影響力或共同控制後聯營公司的賬面值與保留投資及來自出售所得款項之公平值之間的差額於損益內確認。

當聯營公司的投資被視為持作銷售，將會以香港財務報告準則第5號持作待售之非流動資產及非持續業務計量。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

2.4 重大會計政策概要(續)

業務併購及商譽

業務併購乃使用收購法入賬。所轉讓之代價乃以收購日期之公平值計量，該公平值為本集團所轉讓之資產於收購日期之公平值、本集團自被收購方之前年度擁有人承擔之負債，及本集團發行以換取被收購方控制權之股權之總和。就各業務合併而言，本集團選擇以公平值或被收購方可識別資產淨值之應佔比例，計算於被收購方中現時屬擁有權權益並賦予其持有人權利可於清盤時按比例分佔資產淨值之非控股權益。非控股權益之所有其他部分按公平值計量。有關收購成本於產生時支銷。

當本集團收購一項業務時，會根據合約條款、於收購日期之經濟環境及相關條件，評估將承接之金融資產及負債，以作出適合之分類及指定用途。此包括將被收購方主合約中之嵌入式衍生工具分開計算。

倘業務併購分階段進行，先前持有股權應按收購日期公平值計入收益表重新計量及任何產生之收益或虧損確認於損益。

由收購方將予轉讓的任何或然代價將按收購日期的公平值確認。分類為資產或負債之或然代價按公平值計量，而公平值變動於損益確認。倘或然代價歸類為權益毋須重新計量，其日後結算於權益列賬。

商譽起初按成本計量，即已轉讓代價、已確認非控股權益及本集團先前持有的被收購方股權之公平值之總和，超逾與所收購可識別資產淨值及所承擔負債的差額。倘此代價及其他項目的總和低於所收購資產淨值的公平值，於評估後其差額將於收益表內確認為議價購買收益。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and held-for-trading investments at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 重大會計政策概要(續)

業務併購及商譽(續)

於初始確認後，商譽按成本減任何累計減值虧損計量。商譽須每年作減值測試，倘有事件發生或情況改變顯示賬面值有可能減值，則會更頻密地進行檢討。本集團於3月31日進行商譽的年度減值測試。為進行減值測試，因業務合併而購入的商譽自購入之日被分配至預期可從合併產生的協同效益中獲益的本集團各個現金產生單位或現金產生單位組別，而無論本集團其他資產或負債是否已分配予該等單位或單位組別。

減值乃通過評估與商譽相關之現金產生單位(或現金產生單位組別)之可收回金額釐定。倘現金產生單位(或現金產生單位組別)之可收回金額低於賬面值時，減值虧損則予以確認。已就商譽確認之減值虧損不得於其後期間撥回。

倘商譽被分配為現金產生單位(或現金產生單位組別)之一部分，而該單位內部分業務被出售，則出售業務相關商譽於釐定出售業務收益或虧損時列入業務之賬面值。在這些情況下出售之商譽根據已出售業務及所保留現金產生單位部分之相對價值計算。

公平值計量

本集團於各報告期末透過損益以公平值計量投資物業及持作買賣投資。公平值為市場參與者於計量日期在有序交易中出售資產所收取的價格或轉讓負債所支付的價格。公平值計量乃假設出售資產或轉讓負債的交易於資產或負債主要市場或(在無主要市場情況下)最具優勢市場進行而作出。主要或最具優勢市場須為本集團可進入之市場。資產或負債的公平值乃基於市場參與者於資產或負債定價所用的假設計量(即假設市場參與者會以最佳經濟利益行事)。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Fair value measurement (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 重大會計政策概要(續)

公平值計量(續)

非金融資產的公平值計量須計及市場參與者透過最大限度使用該資產達致最佳用途，或將該資產出售予將最大限度使用該資產達致最佳用途的其他市場參與者以產生經濟利益的能力。

本集團採納適用於不同情況且具備充分數據以供計量公平值的估值方法，以盡量使用相關可觀察元素及盡量減少使用不可觀察元素。

所有於財務報表計量或披露公平值的資產及負債乃基於對公平值計量整體而言屬重大的最低層輸入數據按以下公平值層級分類：

- 第一級 – 基於相同資產或負債於活躍市場的報價(未經調整)
- 第二級 – 按估值技術計量，而對公平值計量而言屬重大的最低層元素可直接或間接觀察得出
- 第三級 – 按估值技術計量，而對公平值計量而言屬重大的最低層元素不可觀察得出

就按經常性基準於財務報表確認的資產及負債而言，本集團透過於各報告期末重新評估分類(基於對公平值計量整體而言屬重大的最低層元素)確定是否發生不同層級轉移。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 重大會計政策概要(續)**非金融資產減值**

倘有跡象顯示減值存在，或當必須為資產(存貨、金融資產、投資物業及商譽除外)作出年度減值測試時，則會估計資產的可收回金額。資產的可收回金額為資產或現金產生單位的使用價值與其公平值減出售成本兩者的較高者，並就個別資產而釐定，惟不可產生大體上獨立於其他資產或資產組別的現金流入的資產則除外，在此情況下，可收回金額就資產所屬的現金產生單位而釐定。

僅於資產的賬面值超逾其可收回金額時，減值虧損方予確認。評估使用價值時，估計日後現金流量乃使用可反映金額時間值的現行市場評估及該資產特有的風險的稅前折現率折現至現值。減值虧損於其產生期間自收益表與該減值資產功能一致的該等費用類別內扣除。

於各申報日期結束時均評估是否有任何跡象顯示於過往確認的減值虧損可能不再存在或可能已經減少。如該等跡象存在，則會估計可收回金額。僅於用作釐定資產的可收回金額的估計出現變動時，資產(商譽除外)過往確認的減值虧損方可撥回；惟撥回金額不得高於(倘該資產於過往年度未有確認減值虧損)將可釐定的賬面值(扣除任何折舊/攤銷)。有關減值虧損的撥回於產生期間計入損益表，但如該資產按重估金額列賬，則減值損失撥回會根據該重估資產的有關會計政策列賬。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 重大會計政策概要(續)

關連人士

有關人士在下列情況下被視為與本集團有關連：

- (a) 該人士為一名人士或該人士之近親，而該人士：
 - (i) 控制或共同控制本集團；
 - (ii) 對本集團有重大影響力；或
 - (iii) 為本集團或本集團母公司的其中一名主要管理層成員；

或

- (b) 該人士為符合下列任何一項條件之實體：
 - (i) 該實體與本集團屬同一集團之成員公司；
 - (ii) 該實體為另一家實體之聯營公司或合營企業(或另一家實體之母公司、附屬公司或同系附屬公司)；
 - (iii) 該實體與本集團均為同一第三方之合營企業；
 - (iv) 該實體為第三方實體之合營企業，而另一家實體則為該第三方實體的聯營公司；
 - (v) 該實體為就本集團或與本集團有關連之實體之僱員之利益而設之離職後福利計劃；
 - (vi) 該實體受(a)項所識別之人士控制或共同控制；
 - (vii) 於(a)(i)項所識別之人士對該實體有重大影響力或屬該實體(或該實體之母公司)之主要管理層成員之一；及
 - (viii) 實體或實體作為集團任何成員公司其中一部分向本集團或本集團的母公司提供主要管理人員服務。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3% to 9%
Furniture, fixtures and equipment	9% to 18%
Motor vehicles	9% to 18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 重大會計政策概要(續)

物業、廠房和設備及折舊

物業、廠房及設備(除在建工程外)乃按成本減累計折舊及任何減值虧損列賬。物業、廠房及設備項目的成本包括其購買價及使其投入現時運作狀況及將其運往擬定用途地點的任何直接應佔成本。

物業、廠房及設備項目投入使用後所產生的開支，如維修保養費用，通常於產生期間在收益表扣除。在符合確認條件的情況下，大的檢修開支於資產賬面值資本化，作為置換。倘大部分物業、廠房及設備須定期置換，本集團確認該等部分為具備特定可使用年期及據此折舊之個別資產。

折舊乃以直線法於估計可使用年期撇銷各物業、廠房及設備項目的成本至其剩餘價值計算。就此而言使用的主要年率如下：

樓宇	3%至9%
傢俬、裝置及設備	9%至18%
汽車	9%至18%

倘物業、廠房及設備項目的部分有不同的可使用年期，則該項目的成本以合理基準在該等部分之間分配，而各部分將會分開折舊。至少於各財政年結日檢討剩餘價值、可使用年期及折舊方法，並在適當情況下調整。

物業、廠房及設備項目包括初步確認之任何重大部分於出售或預期不會從使用或出售有關項目而取得未來經濟利益時終止確認。於終止確認資產的年度內在損益表確認的任何出售或報廢該等項目的盈虧乃指銷售所得款項淨額與有關資產賬面值的差額。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Property, plant and equipment and depreciation

(Continued)

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the statement of profit or loss.

2.4 重大會計政策概要(續)

物業、廠房和設備及折舊(續)

在建工程指在建中的大廈，以成本減去任何減值虧損列賬，且不予折舊。成本包括直接建築成本及建築期間相關借貸的資本化借貸成本。在建工程於落成及可予使用時，會重新分類至適當的類別，如物業、廠房及設備。

投資物業

投資物業指為賺取租金收入及/或資本增值目的而持有的土地及樓宇權益(包括符合投資物業定義的物業以經營租賃下的租賃權益)，但不包括用作生產或供應貨品或提供服務或行政管理用途；或用作於日常業務過程中出售的土地及樓宇權益。該等物業初步按成本(包括交易成本)計量。初步確認後，投資物業按反映於報告期末市場狀況的公平值列賬。

投資物業公平值變動產生的盈虧，會於產生年度計入損益表。

報廢或出售投資物業產生的任何盈虧，會於報廢或出售的年度在損益表確認。

就投資物業轉撥至業主自用物業或存貨而言，物業日後視作會計處理的成本為用途變更當日的公平值。就將存貨轉為投資物業而言，物業在該日的公平值與其先前賬面值之間的差額於損益表確認。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Properties under development

Properties under development are stated at the lower of cost and net realizable value. Cost comprises the land costs, construction costs, capitalized borrowing costs and other costs directly attributed to such properties during the period of construction.

Properties under development are initially classified as non-current assets and transferred to current assets under the category of properties held for sale when the construction of the relevant properties commences and the construction period of the relevant property development project is expected to complete within normal operating cycle.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalized at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalized finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

2.4 重大會計政策概要(續)

發展中物業

發展中物業按成本值及可變現淨值兩者的較低者列賬。成本包括土地成本、發展開支、借貸成本及其他於建築期間該等物業應佔的直接成本。

起始時發展中物業分類為非流動資產，並於有關物業的建設開始及有關發展項目之預計施工期於正常營運週期內結轉至流動資產中的持作銷售物業。

租賃

凡資產所有權(除法定業權外)的絕大部分回報及風險轉移予本集團，均列為融資租賃。於融資租賃生效時，租賃資產之成本按最低應付租金之現值資本化，並連同承擔(不包括利息部分)入賬，以反映購入及融資情況。根據資本化融資租約持有之資產(包括融資租約項下之預付土地租賃款項)均計入物業、廠房及設備，並於租期與資產之估計可使用年期(以較短者為準)內折舊。有關租賃之融資成本於收益表扣除，以便於租期內按固定比率扣除。

凡資產所有權的絕大部分回報及風險仍歸出租人所有，則有關租賃列為經營租賃。倘本集團為出租人，則本集團根據經營租賃出租的資產計入非流動資產，而經營租賃下的應收租金則以直線法於租賃期內計入損益表。倘本集團為承租人，則經營租賃下的應付租金以直線法於租賃期內在收益表扣除。

經營租賃下的預付土地出租金初步按成本列賬，其後則以直線法於租賃期內確認。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and available-for-sale financial investments, or loans and receivables. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading. Financial assets are classified as held-for-trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other income and gains. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognized in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2.4 重大會計政策概要(續)

投資及其他金融資產

初次確認及計量

金融資產於初始確認時分類為以公平值列值計入損益表的金融資產及可供出售金融投資，或貸款及應收賬款。金融資產於初次確認時以公平值及收購金融資產應佔交易成本計量，惟以公平值列值計入損益表的金融資產除外。

所有金融資產常規買賣均於交易日確認，即本集團承諾購買或出售該項資產的日期。常規買賣乃指需按法規規定或市場慣例在一定期間內轉移資產的金融資產買賣交易。

其後計量

金融資產的其後計量視其以下分類而定：

透過損益以公平值列賬的金融資產

透過損益以公平值列賬之金融資產，包括持作買賣的金融資產。倘金融資產的收購目的為於短期內出售，則分類為持作買賣。

透過損益以公平值列賬之金融資產於財務狀況表按公平值列賬，而公平值之正變動淨額列為其他收入及收益。該等公平淨值變動並未包括根據下文「收入確認」所載政策確認的該等金融資產的任何股息或所賺取的利息。

僅當符合香港會計準則第39號的條件時，在初步確認時指定為按公平值計入損益的金融資產方於初步確認日期指定。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Investments and other financial assets (Continued)**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognized in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held-for-trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investments revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the statement of profit or loss as other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investments revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 重大會計政策概要(續)**投資及其他金融資產(續)****貸款及應收款項**

貸款及應收款項指具有固定或可確定收回金額但無活躍市場報價的非衍生性金融資產。初步計量後，該等資產其後以實際利率法計算的攤銷成本減去任何減值撥備計量。計量攤銷成本時已考慮到收取時產生的任何折價或溢價，包括構成實際利率一部分的費用或成本。實際利率攤銷計入收益表中的其他收入及收益內。減值產生之虧損在損益表中確認為貸款的融資成本及應收款項的其他開支。

可供出售金融投資

可供出售金融投資指上市及非上市的權益投資及債權證券的非衍生金融資產。分類為可供出售的權益投資即未被分類為持作買賣亦非被指定為公平值計入損益的金融資產。該分類中的債權證券乃以並無具體到期日持有為意圖且根據流動性需要和市場行情變化而出售。

於首次確認後，可供出售金融投資按公平值計量，而有關盈虧確認為其他全面收益中的可供出售投資重估儲備，直至投資終止確認為止，屆時過往在權益入賬的累計盈虧均計入損益表作其他收入，或者直至該投資被確定減值為止，屆時該等投資的累計盈虧將由可供出售投資重估儲備轉撥至損益表作其他收入或虧損。所賺取的利息及股息分別列報為利息收入及股息收入，並根據下文「收入確認」一段所載的政策於綜合收益表中確認為其他收入。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to the statement of profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 重大會計政策概要(續)

投資及其他金融資產(續)

可供出售金融投資(續)

倘基於(a)該項投資的合理公平值估計範圍廣闊或(b)於估計公平值時無法合理評估並使用該範圍內不同估計的可能性而未能可靠衡量非上市權益投資的公平值，則該等投資均按成本減任何減值虧損入賬。

本集團評估可供出售的金融資產以判斷其於短期內出售的能力和意圖是否恰當。當本集團由於市場喪失活躍性而無法交易該金融資產本集團將重分類這些金融資產(極少情況)，僅當實體有能力和意圖在可見將來或到期日持有該金融資產。

當金融資產被分類出可供出售金融資產類別，該等資產任何原計入權益的盈虧須在該投資的剩餘年限內按實際利率法攤銷入損益。任何新攤銷成本與原預期現金流的差異亦須在資產的剩餘年限內按實際利率法予以攤銷。若該資產於其後被確定減值，原計入權益的金額被分類至損益表。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 重大會計政策概要(續)

終止確認金融資產

金融資產(或(如適用)金融資產的一部分或同類金融資產組別的一部分)在下列情況下終止確認(從本集團綜合財務狀況表移除):

- 從資產收取現金流量的權利屆滿時;或
- 本集團已轉讓其收取該項資產所得現金流量的權利,或須根據一項「轉付」安排,有責任在無重大延誤情況下將所收取現金流量悉數付予第三方;及(a)本集團已轉讓該項資產的絕大部分風險及回報,或(b)本集團並無轉讓或保留該項資產的絕大部分風險及回報,但已轉讓該項資產的控制權。

當本集團已轉讓其收取該項資產所得現金流量的權利或已訂立一項轉付安排,會評估其是否保留該項資產所有權的風險及回報以及其程度。倘並無轉讓或保留該項資產的絕大部分風險及回報,且並無轉讓該項資產的控制權,該項資產將按本集團於資產的持續參與而確認入賬。在此情況下,本集團亦確認相關負債。已轉讓的資產及相關負債按反映本集團已保留的權利及責任的基準計量。

持續涉及指本集團就已轉讓資產作出之保證,已轉讓資產乃以該項資產之原賬面值及本集團或須償還之代價數額上限(以較低者為準)計算。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

2.4 重大會計政策概要(續)

金融資產減值

本集團於各報告期末時對資產進行評估，以判斷是否存在客觀證據表明某項金融資產或某組金融資產可能已減值。倘於初步確認資產後發生一個或多個事件，而該事件對該項或該組金融資產的估計未來現金流量所造成的影響乃能夠可靠地估計，即存在減值。減值證據可能包括債務人或一組債務人出現重大財政困難、違約或拖欠利息或本金付款，有面臨破產或進行其他財務重組之可能以及有公開資料表明其預計未來現金流量已出現可計量之減幅，如債務人支付能力或所處經濟環境惡化。

按攤銷成本入賬的金融資產

對於按攤銷成本列賬的金融資產，本集團首先對個別金額屬重大的金融資產單獨評估是否有客觀減值證據，或對個別金額屬不重大的金融資產共同進行評估。倘本集團認定單獨評估的金融資產並不存在客觀減值證據，無論其金額是否重大，亦應當包括具有類似信貸風險特性的金融資產組合內的資產進行集體減值評估。已個別進行減值測試及已確認減值虧損或繼續確認減值虧損的資產不應進行集體減值評估。

已發生減值虧損的金額按該資產的賬面值與所估計未來現金流量(不包括尚未發生的未來信貸虧損)的現值之差額計算。估計未來現金流量的現值按該金融資產的原實際利率(即初始確認時使用的實際利率)折現。

該資產的賬面值乃透過使用撥備賬扣減，而虧損金額則於收益表確認。利息收入應繼續按照計量減值虧損時對未來現金流量進行折現採用的折現率為基準按扣減後的賬面值計算。當未來收回並無實質展望時，則撇銷貸款及應收款項及任何有關撥備，且所有抵押品已變現或轉讓予本集團。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortized cost (Continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of profit or loss, is removed from other comprehensive income and recognized in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is removed from other comprehensive income and recognized in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognized directly in other comprehensive income.

2.4 重大會計政策概要(續)

金融資產減值(續)

按攤銷成本入賬的金融資產(續)

倘在後續期間，確認減值後發生致使估計減值虧損金額增加或減少的事件，則調整撥備賬以增加或減少先前確認的減值虧損。倘撇銷款項其後收回，則收回金額於損益表以其他開支入賬。

可供出售金融投資

對於可供出售金融投資，本集團於各報告期末進行評估，確定是否存在單項投資或一組投資減值的客觀證據。

如果可供出售的資產發生減值，則將按其成本（減去已償還的本金和攤銷額）與當前公平值之間的差額，減去任何以前在損益中確認的減值損失，從其他全面收入轉出並於損益表中確認。

對於分類為可供出售的權益投資，若一項投資的公平值大幅或長期下跌至低於其成本價，即屬客觀減值證據。「大幅」乃相對於投資的成本原值而評估，「長期」相對於公平值低於成本原值的期間。如出現減值證據，累計損失（購入成本與目前公平值的差額，減該項投資先前在損益表中確認的任何減值損失）將從其他全面收入轉出並於損益表中確認。分類為可供出售的權益工具的減值損失，不會在損益表中撥回，減值後公平值如有增加，則直接在其他全面收入確認。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments (Continued)

The determination of what is “significant” or “prolonged” requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, interest-bearing bank and other borrowings, short-term notes, senior notes, medium-term notes, corporate bonds and domestic company bonds.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings, short-term notes, senior notes, medium-term notes, corporate bonds and domestic company bonds are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the statement of profit or loss.

2.4 重大會計政策概要(續)

金融資產減值(續)

可供出售金融投資(續)

何謂「大幅」或「長期」則需運用判斷決定。在作出此項判斷時，本集團評估某項投資的公平價值低於其成本的持續時間或程度，及其他因素。

金融負債

初始確認及計量

金融負債於初始確認時分類為以公平值列值計入損益表的金融負債、或貸款及借貸。

所有金融負債乃按公平值初步確認，而倘為貸款及借貸，則扣除直接計入應佔交易成本。

本集團的金融負債包括貿易及其他應付款項、計息銀行及其他借貸、短期融資券、優先票據、中期票據、企業債券及境內公司債券。

其後計量

金融負債的其後計量視其以下分類而定：

貸款及借貸

於初步確認後，計息銀行及其他借貸、短期融資券、優先票據、中期票據、企業債券及境內公司債券其後用實際利率法按攤銷成本計量，惟倘貼現影響並不重大，則於該情況下，金融負債按成本列賬。損益乃於負債終止確認時及於實際利率法攤銷過程中於損益表中確認。

攤銷成本乃計算自收購的任何折扣或溢價及屬於實際利率構成部分的費用或成本。實際利率攤銷乃計入損益表中的融資成本內。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Financial liabilities (Continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognized initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognized less, when appropriate, cumulative amortization.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

2.4 重大會計政策概要(續)

金融負債(續)

財務擔保合同

本集團發行的財務擔保合同乃規定於特定債務人未能按照債務票據條款於到期時支付款項時須支付款項以補償持有人所蒙受損失。財務擔保合同初步以公平值確認為負債，並按與發出財務擔保合同有直接關係的交易成本予以調整。在初步確認後，本集團對財務擔保合同的計量以(i)於報告期末時履行有關責任的最佳估計開支金額；及(ii)按初步確認金額減(如適用)累計攤銷，兩者之較高者計算。

終止確認金融負債

當負債項下的責任已解除、取消或期滿，則終止確認金融負債。

如現有金融負債被同一貸款人按條款大部分不同的另一項金融負債取代，或現有負債的條款被大幅修改，有關置換或修改會被視作終止確認原有負債並確認新負債，而其各自賬面值間的差額於損益表確認。

金融工具的抵銷

當目前有可執行法定權利以抵銷已確認金額並擬按淨額基準結算，或將資產變現及償還負債時，金融資產及金融負債會互相抵銷，並在財務狀況表內以淨額列示。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Properties held for sale and held for finance lease

Properties held for sale and held for finance lease include completed properties held for sale and held for finance lease and properties under development expected to be completed within the normal operating cycle. Properties held for sale and held for finance lease are stated at the lower of cost and net realizable value. Cost includes land costs, all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realizable value is determined by reference to the prevailing market prices, on an individual property basis.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 重大會計政策概要(續)

持作銷售及持作融資租賃物業

持作銷售及持作融資租賃物業包括持作銷售及持作融資租賃已落成物業及建築期間預計在正常經營週期內的發展中物業。持作銷售及持作融資租賃物業按成本值及可變現淨值兩者的較低者列賬。成本包括土地成本、所有發展開支、適用的借貸成本及該等物業應佔的其他直接成本。可變現淨值乃參考當前市價按個別物業基準釐定。

存貨

存貨按成本或可變現淨值兩者較低者列賬。成本以先入先出方法釐定，就在製品和製成品而言，成本包括直接材料、直接勞工及適當分攤的經常性費用。可變現淨值按估計售價減任何尚需投入的完成生產及出售的估計成本計算。

現金及現金等價物

就綜合現金流量表而言，現金及現金等價物包括手頭現金及活期存款，以及可隨時轉換為已知金額現金的短期高流動性投資，該筆現金承受價值轉變的較低風險，一般於收購起計三個月內到期，並已減去須應要求償還的銀行透支，而成為本集團現金管理的一部分。

就綜合財務狀況表而言，現金及現金等價物包括手頭現金及銀行存款，當中包括定期存款及性質與現金相類的資產，該等存款用途不受限制。

撥備

撥備乃於本集團因以往的事件導致現行的責任（不論法定或推定）產生，並將有可能需要於日後作出資源流出以履行責任時確認，惟須可靠地估計有關責任的金額。

倘折現的影響重大，確認為撥備的金額則為預期須用作履行責任的日後開支於報告期末的現值。折現的現值因時間流逝而產生的升幅，乃於損益表中列作融資成本。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.4 重大會計政策概要(續)**所得稅**

所得稅包括即期及遞延稅項。於損益以外確認項目相關的所得稅於損益以外之其他全面收入或直接於權益確認。

即期稅項資產和負債按預期可自稅務機關收回或須支付予稅務機關的金額，基於報告期末時已頒布或實際已頒布的稅率(和稅法)，計及本集團營運所在國家現行詮釋及慣例計量。

在報告期末時，資產與負債的稅基與作為財務報告用途的資產與負債賬面值之間的全部暫時性差異，須按負債法計提遞延稅項撥備。

所有應課稅暫時性差異均確認為遞延稅項負債，惟下列各項除外：

- 倘若遞延稅項負債的起因，是由於商譽而產生，或在一宗非屬業務合併的交易中初步確認資產或負債，而於進行交易時，對會計利潤或應課稅利潤或虧損均無影響；及
- 對於與於附屬公司及聯營公司的投資的權益有關的應課稅暫時性差異而言，倘若撥回暫時性差異的時間可以控制，而暫時性差異不甚可能在可見將來撥回。

對於所有可扣減暫時性差異、結轉未動用稅項抵免及任何未動用稅項虧損，若日後有可能出現應課稅利潤，可用以抵銷該等可扣減暫時性差異、結轉未動用稅項抵免及未動用稅項虧損，則遞延稅項資產確認入賬，惟下列各項除外：

- 倘若有關可扣減暫時性差異的遞延稅項資產的起因，是由於在一宗非屬業務合併的交易中初步確認資產或負債，而於進行交易時，對會計利潤或應課稅利潤或虧損均無影響；及

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Income tax (Continued)

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge or over the benefits received by the Group related to such assets.

2.4 重大會計政策概要(續)

所得稅(續)

- 對於與於附屬公司及聯營公司的投資的權益有關的可扣減暫時性差異而言，只有在暫時性差異有可能在可見將來撥回，而且日後有可能出現應課稅利潤，可用以抵銷該等暫時性差異時，方會確認遞延稅項資產。

遞延稅項資產的賬面值，在各報告期末時予以審閱，若不再可能有足夠應課稅利潤可用以抵扣全部或部分遞延稅項資產，則扣減遞延稅項資產賬面值。過往未予確認的遞延稅項資產於各報告期末時重新評估，而在可能有足夠應課稅利潤可用以抵扣全部或部分遞延稅項資產，則確認過往未予確認的遞延稅項資產。

變現資產或清償負債的期間預期適用的稅率，會用作計量遞延稅項資產及負債，並以報告期末時已經頒布或實際已經頒布的稅率(及稅法)為基準。

當及僅當本集團有法定可強制執行權力抵銷即期稅項資產及即期稅項負債，而遞延稅項資產及遞延稅項負債與同一稅務當局向同一應課稅實體或不同應課稅實體徵收之所得稅有關，且計劃在預期有重大金額的遞延稅項負債或資產須予清償或收回的每個未來期間，按淨額基準清償即期稅項負債及資產，或同時變現該資產及清償該負債，將抵銷遞延稅項資產及遞延稅項負債。

政府補助

政府補助於合理地確保本集團將取得該補助並將可符合所有隨附條件時按公平值確認。與開支項目有關的補助，則有系統地於擬作成本開銷期間確認為收入。

當該補助與資產有關時，則以其公平值記錄於遞延收入中，再於有關資產之預計可使用年期內，分期每年分攤計入損益表，或在資產之賬面值扣除，並以扣減折舊費用方式或本集團從該資產得到的得益之攤分方式計入損益表。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) finance lease income, when the significant risks and rewards incidental to ownership of the properties have been transferred to the lessee;
- (d) property management service and other revenue, when the services have been rendered;
- (e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;
- (f) income from outlet operations, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold, or when the services have been rendered; and
- (g) income from E-commerce and the provision of logistics and warehousing services, when the services have been rendered.

2.4 重大會計政策概要(續)**收入確認**

收入乃於經濟利益有可能流入本集團，並能夠可靠地計量收入之時，按下列基準確認：

- (a) 來自銷售物業的收入，於所有權的重大風險及回報已轉移予買家，而本集團並不保留通常與所有權有關的管理權或對已售物業的有效控制；
- (b) 租金收入，在租賃期內按時間比例基準；
- (c) 融資租賃收入，當物業擁有權相關的主要風險及回報已轉移予承租人；
- (d) 物業管理服務及其他收入，於提供服務時；
- (e) 利息收入，以計提基準，於金融工具的預期年期或較短期間(如適用)內採用實際利息法按估計未來現金收入準確折現至金融資產賬面淨額的折現率；
- (f) 奧特萊斯運營收入，於所有權的重大風險及回報已轉移予買家，而本集團並不保留通常與所有權有關的管理權或對已售貨品的有效控制或於提供服務時；及
- (g) 電子商貿及提供物流倉儲服務收入，於提供服務時。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in note 37 to the financial statements.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Where an equity-settled award is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the canceled award, and is designated as a replacement award on the date that it is granted, the canceled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 重大會計政策概要(續)

以股份形式付款

本公司營運購股權計劃，向為本集團業務成就作出貢獻的合資格參與者提供獎勵及報酬。本集團僱員(包括董事)按以股份形式付款方式收取薪酬，僱員以提供服務作為權益工具的代價(「以權益結算的交易」)。

與僱員之間於2002年11月7日後的以權益結算的交易成本乃參考授出日期的公平值計量。公平值乃由外聘估值師採用適當定價模式釐定，進一步詳情載於財務報表附註37。

權益結算交易之成本在績效及/或服務條件達成之期間，連同權益之相應升幅一併確認。就權益結算交易於各告期間結束時至歸屬日期確認之累計開支，反映歸屬期屆滿之程度以及本集團就最終歸屬之權益工具數目之最佳估計。期內在損益表扣除或計入之金額，指於該期間期初及期終所確認之累計開支變動。

當一項以權益結算的獎勵註銷，會被視作猶如於註銷當日歸屬，及並未就獎勵確認的任何開支將即時確認。此乃包括受本集團或僱員控制的非歸屬條件未能達成的任何獎勵。然而，如一項新獎勵取代一項註銷獎勵，並於授出當日界定為取替的獎勵，如上段所述，註銷及新獎勵兩者會被視為原有獎勵的改動。

尚未行使購股權的攤薄影響用於計算每股盈利時反映為額外股份攤薄。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Share-based payments (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 重大會計政策概要(續)

以股份形式付款(續)

釐定獎勵獲授當日之公平值時，並不計及服務及非市場績效條件，惟在有可能符合條件的情況下，則評估為本集團對最終將會歸屬權益工具數目最佳估計之一部分。市場績效條件反映於獎勵獲授當日之公平值。獎勵之任何其他附帶條件(但不帶有服務要求)視作非歸屬條件。非歸屬條件反映於獎勵之公平值，除非同時具服務及/或績效條件，否則獎勵即時支銷。

因非市場績效及/或服務條件未能達成而最終無歸屬之獎勵並不確認為支出。凡獎勵包含市場或非歸屬條件，無論市場條件或非歸屬條件獲履行與否，而所有其他績效及/或服務條件均獲履行，則交易仍被視為一項歸屬。

當以權益結算的獎勵的條款經修改，倘符合獎勵的原有條款，則會確認最低額度的開支，猶如條款未經修改。此外，就引致以股份形式付款的總公平值上升或以其他方式對僱員有利的任何改動(以改動當日的計量為準)確認開支。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their respective payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 重大會計政策概要(續)

其他僱員福利

退休金計劃

本集團根據強制性公積金計劃條例為其所有香港僱員參與強制性公積金計劃(「強積金計劃」)營運一項定額供款強積金計劃。供款按僱員基本薪金的若干百分比作出，並於根據強積金計劃規則的規定於應付時自收益表扣除。強積金計劃的資產乃與本集團資產分開以獨立管理基金持有。本集團對強積金計劃作出的僱主供款，在供款作出時全數歸屬僱員。

本集團旗下在中國大陸營運的附屬公司的僱員，須參與由地方市政府營運的中央公積金計劃。該等附屬公司須按彼等各自的支薪成本的若干百分比向中央公積金計劃作出供款。供款須按照中央公積金計劃規則的規定於應付時在損益表內扣除。

借貸成本

因收購、建設或生產合資格資產(即須頗長期間準備方可用作其擬定用途或銷售的資產)直接產生的借貸成本，乃作為該等資產的部分成本予以資本化。當資產大致達到擬定用途或銷售時，該等借貸成本則不再予以資本化。待作出合資格資產開支的特定借貸臨時投資所賺取的投資收入於借貸成本資本化時扣除。所有其他借貸成本會於發生當期支銷。借貸成本包括利息及其他由公司借貸資金而產生之費用。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the note 11 to the financial statements.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measures at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

2.4 重大會計政策概要(續)

股息

當末期股息於股東大會上獲股東批准，該等股息則被確認為負債。擬派末期股息於財務報表附註11披露。

外幣

此等財務報表按港元呈列，而港元為本公司的功能貨幣。本集團內各實體決定其本身的功能貨幣，而各實體的財務報表內各項目均使用該功能貨幣計量。本集團實體所入賬的外幣交易初步普遍按交易日期其各自的功能貨幣匯率入賬。以外幣為單位的貨幣資產及負債，乃按報告期末的功能貨幣匯率換算。因結算或換算貨幣項目產生的一切差額乃於損益表入賬。

按外幣的歷史成本計量的非貨幣項目按最初交易當日的匯率換算。按外幣公平值計量的非貨幣項目按釐定公平值當日的匯率換算。換算非貨幣項目產生的收益或虧損乃按與確認該項目的公平值變動產生按公平值的收益或虧損一致的方法處理（即公平值收益或虧損於其他全面收入或損益確認的項目的換算差額，亦分別於其他全面收入或損益確認）。

31 March 2018 2018年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgments and Estimates

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

2.4 重大會計政策概要(續)

外幣(續)

若干海外附屬公司及聯營公司的功能貨幣為港元以外的貨幣。於報告期末時，該等實體的資產及負債按報告期末時的匯率換算為港元，而該等公司的損益表按該年度普遍的平均匯率換算為港元。

所產生的匯兌差額確認為其他全面收入，並累計於匯兌波動儲備。出售海外實體時，在其他全面收入有關該特定海外業務的金額在損益表確認。

就綜合現金流量表而言，海外附屬公司的現金流量按現金流量日期的匯率換算為港元。海外附屬公司於年內經常產生的現金流量則按該年度的加權平均匯率換算為港元。

3. 重大會計判斷及估計

編製本集團財務報表時需管理層作出影響於報告期末的收入、費用、資產及負債及其隨附披露事項以及或然負債之呈報金額的判斷、估計及假設。然而，此等假設及估計的不明朗因素將引致受影響之資產或負債賬面值於將來或作出重大調整。

判斷

在應用本集團的會計政策的過程中，除該等涉及估計者外，管理層已作出下列對財務報表確認的金額有最重大影響的判斷：

經營租賃承擔 – 本集團作為出租人

本集團已就其投資物業組合訂立商業物業租賃。本集團已根據對該等安排的條款及條件作出的評估來釐定，本集團仍保留該等按照經營租賃出租的物業之所有權的所有重大風險及回報。

31 March 2018 2018年3月31日

3. Significant Accounting Judgments and Estimates

(Continued)

Judgments (Continued)

Transfer from properties under development to investment properties

Properties under development are transferred to investment properties when there is a change in use with sufficient evidence. The Group determines whether a change in use has occurred based on an assessment of all relevant facts and circumstances, which include but are not limited to: (a) a business plan that reflects the future rental income generated by the property; (b) the resources to hold and manage an investment property; (c) legal permissibility for the change in use; and (d) the commencement of development if the property requires further development for the change in use. Any excess of fair value over the original carrying amount of such properties at the date of transfer was recognized as current year profit or loss.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgment. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

3. 重大會計判斷及估計(續)

判斷(續)

發展中物業轉移至投資物業

當有充足證明用途轉變時，發展中物業轉移至投資物業。本集團乃基於所有相關事實及情況的評估釐定用途有否轉變，其中包括但不限於：(a) 反映此物業將來產生租金收入的商業計劃；(b) 持有及經營投資物業所需的資源；(c) 容許改變有關用途的法律許可；及(d) 如物業改變用途需其他開發，有關開發需開始進行。於轉移日期該等物業的公平值超出原賬面值的任何金額確認為本年度損益。

投資物業與業主自用物業之間的分類

本集團釐定物業是否符合投資物業的條件，並已制定出一套判斷準則。投資物業是持作賺取租金或資本增值或兩者俱備的物業。因此，本集團考慮物業產生現金流量時是否大體獨立於本集團持有的其他資產。某些物業的部分是為賺取租金或資本增值而持有，而另一部分是為用於生產或供應貨品或服務或作行政用途而持有。倘若此等部分可以分開出售或根據融資租賃分開出租，本集團將把有關部分分開入賬。倘若該等部分無法分開出售，則僅在非主要部分持作生產或供應貨品或服務或作行政用途時，有關物業方會列作投資物業。本集團按基準對個別物業作出判斷，以決定配套服務是否重要，以致物業不符合作為投資物業的條件。

31 March 2018 2018年3月31日

3. Significant Accounting Judgments and Estimates

(Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 March 2018 was HK\$34,128,000 (2017: HK\$34,128,000). Further details are given in note 17.

Estimation of fair value of investment properties

The Group engaged Savills Valuation and Professional Services Limited ("Savills"), an independent professional qualified valuer, to perform the valuation of the Group's investment properties at the end of the reporting period. The carrying amount of investment properties as at 31 March 2018 was HK\$48,135,043,000 (2017: HK\$42,191,542,000). Further details are given in note 14.

Impairment allowances for trade receivables and other receivables

The Group estimates the impairment allowances for trade receivables and other receivables by assessing the recoverability based on historical recovery of the overdue trade receivables of respective ages and related prevailing market conditions. This requires the use of significant estimates and judgments. Allowances are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, the difference will affect the carrying amounts of trade receivables and other receivables and thus the impairment loss in the period in which the estimate is changed. The Group reassesses the impairment allowance at the end of each reporting period. As at 31 March 2018, the aggregate carrying amounts of trade receivables and other receivables were HK\$2,392,026,000 (2017: HK\$1,897,459,000).

3. 重大會計判斷及估計(續)

估計的不確定因素

有關未來的主要假設以及於報告期末時存在重大風險導致於下一個財政年度對資產及負債的賬面值作出重大調整的其他主要估計不確定因素來源在下文論述。

商譽減值

本集團至少每年釐定商譽是否減值。這需要對獲分配商譽的現金產生單位的使用價值作出估計。估計使用價值時，本集團須對現金產生單位的預期未來現金流量作出估計，亦須選擇適當的折現率以計算該等現金流量的現值。於2018年3月31日，商譽的賬面值為34,128,000港元(2017年：34,128,000港元)。詳情載於附註17。

投資物業公平值估計

本集團委聘獨立專業合資格估值師第一太平戴維斯估值及專業顧問有限公司(「第一太平戴維斯」)進行本集團投資物業於報告期末時的估值。於2018年3月31日，投資物業的賬面值為48,135,043,000港元(2017年：42,191,542,000港元)。詳情載於附註14。

應收貿易賬款及其他應收款項的減值撥備

本集團估計應收貿易賬款及其他應收款項的減值撥備，方法是透過基於不同賬齡的逾期賬款之歷史回收紀錄及相關的現行市況來評估可收回性。此舉需要使用重大估計及判斷。倘事件或情況變動顯示結餘不可收回，則須就應收貿易賬款及其他應收款項作出撥備。倘預計數額與原先估計有所不同，則此差額將影響有關估計變動期間的應收貿易賬款及其他應收款項的賬面值以及減值虧損。本集團於各報告期末時重新評估減值撥備。於2018年3月31日，應收貿易賬款及其他應收款項的賬面總值為2,392,026,000港元(2017年：1,897,459,000港元)。

31 March 2018 2018年3月31日

3. Significant Accounting Judgments and Estimates

(Continued)

Estimation uncertainty (Continued)**Land appreciation tax**

Under the Provisional Regulations on Land Appreciation Tax ("LAT") implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from the transfer of real estate properties in Mainland China with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaging in the property development business in Mainland China are subject to LAT, which has been included in income tax. However, the implementation of these taxes varies amongst various Mainland China cities and the Group has not finalized its LAT returns with various tax authorities. Accordingly, significant judgment is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact the income tax and provisions for land appreciation taxes in the period in which the determination is made.

Withholding tax arising from the distribution of dividends

The PRC New Corporate Income Tax Law, which became effective on 1 January 2008, states that the distribution of dividends by a foreign-invested enterprise established in Mainland China to its foreign investors, from its earnings of 2008 or thereafter, shall be subject to withholding taxes at an applicable rate of 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Further details are given in note 35 to the financial statements.

3. 重大會計判斷及估計(續)**估計的不確定因素(續)****土地增值稅**

根據於1995年1月27日頒布實施的中華人民共和國土地增值稅(「土地增值稅」)暫行條例實施細則，於中國大陸轉讓房地產物業產生的所有收益自1994年1月1日起須按介乎土地增值的30%至60%之累進稅率繳納土地增值稅。土地增值指出售物業所得款項減應課稅開支，包括土地使用權、借貸成本及所有物業開發開支。

本集團附屬公司於中國大陸從事物業開發業務，須繳納土地增值稅(計入所得稅)。然而，中國大陸的不同城市對土地增值稅的實施不盡相同，故本集團並未完成向不同稅務機關申報土地增值稅。因此，有關釐定土地增值及相關稅項須作出重大判斷。於日常業務中釐定的最終稅項金額並不確定。本集團基於管理層之最佳估計確認該等負債。當該等事宜之最終稅項支出與初步列賬之數額出現差異時，該等差額將影響釐定稅項期間之所得稅及土地增值稅撥備。

股息分派產生的預扣稅

新的中國企業所得稅法於2008年1月1日起生效，規定在中國內地成立之外資企業從其於2008年或以後的利潤中向外國投資者派發股息時，須繳納適用稅率為5%或10%的扣繳稅。因此，本集團須為於中國內地成立的附屬公司就2008年1月1日起產生之盈利分派股息而繳納預扣稅。進一步詳情載於財務報表附註35。

31 March 2018 2018年3月31日

3. Significant Accounting Judgments and Estimates

(Continued)

Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognized tax losses as at 31 March 2018 was HK\$545,359,000 (2017: HK\$425,650,000). The amount of unrecognized tax losses as at 31 March 2018 was HK\$1,141,314,000 (2017: HK\$772,673,000). Further details are contained in note 35 to the financial statements.

4. Operating Segment Information

For management purposes, the Group is organized into business units based on their products and services and has five reportable operating segments as follows:

- (a) the property development segment engages in the development of integrated logistics and trade centers and residential and commercial ancillary facilities;
- (b) the property investment segment invests in integrated logistics and trade centers and residential and commercial ancillary facilities;
- (c) the property management segment engages in the management of the Group's developed properties;
- (d) the E-commerce segment engages in the development, operations and maintenance of an E-commerce platform; and
- (e) the "others" segment comprises, principally, the provision of advertising, exhibition, logistics and warehousing services, outlet operations, micro-credit services and other services.

3. 重大會計判斷及估計(續)

估計的不確定因素(續)

遞延稅項資產

僅在可能取得應課稅利潤作扣減虧損的情況下，方確認由所有未動用稅項虧損產生的遞延稅項資產。在釐定可予確認的遞延稅項資產款項時，管理層須根據可能的時間、未來應課稅利潤的水平連同未來稅項計劃策略，作出重大的判斷。於2018年3月31日，有關因稅項虧損而確認的遞延稅項資產的賬面值為545,359,000港元(2017年：425,650,000港元)。於2018年3月31日，未確認的稅項虧損為1,141,314,000港元(2017年：772,673,000港元)。詳情載於財務報表附註35。

4. 經營分部資料

就管理而言，本集團按其產品及服務劃分為不同的業務單位，並具備以下五個可申報營運分部：

- (a) 物業發展分部從事發展綜合物流及商品交易中心及住宅及商業配套設施；
- (b) 物業投資分部投資綜合物流及商品交易中心及住宅及商業配套設施；
- (c) 物業管理分部從事管理本集團的已建成物業；
- (d) 電子商貿分部從事發展、經營及維持電子商貿平台；及
- (e) 「其他」分部基本上包括提供廣告、展覽、物流及倉儲服務、奧特萊斯運營、小額貸款服務及其他服務。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

4. Operating Segment Information (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, fair value gains/(losses) from the Group's financial instruments, head office, corporate expenses and unallocated cost of sales are excluded from this measurement.

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, senior notes, medium-term notes, corporate bonds, domestic company bonds, short-term notes, tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

No geographical segment analysis is presented as the majority of the assets and operations of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risks and returns.

There were no sales to a single customer which amounted to 10% or more of the Group's revenue during the year ended 31 March 2018 (2017: Nil).

4. 經營分部資料(續)

管理層會獨立監察營運分部之業績而作出資源分配決定及評定其表現。分部表現乃根據可呈報分部利潤/(虧損)(即經調整稅前利潤/(虧損))來評估。經調整稅前利潤/(虧損)與本集團稅前利潤計量方式一致，惟利息收入、融資成本、本集團金融工具公平值收益/(虧損)以及總辦事處、公司開支及未分配銷售成本均無計算在內。

分部資產不包括現金及現金等價物及其他未分配總辦事處及公司資產，原因為該等資產按集團整體管理。

分部負債不包括計息銀行及其他借貸、優先票據、中期票據、企業債券、境內公司債券、短期融資券、應付稅項及其他未分配總辦事處及公司負債，原因為該等負債按集團整體管理。

分部間銷售及轉讓乃參考當時向第三方按市價作出銷售的售價進行。

由於本集團的大部分資產及經營均位於中國(被視為處於具類似風險及回報的經濟環境的一個地理位置)，本集團並無呈列地理分部分析。

截至2018年3月31日止年度，並無單一客戶的銷售為本集團收入貢獻10%或以上(2017年：無)。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

4. Operating Segment Information (Continued)

4. 經營分部資料(續)

Year ended 31 March 2018 截至2018年3月31日止年度		Property development 物業發展 HK\$'000 千港元	Property investment 物業投資 HK\$'000 千港元	Property management 物業管理 HK\$'000 千港元	E-commerce 電子商貿 HK\$'000 千港元	Others 其他 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Segment revenue:	分部收入：						
Sales to external customers	對外部客戶銷售	7,385,394	731,716	375,520	245,241	667,499	9,405,370
Intersegment sales	分部間銷售	–	214,403	343,825	174,452	63,391	796,071
		7,385,394	946,119	719,345	419,693	730,890	10,201,441
Elimination of intersegment sales	分部間銷售對銷						(796,071)
Revenue	收入						9,405,370
Segment results before increase in fair value of investment properties	投資物業公平值增加前 分部業績	3,301,780	532,524	145,143	243,293	305,615	4,528,355
Increase in fair value of investment properties	投資物業公平值增加	–	4,378,474	–	–	–	4,378,474
Segment results after increase in fair value of investment properties	投資物業公平值增加後 分部業績	3,301,780	4,910,998	145,143	243,293	305,615	8,906,829
Unallocated cost of sales	未分配銷售成本						(459,176)
Interest income	利息收入						77,945
Fair value losses on held-for-trading investments at fair value through profit or loss, net	透過損益以公平值列賬之 持作買賣投資的公平值虧損 淨額						(4,461)
Unallocated income and gains	未分配收入及收益						783,481
Unallocated expenses	未分配開支						(2,226,382)
Finance costs	融資成本						(294,771)
Profit before tax	稅前利潤						6,783,465
Segment assets	分部資產	40,436,305	56,423,392	167,412	76,789	1,553,674	98,657,572
<i>Reconciliation:</i>	<i>對賬：</i>						
Investments in associates	於聯營公司的投資						142,112
Unallocated assets	未分配資產						12,746,282
Total assets	資產總值						111,545,966
Segment liabilities	分部負債	15,594,034	8,082,782	149,545	272,118	651,634	24,750,113
<i>Reconciliation:</i>	<i>對賬：</i>						
Unallocated liabilities	未分配負債						50,395,099
Total liabilities	負債總額						75,145,212
Other segment information:	其他分部資料：						
Depreciation	折舊	91,370	1,813	448	4,965	23,190	121,786
Corporate and other unallocated amounts	公司及其他未分配金額						8,523
							130,309
Increase in fair value of investment properties	投資物業公平值增加	–	4,378,474	–	–	–	4,378,474
Capital expenditure*	資本開支*	11,411,922	316,592	399	9,019	54,718	11,792,650

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

4. Operating Segment Information (Continued)

4. 經營分部資料(續)

Year ended 31 March 2017 截至2017年3月31日止年度		Property development 物業發展 HK\$'000 千港元	Property investment 物業投資 HK\$'000 千港元	Property management 物業管理 HK\$'000 千港元	E-commerce 電子商貿 HK\$'000 千港元	Others 其他 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Segment revenue:	分部收入：						
Sales to external customers	對外部客戶銷售	6,240,553	699,716	288,822	213,674	395,745	7,838,510
Intersegment sales	分部間銷售	–	92,965	59,450	268,469	71,556	492,440
		6,240,553	792,681	348,272	482,143	467,301	8,330,950
Elimination of intersegment sales	分部間銷售對銷						(492,440)
Revenue	收入						7,838,510
Segment results before increase in fair value of investment properties	投資物業公平值增加前 分部業績	2,925,144	484,560	15,622	213,276	228,499	3,867,101
Increase in fair value of investment properties	投資物業公平值增加	–	4,549,509	–	–	–	4,549,509
Segment results after increase in fair value of investment properties	投資物業公平值增加後 分部業績	2,925,144	5,034,069	15,622	213,276	228,499	8,416,610
Unallocated cost of sales	未分配銷售成本						(356,956)
Interest income	利息收入						71,603
Fair value gains on held-for-trading investments at fair value through profit or loss, net	透過損益以公平值列賬之 持作買賣投資的公平值收益， 淨額						3,770
Unallocated income and gains	未分配收入及收益						650,654
Unallocated expenses	未分配開支						(1,917,949)
Finance costs	融資成本						(275,478)
Profit before tax	稅前利潤						6,592,254
Segment assets	分部資產	31,976,084	43,001,921	71,402	80,726	1,479,843	76,609,976
Reconciliation:	對賬：						
Investments in associates	於聯營公司的投資						82,497
Unallocated assets	未分配資產						12,283,360
Total assets	資產總值						88,975,833
Segment liabilities	分部負債	10,158,100	4,945,321	68,785	310,860	382,242	15,865,308
Reconciliation:	對賬：						
Unallocated liabilities	未分配負債						44,631,134
Total liabilities	負債總額						60,496,442
Other segment information:	其他分部資料：						
Depreciation	折舊	98,238	1,529	376	5,243	17,651	123,037
Corporate and other unallocated amounts	公司及其他未分配金額						14,280
							137,317
Increase in fair value of investment properties	投資物業公平值增加	–	4,549,509	–	–	–	4,549,509
Capital expenditure*	資本開支*	10,715,927	1,745	527	7,853	19,912	10,745,964

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, properties under development and investment properties.

* 資本開支包括物業、廠房及設備、預付土地出租金、發展中物業及投資物業添置。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

5. Revenue, Other Income and Gains/(Losses), and Fair value gains on Investment Properties

Revenue represents the net sales of completed properties, finance lease income, rental income, income from the provision of property management services, E-commerce income and other revenue, net of sales tax and other sales related tax.

An analysis of revenue, other income and gains/(losses) is as follows:

5. 收入、其他收入及收益／(虧損)，及投資物業公平值收益

收入指扣除營業稅後竣工物業銷售淨額、融資租賃收入、租金收入、提供物業管理服務收入、電子商貿收入及其他收入(扣除銷售稅及其他銷售相關稅項)。

收入、其他收入及收益／(虧損)分析如下：

		For the year ended 31 March 截至3月31日止年度	
	Notes 附註	2018 HK\$'000 千港元	2017 HK\$'000 千港元
Revenue	收入		
Sales of properties	物業銷售	7,229,545	5,794,215
Finance lease income	融資租賃收入	155,849	446,338
Rental income	租金收入	731,716	699,716
Property management service income	物業管理服務收入	375,520	288,822
E-commerce income	電子商貿收入	245,241	213,674
Other revenue*	其他收入*	667,499	395,745
		9,405,370	7,838,510
Other income	其他收入		
Interest income	利息收入	77,945	71,603
Government grants**	政府補貼**	783,912	841,427
Others	其他	31,917	50,978
		893,774	964,008
Gains/(losses)	收益／(虧損)		
Gain on disposal of items of property, plant and equipment	處置物業、廠房及設備項目收益	113	—
Fair value (losses)/gains on held-for-trading investments at fair value through profit or loss, net	透過損益以公平值列賬之持作買賣投資的公平值(虧損)／收益，淨額	(4,461)	3,770
Loss on redemption of the 2012 Notes and 2014 Notes	贖回2012年票據及2014年票據之虧損	(89,876)	(178,317)
Gain on purchase of the 2014 Notes	購買2014年票據之收益	—	597
Gain on disposal of subsidiaries	處置附屬公司收益	1,142	—
Exchange gains/(losses), net	滙兌收益／(虧損)，淨額	56,273	(64,031)
		(36,809)	(237,981)
		856,965	726,027
Fair value gains on investment properties	投資物業公平值收益	4,378,474	4,549,509

* Other revenue includes amounts of HK\$354,885,000 (2017: HK\$200,829,000) related to income from outlet operations and HK\$218,066,000 (2017: HK\$161,984,000) related to income from logistics and warehousing services.

** Various government grants have been received from the relevant government authorities to foster and support the development of the relevant projects of the Group in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

* 其他收入已包括奧特萊斯運營收入354,885,000港元(2017年：200,829,000港元)及物流及倉儲服務收入218,066,000港元(2017年：161,984,000港元)。

** 若干政府補貼為相關政府部門給予本集團，以培育及扶持本集團於中國大陸項目的發展。該等補貼沒有未履行之條件或然事件。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

6. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

6. 稅前利潤

本集團的稅前利潤已扣除/(計入)下列各項：

		For the year ended 31 March 截至3月31日止年度	
	Notes 附註	2018 HK\$'000 千港元	2017 HK\$'000 千港元
Cost of properties sold	已售物業成本	4,024,550	3,107,738
Cost of properties held for finance lease	融資租賃物業成本	59,064	207,671
Depreciation	折舊	131,147	138,630
Less: Depreciation capitalized in respect of properties under development	減：就發展中物業的資本化折舊	(838)	(1,313)
		130,309	137,317
Amortization of prepaid land lease payments	預付土地出租金攤銷	28,269	27,020
Minimum lease payments under operating leases in respect of land and buildings and vehicles	土地及樓宇及汽車於經營租賃下的最低租金	11,732	10,008
Auditor's remuneration	核數師薪酬	4,220	4,100
Employee benefit expense (including Directors' remuneration):	僱員福利開支(包括董事薪酬)：		
Wages and salaries*	工資及薪金*	746,465	711,042
Equity-settled share option expense	以權益結算的購股權開支	42,065	30,612
Pension scheme contributions	退休金計劃供款	106,144	104,741
		894,674	846,395
Provision for impairment of trade receivables**	應收貿易賬款減值撥備**	112,134	73,885
Provision for impairment loss of available-for-sale investments**	可供出售金融投資減值撥備**	175,500	—
Gain on disposal of subsidiaries	處置附屬公司收益	(1,142)	—
(Gain)/Loss on disposal of items of property, plant and equipment	出售物業、廠房及設備項目(收益)/虧損	(113)	1,708

* Included an amount of HK\$71,569,000 for the year ended 31 March 2018 (2017: HK\$89,885,000), which was capitalized under properties under development.

** Included in "Other expenses" in the consolidated statement of profit or loss.

* 包括截至2018年3月31日止年度的金額71,569,000港元(2017年：89,885,000港元)，已予以資本化計入發展中物業。

** 計入綜合損益表「其他開支」項內。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

7. Finance Costs

An analysis of finance costs is as follows:

7. 融資成本

融資成本之分析如下：

		For the year ended 31 March 截至3月31日止年度	
		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Interest on bank and other borrowings (including senior notes, medium-term notes, corporate bonds, domestic company bonds and short-term notes)	銀行及其他借貸利息(包括優先票據、中期票據、企業債券、境內公司債券及短期融資券)	2,209,896	2,061,894
Less: Interest capitalized	減：資本化利息	(1,915,125)	(1,786,416)
Total	總計	294,771	275,478

8. Directors' Emoluments

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

8. 董事酬金

根據香港聯交所證券上市規則(「上市規則」)、香港公司條例第383(1)(a), (b), (c)及(f)條及公司(披露董事利益資料)規例第2部，於本年度的董事酬金披露如下：

		For the year ended 31 March 截至3月31日止年度	
		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Fees	袍金	3,591	4,640
Other emoluments:	其他酬金：		
Salaries, allowances, and benefits in kind	薪金、津貼及實物福利	23,602	18,150
Performance-related bonuses*	與表現掛鉤的花紅*	38,642	32,576
Equity-settled share option expense	以權益結算的購股權開支	34,366	12,102
Pension scheme contributions	退休金計劃供款	73	54
		100,274	67,522

* Certain Executive Directors of the Company are entitled to performance based bonus payments which are determined as a percentage of the Group's consolidated net profit attributable to owners of the parent excluding fair value gains on investment properties and related tax effects, provision for impairment loss of available-for-sale investments and loss on redemption of senior notes (in addition to any discretionary bonus (if any)) of the financial year.

* 本公司若干執行董事有權收取按該財政年度的未計投資物業公平值收益及相關稅務影響、可供出售金融投資減值準備和贖回優先票據的虧損的母公司擁有人應佔淨利潤百分比釐定基於表現之花紅(除任何酌情花紅(如有))。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

8. Directors' Emoluments (Continued)

(a) Independent Non-executive Directors

The fees paid to Independent Non-executive Directors during the year were as follows:

		Fees	Equity-settled share option	Total
			expense	
		袍金	以權益結算的 購股權開支	總計
		HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元
2018	2018年			
Leung Kwan Yuen Andrew	梁君彥	380	—	380
Li Wai Keung	李偉強	380	—	380
Hui Chiu Chung	許照中	380	—	380
Yung Wing Ki Samuel	容永祺	380	—	380
		1,520	—	1,520

		Fees	Equity-settled share option	Total
			expense	
		袍金	以權益結算的 購股權開支	總計
		HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元
2017	2017年			
Leung Kwan Yuen Andrew	梁君彥	380	—	380
Li Wai Keung	李偉強	380	—	380
Hui Chiu Chung	許照中	380	—	380
Yung Wing Ki Samuel	容永祺	380	—	380
		1,520	—	1,520

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

8. Directors' Emoluments (Continued)

(b) Executive Directors and Non-executive Directors

8. 董事酬金(續)

(b) 執行董事及非執行董事

		Fees	Salaries, allowances, and benefits in kind	Performance-related bonuses	Equity-settled share option expense	Pension scheme contributions	Total
		袍金	薪金、津貼及實物福利	與表現掛鉤的花紅	以權益結算的購股權開支	退休金計劃供款	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
2018	2018年						
Executive Directors:	執行董事：						
Cheng Chung Hing	鄭松興	-	5,850	15,921	-	18	21,789
Leung Moon Lam*	梁滿林*	-	503	-	-	3	506
Fung Sing Hong Stephen	馮星航	-	6,800	11,941	26,255	18	45,014
Song Chuan*	宋川*	-	9,086	7,700	8,111	17	24,914
Cheng Ka Man Carman*	鄭嘉汶*	-	1,363	3,080	-	17	4,460
		-	23,602	38,642	34,366	73	96,683
Non-executive Directors:	非執行董事：						
Ma Kai Cheung	馬介璋	807	-	-	-	-	807
Sun Kai Lit Cliff*	孫啟烈*	216	-	-	-	-	216
Ma Wai Mo*	馬偉武*	216	-	-	-	-	216
Cheng Tai Po	鄭大報	680	-	-	-	-	680
Leung Moon Lam*	梁滿林*	152	-	-	-	-	152
Lin Ching Hua**	林瓊驊**	-	-	-	-	-	-
		2,071	-	-	-	-	2,071
		2,071	23,602	38,642	34,366	73	98,754

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

8. Directors' Emoluments (Continued)

(b) Executive Directors and Non-executive Directors (Continued)

8. 董事酬金(續)

(b) 執行董事及非執行董事(續)

		Fees	Salaries, allowances, and benefits in kind	Performance-related bonuses	Equity-settled share option expense	Pension scheme contributions	Total
		袍金	薪金、津貼及實物福利	與表現掛鉤的花紅	以權益結算的購股權開支	退休金計劃供款	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
2017	2017年						
Executive Directors:	執行董事：						
Cheng Chung Hing	鄭松興	-	5,850	14,478	-	18	20,346
Leung Moon Lam*	梁滿林*	-	5,500	7,239	-	18	12,757
Fung Sing Hong Stephen	馮星航	-	6,800	10,859	12,102	18	29,779
		-	18,150	32,576	12,102	54	62,882
Non-executive Directors:	非執行董事：						
Ma Kai Cheung	馬介璋	1,080	-	-	-	-	1,080
Sun Kai Lit Cliff*	孫啟烈*	680	-	-	-	-	680
Ma Wai Mo*	馬偉武*	680	-	-	-	-	680
Cheng Tai Po	鄭大報	680	-	-	-	-	680
Lin Ching Hua**	林璟驊**	-	-	-	-	-	-
		3,120	-	-	-	-	3,120
		3,120	18,150	32,576	12,102	54	66,002

* On 4 May 2017, Mr. Leung Moon Lam was re-designated from an Executive Director to a Non-executive Director of the Company, and Mr. Song Chuan and Ms. Cheng Ka Man Carman have been appointed as Executive Director of the Company. On 25 July 2017, Mr. Sun Kai Lit Cliff, Dr. Ma Wai Mo and Mr. Leung Moon Lam have resigned as Non-executive Director of the Company.

** Mr. Lin Ching Hua, a Non-executive Director of the Company, has voluntarily decided not to receive any director's emolument in the future from the Company since his appointment on 28 June 2014, including a director's fee of HK\$380,000 per annum. Apart from this, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

* 於2017年5月4日，梁滿林先生由本公司之執行董事調任為非執行董事，而宋川先生及鄭嘉汶女士獲委任為本公司之執行董事。於2017年7月25日，孫啟烈先生、馬偉武博士及梁滿林先生已辭任本公司之非執行董事。

** 本公司之非執行董事林璟驊先生自願不收取自2014年6月28日上任以後的任何本公司之董事酬金，包括董事酬金380,000港元。除此之外，於本年內無董事放棄或同意放棄酬金的安排。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

9. Five Highest Paid Employees

The five highest paid employees during the year included three (2017: three) Directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the five highest paid employees for the year are as follows:

9. 五位最高薪人士

年內，五位最高薪僱員分別包括三名董事(2017年：三名)，其酬金已載於上文附註8。年內五名最高薪僱員酬金的詳情如下：

		For the year ended 31 March 截至3月31日止年度	
		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	27,690	23,762
Performance-related bonuses	與表現掛鉤的花紅	37,768	37,172
Equity-settled share option expense	以權益結算的購股權開支	36,985	15,099
Pension scheme contributions	退休金計劃供款	89	54
		102,532	76,087

The number of the five highest paid employees whose remuneration fell within the following bands is as follows:

介乎以下範圍的五名最高薪僱員人數如下：

		Number of employees 僱員人數	
		2018	2017
HK\$5,000,001 to HK\$10,000,000	5,000,001港元至10,000,000港元	2	2
HK\$10,000,001 to HK\$20,000,000	10,000,001港元至20,000,000港元	—	1
HK\$20,000,001 to HK\$30,000,000	20,000,001港元至30,000,000港元	2	2
HK\$30,000,001 to HK\$40,000,000	30,000,001港元至40,000,000港元	—	—
HK\$40,000,001 to HK\$50,000,000	40,000,001港元至50,000,000港元	1	—
		5	5

During the year and in prior years, share options were granted to non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosure in note 37 to the financial statements. The fair value of those options, which is recognized in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above five highest paid employees' remuneration disclosures.

年內及以前年度，非董事及最高薪僱員就其向本集團提供之服務而獲授購股權，其進一步詳情載於財務報表附註37。該等購股權的公平值(已於歸屬期間於損益表確認)乃於授出日期釐定，而載於本年度財務報表的金額已包括於上文五名最高薪僱員酬金的披露資料。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

10. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2017: Nil).

Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the provinces in which the Group operates.

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at the statutory rate of 25% (2017: 25%) on their respective taxable income during the year.

The PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures.

The major components of income tax expenses for the year are as follows:

10. 所得稅

年內，於香港產生的估計應課稅溢利乃按16.5% (2017年：16.5%)的稅率計提。年內，由於本集團概無源自香港的應課稅利潤，故並無計提香港利得稅撥備(2017年：無)。

中國大陸的應課稅溢利稅項乃按本集團營運所在省份的現行稅率計提。

根據相關所得稅法，年內，中國附屬公司須就各自應課稅收入按法定稅率25% (2017年：25%)繳納企業所得稅。

中國土地增值稅按30%至60%不等的累進稅率就土地價值(即物業銷售所得款項減包括土地成本、借貸成本及所有物業發展開支在內的可扣減開支)增值徵收。

年內，所得稅開支主要部分如下：

For the year ended 31 March 截至3月31日止年度			
	Note	2018 HK\$'000 千港元	2017 HK\$'000 千港元
	附註		
Current — Mainland China	即期—中國大陸	920,093	535,734
LAT in Mainland China	中國大陸土地增值稅	687,487	499,504
Deferred Mainland China corporate income tax	遞延中國大陸企業所得稅	673,553	1,234,054
Total tax charge for the year	年度稅項支出總額	2,281,133	2,269,292

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

10. Income Tax (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the Group's effective income tax rate is as follows:

10. 所得稅(續)

按法定稅率計算適用於稅前利潤的稅項開支與按本集團本年度實際稅率計算的稅項開支的對賬如下：

		For the year ended 31 March	
		截至3月31日止年度	
		2018	2017
		HK\$'000	HK\$'000
		千港元	千港元
Profit before tax	稅前利潤	6,783,465	6,592,254
Tax at the statutory tax rate of 16.5%	按16.5%法定稅率計算的稅項	1,119,272	1,087,722
Higher tax rates enacted by local authorities	地方機關制定的較高稅率	608,503	561,293
Income not subject to tax	毋須繳稅收入	(54,522)	(4,146)
Expenses not deductible for tax	不可扣稅開支	87,768	150,390
Tax losses utilized from previous years	動用過往年度的稅項虧損	(4,041)	(1,875)
Tax losses not recognized	未確認的稅項虧損	68,017	52,360
LAT	土地增值稅	687,487	499,504
Tax effect of LAT	土地增值稅的稅務影響	(171,871)	(124,875)
Adjustments in respect of current tax of previous years	過往年度稅項調整	723	2,600
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	按本集團的中國附屬公司的可分配利潤而計算預扣所得稅的影響	(60,203)	46,319
Tax charge at the Group's effective rate	按本集團實際稅率計算的稅項支出	2,281,133	2,269,292

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

11. Dividend

11. 股息

For the year ended 31 March
截至3月31日止年度

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Proposed final dividend (with scrip option) — HK5.0 cents per ordinary share (2017: HK5.0 cents per ordinary share)	建議末期股息(附有以股代息選擇權) — 每股普通股5.0港仙(2017年：每股普通股5.0港仙)	400,479	400,316

The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

擬派末期股息須待本公司股東於應屆股東周年大會批准後，方可作實。

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 8,007,198,026 (2017: 8,006,206,931) in issue during the year.

The calculation of the diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

12. 歸屬於母公司普通股權益持有人之每股盈利

每股基本盈利乃根據母公司普通股權益持有人應佔年內利潤及年內已發行8,007,198,026股(2017年：8,006,206,931股)普通股的加權平均數計算。

每股攤薄盈利乃根據母公司普通股權益持有人應佔年內利潤計算。計算所用的普通股加權平均數乃為計算每股基本盈利所用的年內已發行普通股股數，而加權平均普通股數目乃假設行使或轉換所有具潛在攤薄性的普通股為普通股按無償發行。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent (Continued)

The calculations of basic and diluted earnings per share are based on:

12. 歸屬於母公司普通股權益持有人之每股盈利(續)

每股基本及攤薄盈利的計算乃基於：

		For the year ended 31 March 截至3月31日止年度	
		2018 HK\$'000 千港元	2017 HK\$'000 千港元
<u>Earnings</u>	<u>盈利</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	用於計算每股基本及攤薄盈利之母公司普通股權益持有人應佔利潤	4,511,679	4,322,626
		Number of shares 股數	
		2018	2017
<u>Shares</u>	<u>股份</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	用於計算每股基本盈利之年內已發行普通股的加權平均數	8,007,198,026	8,006,206,931
Effect of dilution — weighted average number of ordinary shares:	攤薄影響—普通股加權平均數：		
Share options	購股權	22,635,257	4,562,237
		8,029,833,283	8,010,769,168

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

13. Property, Plant and Equipment

13. 物業、廠房及設備

			Buildings	Furniture, fixtures and equipment	Motor vehicles	Total
			樓宇	傢俬、 裝置及設備	汽車	總計
31 March 2018	2018年3月31日	Notes 附註	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 April 2017:	於2017年4月1日：					
Cost	成本		1,706,052	202,401	83,597	1,992,050
Accumulated depreciation	累計折舊		(339,546)	(141,175)	(56,420)	(537,141)
Net carrying amount	賬面淨額		1,366,506	61,226	27,177	1,454,909
At 1 April 2017, net of accumulated depreciation	於2017年4月1日，已扣除累計折舊		1,366,506	61,226	27,177	1,454,909
Additions	添置		27,891	18,141	4,310	50,342
Transfer from properties under development	轉撥自發展中物業	15	244,017	–	–	244,017
Disposals	出售		(10,857)	(19,004)	(4,084)	(33,945)
Depreciation provided during the year	年度折舊撥備	6	(115,581)	(9,212)	(6,354)	(131,147)
Exchange realignment	匯兌調整		157,200	6,008	2,403	165,611
At 31 March 2018, net of accumulated depreciation	於2018年3月31日，已扣除累計折舊		1,669,176	57,159	23,452	1,749,787
At 31 March 2018:	於2018年3月31日：					
Cost	成本		2,168,145	223,246	91,960	2,483,351
Accumulated depreciation	累計折舊		(498,969)	(166,087)	(68,508)	(733,564)
Net carrying amount	賬面淨額		1,669,176	57,159	23,452	1,749,787

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

13. Property, Plant and Equipment (Continued)

13. 物業、廠房及設備(續)

			Buildings	Furniture, fixtures and equipment	Motor vehicles	Total
			樓宇	傢俬、 裝置及設備	汽車	總計
31 March 2017	2017年3月31日	Notes 附註	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 April 2016:	於2016年4月1日：					
Cost	成本		1,648,029	191,041	95,342	1,934,412
Accumulated depreciation	累計折舊		(257,837)	(116,222)	(53,198)	(427,257)
Net carrying amount	賬面淨額		1,390,192	74,819	42,144	1,507,155
At 1 April 2016, net of accumulated depreciation	於2016年4月1日，已扣除累計折舊		1,390,192	74,819	42,144	1,507,155
Additions	添置		9,392	25,920	3,972	39,284
Transfer from properties under development	轉撥自發展中物業	15	153,687	–	–	153,687
Disposals	出售		(869)	(2,159)	(10,506)	(13,534)
Depreciation provided during the year	年度折舊撥備	6	(99,583)	(32,785)	(6,262)	(138,630)
Exchange realignment	匯兌調整		(86,313)	(4,569)	(2,171)	(93,053)
At 31 March 2017, net of accumulated depreciation	於2017年3月31日，已扣除累計折舊		1,366,506	61,226	27,177	1,454,909
At 31 March 2017:	於2017年3月31日：					
Cost	成本		1,706,052	202,401	83,597	1,992,050
Accumulated depreciation	累計折舊		(339,546)	(141,175)	(56,420)	(537,141)
Net carrying amount	賬面淨額		1,366,506	61,226	27,177	1,454,909

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

13. Property, Plant and Equipment (Continued)

Certain of the Group's buildings with an aggregate carrying value of approximately HK\$732,660,000 as at 31 March 2018 (2017: HK\$416,046,000) were pledged to secure general banking facilities granted to the Group (note 29).

As at 31 March 2018, certificates of ownership in respect of certain buildings of the Group in the PRC with an aggregate carrying value of approximately HK\$1,235,520,000 (2017: HK\$1,091,174,000) had not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates of ownership.

13. 物業、廠房及設備(續)

於2018年3月31日，本集團賬面總值約732,660,000港元(2017年：416,046,000港元)的若干樓宇已抵押作為本集團獲授一般銀行融資的擔保(附註29)。

於2018年3月31日，本集團於中國賬面總值合共約1,235,520,000港元(2017年：1,091,174,000港元)的若干樓宇未獲相關中國機關發出所有權證。本集團正在領取相關所有權證。

14. Investment Properties

14. 投資物業

	Notes 附註	2018 HK\$'000 千港元	2017 HK\$'000 千港元
Carrying amount at the beginning of year		42,191,542	34,814,188
Additions		266,742	263,180
Transfer from properties under development	15	3,149,463	2,591,775
Transfer from completed properties held for sale		1,046,404	2,495,481
Transfer to completed properties held for sale		(7,752,240)	(254,860)
Net gain from a fair value adjustment	5	4,378,474	4,549,509
Exchange realignment		4,854,658	(2,267,731)
Carrying amount at the end of year		48,135,043	42,191,542

The Group's investment properties were revalued on 31 March 2018 by Savills at RMB38,501,874,000 (equivalent to approximately HK\$48,135,043,000) (2017: RMB37,413,800,000 (equivalent to HK\$42,191,542,000)), on an open market, existing use basis.

The Group's investment properties with an aggregate carrying value of approximately HK\$22,399,725,000 as at 31 March 2018 (2017: HK\$21,221,695,000), were pledged to secure general banking facilities granted to the Group (note 29).

The Group's investment properties with an aggregate carrying value of approximately HK\$42,381,123,000 as at 31 March 2018 (2017: HK\$35,866,724,000), are subject to sales restriction (note 1(iv)).

第一太平戴維斯於2018年3月31日重估本集團的投資物業，按公開市場現用途基準的價值為人民幣38,501,874,000元(相等於約48,135,043,000港元(2017年：人民幣37,413,800,000元(相等於約42,191,542,000港元)))。

於2018年3月31日，本集團賬面總值約22,399,725,000港元(2017年：21,221,695,000港元)的投資物業已抵押作為本集團獲授一般銀行融資的擔保(附註29)。

於2018年3月31日，本集團賬面總值約42,381,123,000港元(2017年：35,866,724,000港元)的投資物業受到銷售限制(附註1(iv))。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

14. Investment Properties (Continued)

The Group's investment properties consist of trade centers, commercial and other ancillary facilities in Mainland China. The Group's investment properties were revalued on 31 March 2018 based on valuations performed by Savills, an independent professional qualified valuer, at HK\$48,135,043,000 on an open market, existing use basis. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance department has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

14. 投資物業(續)

本集團的投資物業包括在中國的交易中心、商業及其他配套設施。根據一家獨立專業合資格估值師第一太平戴維斯進行的估值，本集團的投資物業於2018年3月31日的按公開市場現有用途基準重估價值達48,135,043,000港元。本集團的管理層每年決定委任負責對本集團物業進行外部估值的外聘估值師人選。篩選準則包括市場知識、聲譽、獨立性，以及是否維持專業水平。就中期及年度財務報告進行估值時，本集團的財務部與估值師每年就估值假設及估值結果進行兩次討論。

公平值層級

本集團投資物業的公平值計量層級載於下表：

Fair value measurement as at 31 March 2018 using significant unobservable inputs (Level 3) 於2018年3月31日 使用重大不可觀察元素 的公平值計量 (第3級) HK\$'000 千港元	
Recurring fair value measurement for:	就以下各項的經常性公平值計量：
Trade centers, commercial and other ancillary facilities	交易中心、商業及 其他配套設施
	48,135,043

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

14. Investment Properties (Continued)
Fair value hierarchy (Continued)

14. 投資物業(續)
公平值層級(續)

Fair value measurement
as at 31 March 2017
using significant
unobservable inputs
(Level 3)
於2017年3月31日
使用重大不可觀察元素
的公平值計量
(第3級)
HK\$'000
千港元

Recurring fair value measurement for: Trade centers, commercial and other ancillary facilities	就以下各項的經常性公平值計量： 交易中心、商業及 其他配套設施	42,191,542

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2017: Nil).

年內，第1級與第2級之間概無發生公平值計量的轉移，第3級亦無公平值計量轉入或轉出(2017年：無)。

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

以下為投資物業估值所用的估值技術及主要元素的概要：

	Valuation technique 估值技術	Significant unobservable inputs 重大不可觀察元素	Range 範圍	
			As at 31 March 2018 於2018年3月31日	As at 31 March 2017 於2017年3月31日
Trade centers, commercial and other ancillary facilities 交易中心、商業及 其他配套設施	Income capitalization method 收入資本化法	Market unit rental rate (RMB/sq. m./month) 市場單位租金 (人民幣/平方米/月)	27-154	27-149
		Capitalization rate 資本化率	3.00%-8.25%	3.00%-8.25%

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

14. Investment Properties (Continued)

Fair value hierarchy (Continued)

The fair values of investment properties are determined principally using the income capitalization method by capitalizing the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market unit rental rate and negatively correlated to the capitalization rate. For the portions which were under construction, the expended construction costs and the costs that are expected to be expended to complete the properties have also been taken into account in arriving at their fair values.

15. Properties Under Development

14. 投資物業(續)

公平值層級(續)

投資物業公平值主要按收入資本化法釐定，方法是將現有租賃所得的租金收入資本化，並就物業的潛在可復歸收入計提適當撥備。公平值計量與市場租金成正比且與資本化率成反比。就正在建造之部分，在確定公平值時，已支銷的建築成本及完成開發項目預計將支銷的成本亦已被考慮在內。

15. 發展中物業

		Notes	2018 HK\$'000 千港元	2017 HK\$'000 千港元
		附註		
Carrying amount at the beginning of year	年初的賬面值		4,493,810	4,252,854
Additions	添置		11,475,566	10,232,858
Transfer to property, plant and equipment	轉撥至物業、廠房及設備	13	(244,017)	(153,687)
Transfer to investment properties	轉撥至投資物業	14	(3,149,463)	(2,591,775)
Transfer to prepaid land lease payments	轉撥至預付土地出租金	16	(196,745)	(31,564)
Transfer to completed properties held for sale and properties under development	轉撥至已竣工持作銷售物業及發展中持作銷售物業		(9,308,198)	(6,694,359)
Transfer to properties held for finance lease	轉撥至融資租賃物業		—	(282,736)
Exchange realignment	匯兌調整		380,292	(237,781)
Carrying amount at the end of year	年終的賬面值		3,451,245	4,493,810

Certain of the Group's properties under development with an aggregate carrying values of approximately HK\$2,251,941,000 as at 31 March 2018 (2017: HK\$614,012,000), were pledged to secure general banking facilities granted to the Group (note 29).

The government grants of approximately RMB272,491,000 (equivalent to HK\$321,321,000) (2017: RMB1,043,679,000 (equivalent to HK\$1,203,258,000)), which were provided by the local government authorities to support infrastructure construction and development activities in connection with the Group's property development projects and were previously deducted from the additions of properties under development, have been credited to the cost of properties sold during the current year.

於2018年3月31日，本集團賬面總值約2,251,941,000港元(2017年：614,012,000港元)的若干發展中物業已抵押作為本集團獲授一般銀行融資的擔保(附註29)。

約人民幣272,491,000元(相等於321,321,000港元)(2017年：人民幣1,043,679,000元(相等於1,203,258,000港元))由地方政府機關提供，旨在為集團物業發展項目中有關於基礎建設工程及發展活動提供支持的政府補貼，並於以前已在添置發展中物業中扣除，而在年內於已售物業成本扣除。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

16. Prepaid Land Lease Payments

16. 預付土地出租金

		Notes 附註	2018 HK\$'000 千港元	2017 HK\$'000 千港元
Carrying amount at the beginning of year	年初的賬面值		1,173,128	1,019,969
Additions	添置		–	210,642
Transfer from properties under development	轉撥自發展中物業	15	196,745	31,564
Recognized during the year	年內確認	6	(28,269)	(27,020)
Exchange realignment	匯兌調整		135,893	(62,027)
Carrying amount at the end of year	年終的賬面值		1,477,497	1,173,128
Current portion included in prepayments, deposits and other receivables	計入預付款項、按金及其他應收款項的即期部分		(28,269)	(27,020)
Non-current portion	非即期部分		1,449,228	1,146,108

17. Goodwill

17. 商譽

		HK\$'000 千港元
At 31 March 2017 and 31 March 2018:	於2017年3月31日及2018年3月31日：	
Cost	成本	54,194
Accumulated impairment	累計減值	(20,066)
Net carrying amount	賬面淨額	34,128

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

17. Goodwill (Continued)

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to the hotel cash-generating unit and the property leasing operation cash-generating unit for impairment testing.

- Hotel cash-generating unit; and
- Property leasing operation cash-generating unit

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

		Hotel 酒店		Property leasing operation 物業租賃經營		Total 總額	
		2018 HK\$'000 千港元	2017 HK\$'000 千港元	2018 HK\$'000 千港元	2017 HK\$'000 千港元	2018 HK\$'000 千港元	2017 HK\$'000 千港元
Carrying amount of goodwill	商譽賬面值	–	–	34,128	34,128	34,128	34,128

The Group has leased its hotel properties to an independent party. Full impairment loss of HK\$20,066,000 was provided on the goodwill related to the hotel operation of the Group in the previous year.

The recoverable amount of the property leasing operation cash-generating unit is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

The key assumptions adopted on the growth rate and discount rate used in the value-in-use calculation are based on management's best estimates. The growth rate of 5% is determined by considering both internal and external factors relating to the property leasing segment and does not exceed the average long-term growth rate for the relevant industry. The discount rate applied to the cash flow projections is 15%, which is before tax and reflecting specific risks relating to the relevant units.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts of goodwill are based would not cause the carrying amounts of goodwill to exceed their recoverable amounts.

17. 商譽(續)

商譽減值測試

透過業務合併收購的商譽已分配至酒店的現金產生單位及物業租賃經營的現金產生單位作減值測試。

- 酒店的現金產生單位；及
- 物業租賃經營的現金產生單位

分配於各現金產生單位的商譽賬面值如下：

本集團已出租其酒店物業予一個獨立第三方。有關本集團的酒店營運的商譽在以前年度已計提了全部的減值虧損，金額為20,066,000港元。

物業租賃經營的現金產生單位的可收回金額使用價值計算法確定。該計算法使用以高級管理層批准為期五年的財務預算為基準的現金流量預測。

價值計算法中的增長率及貼現率採用的主要假設是以管理層的最佳預測為基準。5%的增長率是考慮有關物業租賃分部的內部及外部因素而確定並不會超過與現金產生單位有關之行業之長期平均增長率。除稅前的現金流量預測的貼現率為15%，及反映現金產生單位特定風險。

管理層相信商譽可收回金額的主要假設，如有任何合理性的可能改變，都不會引致商譽賬面值大於其可收回金額。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

18. Investments in Associates

18. 於聯營公司的投資

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Due from associates	應收聯營公司款項	142,112	82,497

The amounts due from associates included in investments in associates above are unsecured, interest-free and are not expected to be repaid in one year.

計入上述於聯營公司的投資的應收聯營公司款項為無抵押、免息及預期不會在一年內償還。

Particulars of the associates are as follows:

聯營公司詳情如下：

Names 名稱	Place of registration and business 註冊及經營地點	Nominal value of issued and fully paid- up registered capital 已發行及繳足 註冊資本面值	Date of registration 註冊日期	Percentage of equity attributable to the Group as at 31 March 於3月31日 本集團應佔 權益百分比		Principal activities 主要業務
				2018 %	2017 %	
China South Intimex Technology (Shenzhen) Co., Ltd. 華南泰美科技(深圳)有限公司	PRC/Mainland China 中國/中國大陸	RMB10,000,000 人民幣10,000,000元	18 January 2004 18-01-2004	30	30	Website and software development 網站及軟件開發
Harbin Huayilong Fur Market Co., Ltd. 哈爾濱華億龍皮革城有限公司	PRC/Mainland China 中國/中國大陸	RMB21,000,000 人民幣21,000,000元	17 January 2014 17-01-2014	25	25	Property leasing 物業租賃

The associates have a financial year end of 31 December. The consolidated financial statements are adjusted for the material transactions between the associates and the group companies between 1 January and 31 March annually.

聯營公司的財政年度乃截至12月31日止。綜合財務報表就每年1月1日至3月31日期間聯營公司與集團成員公司之間的重大交易作出調整。

The associates have been accounted for using the equity method in these financial statements.

聯營公司乃以權益法於此等財務報表入賬。

The Group has discontinued the recognition of its share of losses of the aforesaid associates because the share of losses of these associates exceeded the Group's interest in the associates and the Group has no obligation to take up further losses. The amounts of the Group's unrecognized share of losses of these associates for the current year and cumulatively were HK\$8,311,000 (2017: HK\$7,280,000) and HK\$39,685,000 (2017: HK\$31,374,000), respectively.

因應佔聯營公司之虧損之超過本集團於聯營公司的投資及本集團並無義務承擔其他虧損，所以本集團已停止確認其對於以上聯營公司的應佔之虧損。本集團於本年度及累計並無確認之應佔聯營公司之虧損金額分別為8,311,000港元(2017年：7,280,000港元)及39,685,000港元(2017年：31,374,000港元)。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

18. Investments in Associates (Continued)

The following table illustrates the aggregate financial information of the Group's associates:

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Assets	資產	15,636	9,270
Liabilities	負債	145,531	94,646
Revenue	收入	9,294	12,941
Loss	虧損	(33,243)	(29,119)

19. Available-for-sale Investments

18. 於聯營公司的投資(續)

下表列示摘錄本集團聯營公司的財務資料概要：

19. 可供出售金融投資

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Unlisted equity investments, net	非上市權益投資，淨額	138	175,512

As at 31 March 2018, unlisted equity investments with a total carrying amount of HK\$138,000 (2017: HK\$175,512,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

由於賬面總值為138,000港元(2017年：175,512,000港元)的可供出售金融投資的合理公平值估計範圍頗大，致使董事認為其公平值不能可靠地計量，故於2018年3月31日按成本減去減值計量。本集團並無意向於不久將來出售此等投資。

During the year, the Group carried out reviews of an unlisted equity investment in Makepolo Inc. which has been persistently making losses. An impairment loss of HK\$175,500,000 in relation to the available-for-sale investment was recognized in "Other expenses" in the consolidated statement of profit or loss (note 6).

於本年度，本集團對於持續虧損的非上市權益投資一馬可波羅進行審視，其可供出售金融投資賬面值175,500,000港元已計提減值撥備並計入綜合損益表「其他開支」項內(附註6)。

20. Other Long-term Receivables

20. 其他長期應收款項

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Finance lease receivables*	融資租賃應收款項*	—	1,105
Other long-term receivables	其他長期應收款項	15,684	4,821
		15,684	5,926

* The balance represents entrusted loans provided by the Group to lessees through Shanghai Pudong Development Bank in connection with the finance lease of its properties. The finance lease receivables, which bear interest at rates ranging from 6.534% to 8.613% per annum, are repayable by monthly installments within 10 years. The carrying amounts of the finance lease receivables approximate to their fair values. The amount of the current portion of the finance lease receivables as at 31 March 2018 was HK\$3,041,000 (2017: HK\$3,438,000) which was included in prepayments, deposits and other receivables (note 25).

* 結餘指本集團就其物業的融資租賃，透過上海浦東發展銀行向承租人提供的委託貸款。融資租賃應收款項按年利率介乎6.534%至8.613%計息，並須於10年內每月分期償還。融資租賃應收款項的賬面值與其公平值相若。於2018年3月31日，融資租賃應收款項的即期部分金額為3,041,000港元(2017年：3,438,000港元)並已計入預付款項、按金及其他應收款項(附註25)。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

21. Deposits Paid for Purchase of Land Use Rights and Property

The balance represents deposits paid for acquisitions of land use rights for parcels of land and property in Mainland China. The carrying amounts of the deposits paid for the purchase of land use rights and property approximate to their fair values.

21. 購買土地使用權及物業支付的按金

該結餘指在中國大陸收購地塊的土地使用權及物業所支付的按金。購買土地使用權及物業支付的按金的賬面值與其公平值相若。

22. Properties Held for Finance Lease and Sale

22. 持作融資租賃及銷售物業

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Completed properties held for finance lease	持作融資租賃物業	333,514	305,240
Completed properties held for sale	持作銷售竣工物業	20,831,313	11,861,981
Properties under development expected to be completed within the normal operating cycle	預期於正常營運週期內竣工的發展中物業	17,276,704	11,985,452
		38,108,017	23,847,433
Properties under development expected to be completed and ready for sale	發展中物業預期竣工及可作銷售	6,954,970	5,452,105
Within one year	一年內	10,321,734	6,533,347
Beyond one year	一年後		
Total	總值	17,276,704	11,985,452

Certain of the Group's properties held for finance lease and properties held for sale with aggregate carrying values of HK\$40,778,000 (2017: Nil) and HK\$6,352,132,000 (2017: HK\$2,922,085,000) at the end of the reporting period, respectively, were pledged to secure general banking facilities granted to the Group (note 29).

於報告期末時，本集團的若干持作融資租賃物業及持作銷售物業賬面總值分別為40,778,000港元(2017：無)及6,352,132,000港元(2017：2,922,085,000港元)已抵押作為本集團獲授一般銀行融資的擔保(附註29)。

23. Inventories

23. 存貨

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Finished goods	成品	177,095	137,555

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

24. Trade Receivables

24. 應收貿易賬款

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Trade receivables	應收貿易賬款	1,598,286	1,534,478
Impairment	減值	(412,908)	(296,250)
		1,185,378	1,238,228

Trade receivables represent sales income, rental receivables and service income receivables from customers which are payable on issuance of invoices or in accordance with the terms of the related sale and purchase agreements. The Group generally allows a credit period of not exceeding 60 days to its customers. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

An aging analysis of the trade receivables based on the payment due date as at the end of the reporting period, net of provision, is as follows:

應收貿易賬款指於出具發票時應收或根據相關買賣協議條款應收客戶的銷售收入、應收租金及服務收入。本集團一般提供不超過60天信貸期予客戶。高級管理層定期審閱逾期結餘。有鑑於此及本集團的應收貿易賬款與大量不同客戶有關，故並無重大集中信貸風險。應收貿易賬款為免息。應收貿易賬款賬面值與其公平值相若。

於報告期末時，根據付款到期日，應收貿易賬款扣除撥備後的賬齡分析如下：

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Within 1 month	1個月以內	716,256	799,741
1 to 2 months	1至2個月	37,059	36,535
2 to 3 months	2至3個月	28,940	38,633
Over 3 months	逾3個月	403,123	363,319
		1,185,378	1,238,228

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

24. Trade Receivables (Continued)

The movements in provision for impairment of trade receivables are as follows:

	Note	2018 HK\$'000 千港元	2017 HK\$'000 千港元
	附註		
Carrying amount at the beginning of year		296,250	238,856
Provision for impairment of trade receivables	6	112,134	73,885
Write-off of trade receivables		(16,102)	–
Exchange realignment		20,626	(16,491)
Carrying amount at the end of year		412,908	296,250

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Neither past due nor impaired	未逾期及未減值	626,433	719,415
Less than 1 month past due	逾期少於1個月	89,823	80,326
1 to 3 months past due	逾期1至3個月	65,999	75,168
Over 3 months past due	逾期3個月以上	403,123	363,319
		1,185,378	1,238,228

Receivables that were neither past due nor impaired and past due but not impaired relate to a large number of diversified customers for whom there was no recent history of default. The Group would not release the property ownership certificates to the buyers before the buyers fully settle the payment.

24. 應收貿易賬款(續)

應收貿易賬款的減值撥備變動如下：

個別或合計均不被視為減值的應收貿易賬款的賬齡分析如下：

未逾期及未減值以及已逾期但未減值的應收款項與大量不同客戶有關，彼等最近並無欠款記錄。在買家全數清償付款前，本集團不會向其發出房產證。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

25. Prepayments, Deposits and Other Receivables

25. 預付款項、按金及其他應收款項

		Note	2018 HK\$'000 千港元	2017 HK\$'000 千港元
Prepayments	預付款項		422,242	413,497
Deposits and other receivables	按金及其他應收款項		1,187,923	649,867
Current portion of finance lease receivables	融資租賃應收款項之 即期部分	20	3,041	3,438
			1,613,206	1,066,802

The financial assets included in the above balances relate to receivables for which there was no recent history of default.

於上述結餘入賬的金融資產最近並無欠款記錄。

26. Held-for-Trading Investments at Fair Value Through Profit or Loss

26. 透過損益以公平值列賬之持作買賣投資

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Listed investment at market value	按市值計算的上市投資	205,966	—

The above listed investment as at 31 March 2018 were classified as held-for-trading upon initial recognition, and designated by the Group as financial assets at fair value through profit or loss since they were acquired or incurred principally for the purpose of selling or repurchasing in the near term.

於2018年3月31日，上述上市投資初步確認時分類為持作買賣，由於收購或產生主要為於短期內銷售或購回，故本集團將其指定為透過損益以公平值列賬的金融資產。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

27. Cash and Cash Equivalents and Restricted Cash

27. 現金及現金等價物及受限制現金

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Cash and bank balances	現金及銀行結餘	10,655,692	10,490,909
Less: Restricted cash*	減：受限制現金*	(2,451,359)	(2,468,889)
Cash and cash equivalents	現金及現金等價物	8,204,333	8,022,020

* Restricted cash mainly comprises: (i) guarantee deposits for the mortgage loan facilities granted by the banks to purchasers of the Group's properties; (ii) guarantee funds of construction projects to meet local authorities' requirements; (iii) certain amounts of pre-sale proceeds from properties placed as guarantee deposits for the construction of related properties; (iv) certain amounts of proceeds from lease of properties which have been placed as guarantee deposits for the borrowings; and (v) pledged deposits to secure general banking facilities granted to the Group.

* 受限制現金主要包括：(i)就購買本集團物業之買家獲銀行授予的按揭貸款融資的保證按金；(ii)建設項目的保證金，以符合當地機關的要求；(iii)物業預售的若干所得款項金額，以作為相關物業建設的保證按金；(iv)租賃物業的若干出租所得款項金額以作為借貸保證的保證按金；及(v)已質押銀行存款作為本集團獲授一般銀行融資擔保。

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to HK\$5,431,388,000 (2017: HK\$4,628,388,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

於報告期末，本集團以人民幣為單位的現金及現金等價物達5,431,388,000港元(2017年：4,628,388,000港元)。人民幣並不可自由兌換為其他貨幣，然而，根據中國大陸的外匯管制條例及結匯、付匯及售匯規定，本集團可以透過獲准進行外匯業務的銀行將人民幣兌換為其他貨幣。

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

存於銀行之現金根據每日銀行存款利率之浮動利率賺取利息。短期定期存款的存款期各異，由一天至三個月不等，視乎本集團即時的現金需求而定，而利息則按各個短期定期存款利率賺取。銀行結餘及受限制現金乃存放於信譽良好且近期並無欠款記錄的銀行。

Certain of the Group's bank deposits with a carrying amount of HK\$255,416,000 as at 31 March 2018 (2017: HK\$450,801,000), were pledged to secure general banking facilities granted to the Group (note 29).

於2018年3月31日，本集團賬面總值為255,416,000港元(2017年：450,801,000港元)的若干存款已抵押作為本集團獲授一般銀行融資的擔保(附註29)。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

28. Trade and Other Payables

28. 貿易及其他應付款項

		Notes 附註	2018 HK\$'000 千港元	2017 HK\$'000 千港元
Other payables and accruals	其他應付款項及應計項目		3,973,463	2,069,844
Notes payable	應付票據	(i)	607,291	604,917
Deposits and receipts in advance	按金及預收款項		13,102,175	8,099,540
Construction fee and retention payables	應付建築費用及保留金	(ii)	5,124,825	5,988,917
			22,807,754	16,763,218

- (i) An aging analysis of the Group's notes payable presented based on the invoice date at the end of the reporting period is as follows:

- (i) 於報告期末本集團基於發票日之應付票據的賬齡分析如下：

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
1 to 3 months	1至3個月	–	50,264
Over 3 months	超過3個月	607,291	554,653
		607,291	604,917

- (ii) An aging analysis of the construction fee and retention payables as at the end of the reporting period is as follows:

- (ii) 於報告期末建築費用及保留金應付款項的賬齡分析如下：

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Within 1 year	1年內	4,147,578	5,595,795
Over 1 year	超過1年	977,247	393,122
		5,124,825	5,988,917

The construction fee and retention payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

應付建築費用及保留金為免息及須於一般業務週期或應要求償還。

The other payables are non-interest-bearing.

其他應付款項為免息。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

29. Interest-Bearing Bank and Other Borrowings

29. 計息銀行及其他借貸

		2018			2017		
		Effective interest rate (%) 實際利率 (%)	Maturity 到期	HK\$'000 千港元	Effective interest rate (%) 實際利率 (%)	Maturity 到期	HK\$'000 千港元
Current	即期						
Bank and other borrowings – unsecured	銀行貸款 – 無抵押	4.79%–6.50% HIBOR+ 2.5%	2018–2019	906,581	4.35%–5.66%	2017–2018	1,930,622
Bank and other borrowings – secured	銀行貸款 – 有抵押	4.08%–7.00%	2018–2019	1,574,490	4.79%–5.22%	2017–2018	806,306
Current portion of long term bank and other borrowings:	長期銀行及其他借貸的 即期部分：						
Bank and other borrowings – unsecured	銀行貸款 – 無抵押	5.15%–5.70%	2018–2019	325,052	4.55%–5.70%	2017–2018	592,043
Bank and other borrowings – secured	銀行貸款 – 有抵押	4.75%–8.50%	2018–2019	4,292,381	4.41%–6.18%	2017–2018	3,713,654
				7,098,504			7,042,625
Non-current	非即期						
Bank and other borrowings – unsecured	銀行貸款 – 無抵押	5.15%–5.70%	2020	81,264	4.55%–5.70%	2018–2020	310,118
Bank and other borrowings – secured	銀行貸款 – 有抵押	4.75%–9.00%	2019–2027	8,918,437	4.41%–6.18%	2018–2025	6,059,719
				8,999,701			6,369,837
				16,098,205			13,412,462

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Analyzed into:	分析列為：		
Bank loans repayable:	須於以下期間償還的 銀行貸款：		
Within one year or on demand	一年內或應要求	7,098,504	7,042,625
In the second year	第二年	3,702,696	3,571,816
In the third to fifth years, inclusive	第三至第五年 (包括首尾兩年在內)	4,505,663	2,545,191
Beyond five years	五年後	791,342	252,830
		16,098,205	13,412,462

31 March 2018 2018年3月31日

29. Interest-Bearing Bank and Other Borrowings

(Continued)

The Group has entered into an asset-backed securities ("ABS") arrangement with an independent third party by pledging of the future six years' right of receiving management fees for certain properties under its management in a maximum of 6 years. As at 31 March 2018, an aggregate amount of RMB390,000,000 are priority portion of the ABS which had been purchased by the third parties. The net proceeds from the ABS, after deducting the issuance costs, amounted to approximately RMB381,710,000 (equivalent to HK\$450,075,000), which are repayable from one year to six years. Interest is payable quarterly in arrears. On the twelfth interest payment date, the Group is eligible to redeem all the undue priority securities as of the interest payment date at one time. Holders of the priority portions of the ABS are entitled to receive interests which are varying interest rates ranging from 6.2% to 7.2% per annum based on the terms and dates of redemption. As at 31 March 2018, amounts of HK\$150,024,000 and HK\$330,839,000 of the ABS are included in current and non-current portions of secured bank and other borrowings, respectively.

Bank loans with a total amount of HK\$14,785,308,000 (2017: HK\$10,579,679,000) are secured by:

- (i) Certain of the Group's buildings with an aggregate carrying value of approximately HK\$732,660,000 as at 31 March 2018 (2017: HK\$416,046,000) (note 13);
- (ii) Certain of the Group's investment properties situated in Mainland China with an aggregate carrying value of approximately HK\$22,399,725,000 as at 31 March 2018 (2017: HK\$21,221,695,000) (note 14);
- (iii) Certain of the Group's properties under development situated in Mainland China with an aggregate carrying value of approximately HK\$2,251,941,000 as at 31 March 2018 (2017: HK\$614,012,000) (note 15);
- (iv) Certain of the Group's properties held for finance lease and sale with an aggregate carrying value of approximately HK\$6,392,910,000 as at 31 March 2018 (2017: HK\$2,922,085,000) (note 22); and
- (v) Certain of Group's bank deposits with a carrying amount of HK\$255,416,000 as at 31 March 2018 (2017: HK\$450,801,000) (note 27).

All interest-bearing borrowings of the Group are denominated in RMB and bear interest at floating rates ranging from 4.08% to 9.00% per annum (2017: 4.35% to 6.18% per annum), except for bank loan equivalent to HK\$400,000,000 as at 31 March 2018 (31 March 2017: Nil) which is denominated in Hong Kong dollars and bears interest at a floating rate of HIBOR+ 2.5%.

29. 計息銀行及其他借貸(續)

本集團與一獨立第三方訂立最長為期6年的資產支持證券(「資產支持證券」)安排，以未來6年若干物業收取管理費用權利作抵押。於2018年3月31日，第三方已購買總值為人民幣390,000,000元的優先級資產支持證券。扣除發行成本後，資產支持證券所得款項淨額約為人民幣381,710,000元(相當於約450,075,000港元)，於一至六年償還。利息於每季支付。於第十二個利息支付日，本集團有權於利息支付日行使一次性贖回所有未到期資產支持證券的權利。優先級資產支持證券持有人，根據不同期限及贖回日期，可享有介乎年利率6.2%至7.2%之利息。截至2018年3月31日，150,024,000港元和330,839,000港元的資產支持證券分別包括在有抵押銀行及其他借貸的即期和非即期部份。

總共14,785,308,000港元(2017年：10,579,679,000港元)的銀行貸款以下列各項抵押：

- (i) 於2018年3月31日賬面總值約732,660,000港元的本集團若干樓宇(2017年：416,046,000港元)(附註13)；
- (ii) 於2018年3月31日賬面總值約22,399,725,000港元的本集團位於中國大陸的若干投資物業(2017年：21,221,695,000港元)(附註14)；
- (iii) 於2018年3月31日賬面總值約2,251,941,000港元的本集團位於中國大陸的若干發展中物業(2017年：614,012,000港元)(附註15)；
- (iv) 於2018年3月31日賬面總值6,392,910,000港元的本集團若干持作融資租賃及銷售物業(2017年：2,922,085,000港元)(附註22)；及
- (v) 於2018年3月31日賬面總值達255,416,000港元的本集團若干銀行存款(2017年：450,801,000港元)(附註27)。

除於2018年3月31日一筆400,000,000港元(2017年3月31日：無)銀行貸款以港元為單位及按香港銀行同業拆息加2.5%之浮動利率計息外，本集團所有計息借貸均以人民幣為單位，並按每年4.08%至9.00%的浮動利率計息(2017年：每年4.35%至6.18%的浮動利率)。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

29. Interest-Bearing Bank and Other Borrowings

(Continued)

The carrying amounts of the Group's bank and other borrowings approximate to their fair values, which have been calculated by discounting the expected future cash flows at the prevailing interest rates.

30. Short-Term Notes

The Group issued the following short-term notes in the current and prior years:

- (i) On 13 September 2016, China South International completed the issuance of the first tranche of short-term notes of 2016 (the "2016 First tranche STN") with a total principal amount of RMB1,200,000,000 (equivalent to HK\$1,395,187,000) in the national inter-bank market of the PRC. The 2016 First tranche STN carried interest at the rate of 4.9% per annum, payable on 13 September in arrears and matured on 13 September 2017. The amount was fully settled in 13 September 2017.
- (ii) On 22 June 2017, China South International completed the issuance of the first tranche of short-term notes of 2017 (the "2017 First Tranche STN") with a total principal amount of RMB500,000,000 (equivalent to HK\$571,886,000) in the national inter-bank market of the PRC. The 2017 First Tranche STN carried interest at the rate of 6.5% per annum, payable on 23 March in arrears, and matured on 23 March 2018. The amount was fully settled in 23 March 2018.
- (iii) On 30 August 2017, China South International completed the issuance of the second tranche of short-term notes of 2017 (the "2017 Second Tranche STN") with a total principal amount of RMB500,000,000 (equivalent to HK\$591,898,000) in the national inter-bank market of the PRC. The 2017 Second Tranche STN carried interest at the rate of 6.5% per annum, payable on 28 May in arrears, and will mature on 28 May 2018. The amount was fully settled on 28 May 2018.

The fair value of the short-term notes as at 31 March 2018 amounted to HK\$647,446,000 (2017: HK\$1,385,038,000). The fair value was calculated using the quoted market price of the short-term notes on 31 March 2018.

29. 計息銀行及其他借貸(續)

本集團計息銀行及其他借貸的賬面值與其公平值相若，乃按預期日後現金流量以當時利率貼現計算。

30. 短期融資券

本集團於本年及以前年度發行以下短期融資券：

- (i) 華南國際於2016年9月13日完成在中國銀行間市場發行2016年第一期短期融資券，本金總額為人民幣1,200,000,000元(相等於1,395,187,000港元)。2016年第一期短期融資券年利率為4.9%，每年於9月13日支付，並於2017年9月13日到期。其金額已於2017年9月13日全數支付。
- (ii) 華南國際於2017年6月22日完成在中國銀行間市場發行2017年第一期短期融資券，本金總額為人民幣500,000,000元(相等於571,886,000港元)。2017年第一期短期融資券年利率為6.5%，每年於3月23日支付，並於2018年3月23日到期。其金額已於2018年3月23日全數支付。
- (iii) 華南國際於2017年8月30日完成在中國銀行間市場發行2017年第二期短期融資券，本金總額為人民幣500,000,000元(相等於591,898,000港元)。2017年第二期短期融資券年利率為6.5%，每年於5月28日支付，並將於2018年5月28日到期。其金額已於2018年5月28日全數支付。

於2018年3月31日，短期融資券的公平值達647,446,000港元(2017年：1,385,038,000港元)。公平值乃使用短期融資券於2018年3月31日的市場價格之報價計算。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

31. Senior Notes

The Group issued the following senior notes in the current and prior years:

- (i) On 29 January 2014, the Company issued senior notes with an aggregate principal amount of US\$400,000,000 (the "2014 Notes"). The 2014 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2014 Notes carry interest at the rate of 8.25% per annum, payable semi-annually on 29 January and 29 July in arrears, and will mature on 29 January 2019, unless redeemed earlier. The offering price was at 98.999% of the principal amount of the 2014 Notes.
- (ii) On 13 September 2016 and 3 October 2016, the Company issued senior notes with the aggregate principal amounts of US\$200,000,000 and US\$150,000,000 respectively (collectively known as, the "2016 Notes"). The 2016 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2016 Notes carry interest at the rate of 6.75% per annum, payable semi-annually on 13 September and 13 March in arrears, and will mature on 13 September 2021, unless redeemed earlier. The offering price were at 98.960% and 98.964% of the principal amount of the 2016 Notes of US\$200,000,000 and US\$150,000,000, respectively.

At any time and from time to time on or after 13 September 2019, the Company may redeem the 2016 Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount set forth below plus accrued and unpaid interest as of (but not including) the redemption date if redeemed during the twelve-month period beginning on 13 September of each of the years indicated below:

Period	Redemption price
2019	103.3750%
2020 and thereafter	101.6875%

At any time prior to 13 September 2019, the Company may at its option redeem the 2016 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2016 Notes plus the applicable premium and accrued and unpaid interest, if any, as of (but not including) the redemption date.

31. 優先票據

本集團於本年及以前年度發行以下優先票據：

- (i) 於2014年1月29日，本公司發行本金總額400,000,000美元的優先票據（「2014年票據」）。2014年票據於新加坡證券交易所有限公司上市。2014年票據按年利率8.25%計息，每半年於1月29日及7月29日支付，並將於2019年1月29日到期（除非提早贖回）。發售價為2014年票據本金總額的98.999%。
- (ii) 於2016年9月13日及2016年10月3日，本公司分別發行本金總額200,000,000美元及150,000,000美元的優先票據（統稱為「2016年票據」）。2016年票據於新加坡證券交易所有限公司上市。2016年票據按年利率6.75%計息，每半年於9月13日及3月13日支付，並將於2021年9月13日到期（除非提早贖回）。發售價分別為200,000,000美元及150,000,000美元的2016年票據本金總額的98.960%及98.964%。

於2019年9月13日或之後任何時候，本公司可按相等於下述本金總額百分比的贖回價，另加截至贖回日期（但不包括該日）的累計及未付利息，贖回全部或部分2016年票據（倘於下文所示各年度9月13日開始的12個月期間內贖回）：

期間	贖回價
2019	103.3750%
2020及之後	101.6875%

於2019年9月13日前任何時間，本公司可按相等於2016年票據本金總額100%的贖回價，另加截至贖回日期（但不包括該日）2016年票據的適用溢價以及累計及未付利息（如有），贖回全部但非部分2016年票據。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

31. Senior Notes (Continued)

(ii) (Continued)

At any time and from time to time prior to 13 September 2019, the Company may redeem up to 35% of the aggregate principal amount of the 2016 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 106.75% of the principal amount of the 2016 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the 2016 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related sales of the Company's capital stock and is subject to certain conditions.

- (iii) On 9 March 2017, the Company issued senior notes with the aggregate principal amount of US\$300,000,000 (the "2017 March Notes"). The 2017 March Notes are listed on the Singapore Exchange Securities Trading Limited. The 2017 March Notes carry interest at the rate of 5.75% per annum, payable semi-annually on 9 March and 9 September in arrears, and will mature on 9 March 2020, unless redeemed earlier. The offering price was at 98.986% of the principal amount of the 2017 March Notes.

At any time prior to 9 March 2020, the Company may at its option redeem the 2017 March Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2017 March Notes plus the applicable premium and accrued and unpaid interest, if any, as of (but not including) the redemption date.

At any time and from time to time prior to 9 March 2020, the Company may redeem up to 35% of the aggregate principal amount of the 2017 March Notes at a redemption price of 105.75% of the principal amount of the 2017 March Notes, plus accrued and unpaid interest, if any, as of (but not including) the redemption date, with the proceeds from sales of certain kinds of capital stock of the Company.

31. 優先票據(續)

(ii) (續)

於2019年9月13日前任何時間，本公司可以在股份發售中進行一次或多次銷售本公司普通股所得的現金款項淨額，按2016年票據本金額106.75%的贖回價，另加截至贖回日期(但不包括該日)的累計及未付利息(如有)，贖回最多2016年票據本金總額的35%，惟每次贖回後2016年票據原發行本金總額最少65%須仍未贖回，且任何有關贖回須於相關本公司股本銷售結束後60日內進行及受限於若干條件。

- (iii) 於2017年3月9日，本公司發行本金總額300,000,000美元的優先票據(「2017年3月票據」)。2017年3月票據於新加坡證券交易所有限公司上市。2017年3月票據按年利率5.75%計息，每半年於3月9日及9月9日支付，並將於2020年3月9日到期(除非提早贖回)。發售價為2017年3月票據本金總額的98.986%。

於2020年3月9日前任何時間，本公司可按相等於2017年3月票據本金總額100%的贖回價，另加截至贖回日期(但不包括該日)2017年3月票據的適用溢價以及累計及未付利息(如有)，贖回全部但非部分2017年3月票據。

於2020年3月9日前任何時間，本公司可以在銷售本公司任何股份中所得的款項，按2017年3月票據本金額105.75%的贖回價，另加截至贖回日期(但不包括該日)的累計及未付利息(如有)，贖回最多2017年3月票據本金總額的35%。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

31. Senior Notes (Continued)

- (iv) On 20 November 2017, the Company issued senior notes with the aggregate principal amount of US\$300,000,000 (the "2017 November Notes"). The 2017 November Notes are listed on the Singapore Exchange Securities Trading Limited. The 2017 November Notes carry interest at the rate of 7.25% per annum, payable semi-annually on 20 May and 20 November in arrears, and will mature on 20 November 2022, unless redeemed earlier. The offering price was at 97.96% of the principal amount of the 2017 November Notes.

At any time prior to 20 November 2022, the Company may at its option redeem the 2017 November Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2017 November Notes plus the applicable premium and accrued and unpaid interest, if any, as of (but not including) the redemption date.

At any time and from time to time prior to 20 November 2022, the Company may redeem up to 35% of the aggregate principal amount of the 2017 November Notes at a redemption price of 107.25% of the principal amount of the 2017 November Notes, plus accrued and unpaid interest, if any, as of (but not including) the redemption date, with the proceeds from sales of certain kinds of capital stock of the Company.

- (v) On 25 January 2018, the Company issued senior notes with the aggregate principal amount of US\$250,000,000 (the "2018 January Notes"). The 2018 January Notes are listed on the Singapore Exchange Securities Trading Limited. The 2018 January Notes carry interest at the rate of 7.25% per annum, payable semi-annually on 25 January and 25 July in arrears, and will mature on 25 January 2021, unless redeemed earlier. The offering price was at 99.011% of the principal amount of the 2018 January Notes.

At any time prior to 25 January 2021, the Company may at its option redeem the 2018 January Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2018 January Notes plus the applicable premium and accrued and unpaid interest, if any, as of (but not including) the redemption date.

At any time and from time to time prior to 25 January 2021, the Company may redeem up to 35% of the aggregate principal amount of the 2018 January Notes at a redemption price of 107.25% of the principal amount of the 2018 January Notes, plus accrued and unpaid interest, if any, as of (but not including) the redemption date, with the proceeds from sales of certain kinds of capital stock of the Company.

31. 優先票據(續)

- (iv) 於2017年11月20日，本公司發行本金總額300,000,000美元的優先票據(「2017年11月票據」)。2017年11月票據於新加坡證券交易所有限公司上市。2017年11月票據按年利率7.25%計息，每半年於5月20日及11月20日支付，並將於2020年11月20日到期(除非提早贖回)。發售價為2017年11月票據本金總額的97.96%。

於2022年11月20日前任何時間，本公司可按相等於2017年11月票據本金總額100%的贖回價，另加截至贖回日期(但不包括該日)2017年11月票據的適用溢價以及累計及未付利息(如有)，贖回全部但非部分2017年11月票據。

於2022年11月20日前任何時間，本公司可以在銷售本公司任何股份中所得的款項，按2017年11月票據本金總額107.25%的贖回價，另加截至贖回日期(但不包括該日)的累計及未付利息(如有)，贖回最多2017年11月票據本金總額的35%。

- (v) 於2018年1月25日，本公司發行本金總額250,000,000美元的優先票據(「2018年1月票據」)。2018年1月票據於新加坡證券交易所有限公司上市。2018年1月票據按年利率7.25%計息，每半年於1月25日及7月25日支付，並將於2021年1月25日到期(除非提早贖回)。發售價為2018年1月票據本金總額的99.011%。

於2021年1月25日前任何時間，本公司可按相等於2018年1月票據本金總額100%的贖回價，另加截至贖回日期(但不包括該日)2018年1月票據的適用溢價以及累計及未付利息(如有)，贖回全部但非部分2018年1月票據。

於2021年1月25日前任何時間，本公司可以在銷售本公司任何股份中所得的款項，按2018年1月票據本金總額107.25%的贖回價，另加截至贖回日期(但不包括該日)的累計及未付利息(如有)，贖回最多2018年1月票據本金總額的35%。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

31. Senior Notes (Continued)

On 13 April 2017, the Company redeemed the remaining outstanding 2014 Notes in full with a principal amount of US\$200,000,000 from the open market, including the principal amount of US\$10,000,000 purchased by a subsidiary of the Company in May 2016. The total consideration of the redemption, after elimination of the notes purchased by a subsidiary of the Company, was US\$201,153,000 (equivalent to HK\$1,568,994,000), which includes a redemption price at 104.125% of the principal amount and pro-rata accrued and unpaid interest. The carrying amount of the redeemed 2014 Notes was US\$189,631,000 (equivalent to HK\$1,479,118,000), resulting in a loss on redemption of the 2014 Notes amounting to HK\$89,876,000 in the current year.

At the end of the reporting period, 2016 Notes, 2017 March Notes, 2017 November Notes and 2018 January Notes (collectively named as the "Senior Notes") contain liability components and early redemption options as follow:

- (i) The liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments with comparable credit status that provided substantially the same cash flows, on the same terms, but without the embedded derivatives.

Interest charged for the period is calculated by applying effective interest rates of approximately 7.46%, 6.76%, 8.16% and 8.06% per annum to the liability components of the 2016 Notes, 2017 March Notes, 2017 November Notes and 2018 January Notes, respectively, since they were issued.

- (ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The Directors consider that the fair value of the above early redemption options is insignificant on initial recognition and as at 31 March 2018.

31. 優先票據(續)

於2017年4月13日，本公司於市場贖回剩餘未償還本金總額為200,000,000美元之2014年票據，包括以上所提及的由一間本公司之附屬公司於2016年5月購買的本金10,000,000美元。總贖回代價為201,153,000美元（相等於1,568,994,000港元），包括以本金金額104.125%計算的贖回價及按比例計算的累計及未付利息。所贖回之2014年票據的賬面值為189,631,000美元（相等於1,479,118,000港元），導致於本年度錄得89,876,000港元虧損。

於報告期末，2016年票據、2017年3月票據、2017年11月票據及2018年1月票據（統稱為「優先票據」）含有下列負債部分及上述提早贖回權：

- (i) 負債部分指合約所釐定未來現金流量按具有可資比較信貸評級並按相同條款提供大致相同現金流量但無嵌入衍生工具的工具當時適用的現行市場利率折現的現值。

期內的利息費用乃按2016年票據、2017年3月票據、2017年11月票據及2018年1月票據發行以來的負債部分分別按實際年利率約7.46%、6.76%、8.16%及8.06%計算。

- (ii) 提早贖回權被視為並非與主合約有密切關係的嵌入衍生工具。董事認為於初始確認及在2018年3月31日，上述提早贖回權的公平值不大。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

31. Senior Notes (Continued)

The Senior Notes recognized in the statement of financial position were calculated as follows:

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Carrying amount at the beginning of year	於年初的賬面值	6,425,992	4,113,363
Additions	新增	4,149,512	4,930,000
Interest expenses	利息開支	452,711	371,317
Payment for interest	支付利息	(318,825)	(336,667)
Redemption of the 2012 Notes and 2014 Notes	贖回2012年票據及2014年票據	(1,479,118)	(2,474,103)
Purchase of the 2014 Notes	購買2014年票據	—	(154,725)
Consent fee for the 2014 Notes	2014年票據同意費	—	(23,193)
Carrying amount at the end of year	於年終的賬面值	9,230,272	6,425,992

The fair value of the Senior Notes as at 31 March 2018 amounted to HK\$8,894,383,000 (2017: HK\$6,587,532,000). The fair value was calculated using the quoted market price of the Senior Notes on 31 March 2018.

32. Medium-Term Notes

The Group had the following medium-term notes remain in issue at the end of the reporting period:

- (i) On 9 May 2014, China South International completed the issuance of the first tranche of medium-term notes of 2014 (the "2014 First tranche MTN") with a total principal amount of RMB1,000,000,000 in the national inter-bank market of the PRC. The 2014 First tranche MTN carry interest at the rate of 7.5% per annum, payable annually on 9 May in arrears, and will mature on 9 May 2019.
- (ii) On 12 September 2014, China South International completed the issuance of the second tranche of medium-term notes of 2014 (the "2014 Second tranche MTN") with a total principal amount of RMB1,000,000,000 in the national inter-bank market of the PRC. The 2014 Second tranche MTN carry interest at the rate of 8.4% per annum, payable annually on 12 September in arrears, and will mature on 12 September 2019.
- (iii) On 13 July 2015, China South International completed the issuance of the first tranche of medium-term notes of 2015 (the "2015 First tranche MTN") with a total principal amount of RMB2,000,000,000 in the national inter-bank market of the PRC. The 2015 First tranche MTN carry interest at the rate of 7.0% per annum, payable annually on 13 July in arrears, and will mature on 13 July 2018.

31. 優先票據(續)

已於財務狀況表確認的優先票據計算如下：

	2018 HK\$'000 千港元	2017 HK\$'000 千港元
於年初的賬面值	6,425,992	4,113,363
新增	4,149,512	4,930,000
利息開支	452,711	371,317
支付利息	(318,825)	(336,667)
贖回2012年票據及2014年票據	(1,479,118)	(2,474,103)
購買2014年票據	—	(154,725)
2014年票據同意費	—	(23,193)
於年終的賬面值	9,230,272	6,425,992

於2018年3月31日，優先票據的公平值達8,894,383,000港元(2017年：6,587,532,000港元)。公平值乃使用優先票據於2018年3月31日的市場價格之報價計算。

32. 中期票據

本集團於報告期末尚有以下中期票據在發行：

- (i) 華南國際於2014年5月9日完成在中國銀行間市場發行2014年第一期中期票據，本金總額為人民幣1,000,000,000元。2014年第一期票據年利率為7.5%，每年於5月9日支付，並將於2019年5月9日到期。
- (ii) 華南國際於2014年9月12日完成在中國銀行間市場發行2014年第二期中期票據，本金總額為人民幣1,000,000,000元。2014年第二期票據年利率為8.4%，每年於9月12日支付，並將於2019年9月12日到期。
- (iii) 華南國際於2015年7月13日完成在中國銀行間市場發行2015年第一期中期票據，本金總額為人民幣2,000,000,000元。2015年第一期中期票據年利率為7.0%，每年於7月13日支付，並將於2018年7月13日到期。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

32. Medium-Term Notes (Continued)

The medium-term notes recognized in the statement of financial position were calculated as follows:

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Carrying amount at the beginning of year	於年初的賬面值	4,723,000	5,026,696
Interest expenses	利息開支	367,288	358,056
Payment for interest	支付利息	(352,581)	(350,637)
Exchange realignment	匯兌調整	513,937	(311,115)
Carrying amount at the end of year	於年終的賬面值	5,251,644	4,723,000
Current portion	即期部份	(2,622,149)	–
Non-current portion	非即期部份	2,629,495	4,723,000

The fair value of the medium-term notes as at 31 March 2018 amounted to HK\$5,261,155,000 (2017: HK\$4,856,191,000). The fair value was calculated using the quoted market price of the medium-term notes on 31 March 2018.

32. 中期票據(續)

已於財務狀況表確認的中期票據計算如下：

於2018年3月31日，中期票據的公平值達5,261,155,000港元(2017年：4,856,191,000港元)。公平值乃使用中期票據於2018年3月31日的市場價格之報價計算。

33. Corporate Bonds

On 13 April 2015, China South International completed the issuance of the corporate bonds with a total principal amount of RMB1,500,000,000 on the Shanghai Stock Exchange of the PRC. The corporate bonds carry interest at the rate of 7.0% per annum, payable annually on 13 April in arrears, and have a term of up to 6 years at maximum.

The corporate bonds recognized in the statement of financial position were calculated as follows:

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Carrying amount at the beginning of year	於年初的賬面值	1,778,744	1,891,219
Interest expenses	利息開支	129,785	126,486
Payment of interest	支付利息	(123,816)	(123,134)
Exchange realignment	匯兌調整	193,581	(115,827)
Carrying amount at the end of year	於年終的賬面值	1,978,294	1,778,744

The fair value of the corporate bonds as at 31 March 2018 amounted to HK\$1,874,550,000 (2017: HK\$1,743,988,000). The fair value was calculated using the quoted market price of the corporate bonds on 31 March 2018.

33. 企業債券

華南國際於2015年4月13日完成於中國上海證券交易所發行本金總額為人民幣1,500,000,000元的企業債券。企業債券年利率為7.0%，每年於4月13日支付，期限最高為6年。

已於財務狀況表確認的企業債券計算如下：

於2018年3月31日，企業債券的公平值達1,874,550,000港元(2017年：1,743,988,000港元)。公平值乃使用企業債券於2018年3月31日的市場價格之報價計算。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

33. Corporate Bonds (Continued)

On 13 April 2018, China South International had redeemed the above corporate bonds with total principal amount of RMB1,499,518,000, and the remaining portion carry interest at the rate of 8.05% per annum, payable annually on 13 April in arrears, and have a term of 3 years.

34. Domestic Company Bonds

The Group had the following domestic company bonds remain in issue at the end of the reporting period:

- (i) On 14 January 2016, China South International completed the issuance of the first tranche of domestic company bonds of 2016 (the "2016 First Tranche DCB") with a total principal amount of RMB3,000,000,000 on the Shenzhen Stock Exchange of the PRC. The 2016 First Tranche DCB carry interest at the rate of 5.98% per annum, payable annually on 13 January in arrears, and will mature on 13 January 2019.
- (ii) On 4 May 2016, China South International completed the issuance of the second tranche of domestic company bonds of 2016 (the "2016 Second Tranche DCB") with a total principal amount of RMB1,400,000,000 on the Shenzhen Stock Exchange of the PRC. The 2016 Second Tranche DCB carry interest at the rate of 6.85% per annum, payable annually on 3 May in arrears, and will mature on 3 May 2019.

The domestic company bonds recognized in the statement of financial position were calculated as follows:

33. 企業債券(續)

於2018年4月13日，華南國際贖回本金總額為人民幣1,499,518,000元，剩餘部份年利率為8.05%，每年於4月13日支付，期限為3年。

34. 境內公司債券

本集團於報告期末尚有以下境內公司債券在發行：

- (i) 華南國際於2016年1月14日完成於深圳證券交易所發行本金總額為人民幣3,000,000,000元的2016年第一期境內公司債券。2016年第一期境內公司債券年利率為5.98%，每年於1月13日支付，並將於2019年1月13日到期。
- (ii) 華南國際於2016年5月4日完成於深圳證券交易所發行本金總額為人民幣1,400,000,000元的2016年第二期境內公司債券。2016年第二期境內公司債券年利率為6.85%，每年於5月3日支付，並將於2019年5月3日到期。

已於財務狀況表確認的境內公司債券計算如下：

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Carrying amount at the beginning of year	於年初的賬面值	5,079,429	3,629,086
Additions	新增	—	1,615,390
Interest expenses	利息開支	336,868	317,783
Payment for interest	支付利息	(324,633)	(206,830)
Exchange realignment	匯兌調整	552,505	(276,000)
Carrying amount at the end of year	於年終的賬面值	5,644,169	5,079,429
Current portion	即期部份	(3,789,933)	—
Non-current portion	非即期部份	1,854,236	5,079,429

The fair value of the domestic company bonds as at 31 March 2018 amounted to HK\$5,169,152,000 (2017: HK\$4,991,584,000). The fair value was calculated using the quoted market price of the domestic company bonds on 31 March 2018.

於2018年3月31日，境內公司債券的公平值達5,169,152,000港元(2017年：4,991,584,000港元)。公平值乃使用境內公司債券於2018年3月31日的市場價格之報價計算。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

35. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Note	Accelerated tax depreciation	Revaluation of investment properties	Withholding tax	Revaluation of property, plant and equipment	Capitalized interest expense	Total
附註	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 April 2017	456,351	5,355,369	365,400	83,998	257,143	6,518,261
Deferred tax charged/(credited) to the statement of profit or loss during the year	115,218	1,081,351	(60,203)	–	105,174	1,241,540
Exchange realignment	56,510	625,690	36,068	9,125	34,266	761,659
At 31 March 2018	628,079	7,062,410	341,265	93,123	396,583	8,521,460

35. 遞延稅項

年內遞延稅項負債及資產之變動如下：

遞延稅項負債

Deferred tax assets

Note	Tax effect of LAT	Losses available for offsetting against future taxable profits	Provision for impairment of trade receivables	Tax effect of government grants relating to assets	Total
附註	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 April 2017	1,032,799	425,650	75,605	755,945	2,289,999
Deferred tax credited/(charged) to the statement of profit or loss during the year	171,871	70,337	(10,715)	336,494	567,987
Exchange realignment	122,520	49,372	7,568	102,378	281,838
At 31 March 2018	1,327,190	545,359	72,458	1,194,817	3,139,824

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

35. Deferred Tax (Continued)

Deferred tax liabilities

35. 遞延稅項(續)

遞延稅項負債

		Accelerated tax depreciation 加速稅項折舊	Revaluation of investment properties 投資物業重估	Withholding tax 預扣稅	Revaluation of property, plant and equipment 物業、廠房及 設備重估	Capitalized interest expense 資本化利息	Total 總計
Note 附註		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 April 2016	於2016年4月1日	338,378	4,400,729	341,355	91,871	197,133	5,369,466
Deferred tax charged to the statement of profit or loss during the year	年內於損益表內扣除的 遞延稅項	10 142,154	1,256,181	46,319	–	73,903	1,518,557
Exchange realignment	匯兌調整	(24,181)	(301,541)	(22,274)	(7,873)	(13,893)	(369,762)
At 31 March 2017	於2017年3月31日	456,351	5,355,369	365,400	83,998	257,143	6,518,261

Deferred tax assets

遞延稅項資產

			Tax effect of LAT 土地增值稅的 稅務影響	Losses available for offsetting against future taxable profits 可供抵銷未來 應課稅利潤的 虧損	Provision for impairment of trade receivables 應收賬款 減值撥備	Tax effect of government grants relating to assets 有關資產之 政府補助的 稅務影響	Total 總計
Note 附註		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 April 2016	於2016年4月1日		971,154	355,795	61,358	757,040	2,145,347
Deferred tax credited to the statement of profit or loss during the year	年內於損益表內計入的 遞延稅項	10 124,875	94,071	18,471	47,086	284,503	
Exchange realignment	匯兌調整	(63,230)	(24,216)	(4,224)	(48,181)	(139,851)	
At 31 March 2017	於2017年3月31日		1,032,799	425,650	75,605	755,945	2,289,999

The Group has tax losses arising in Hong Kong of HK\$474,912,000 (2017: HK\$211,112,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

本集團於香港產生的稅項虧損為474,912,000港元(2017年: 211,112,000港元)，可無限期結轉，以抵銷產生虧損的公司未來應課稅溢利。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

35. Deferred Tax (Continued)

The Group also has tax losses in Mainland China of HK\$666,402,000 (2017: HK\$561,561,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognized in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings generated from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. In the current year, the Group reversed withholding tax of HK\$60,203,000 (2017: accrued of HK\$46,319,000) for those subsidiaries established in Mainland China.

As at 31 March 2018, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognized was HK\$6,115,313,000 (2017: HK\$3,849,211,000). No liability has been recognized in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

36. Share Capital Shares

35. 遞延稅項(續)

本集團亦於中國大陸產生稅項虧損為666,402,000港元(2017年: 561,561,000港元)，將於一至五年內屆滿，可用以抵銷未來應課稅溢利。

由於該等虧損由已出現虧損一段時期的附屬公司產生，且被認為並不可能有充足應課稅溢利以抵銷該等可動用的稅項虧損，故並無就該等虧損確認遞延稅項資產。

根據中國企業所得稅法，凡於中國內地成立的外商投資企業向海外投資者宣派的股息須繳納10%預扣所得稅。該規定自2008年1月1日起生效，並適用於2008年1月1日後所賺取盈利之盈利。倘中國與海外投資者所處司法權區訂有稅務條約，則可採用較低預扣所得稅率。本集團的適用稅率為5%或10%。因此，本集團須就於中國內地成立的附屬公司分派2008年1月1日後所賺取盈利的股息而繳納預扣所得稅。於本年度，本集團撥回預扣所得稅60,203,000港元(2017年: 計提46,319,000港元)。

於2018年3月31日，與附屬公司之投資相關而尚未確認遞延稅項負債之暫時性差額總額合共約為6,115,313,000港元(2017年: 3,849,211,000港元)。概無就有關差額確認負債乃由於本集團可控制撥回暫時性差額之時間及暫時性差額於可預見之將來可能不會撥回。

36. 股本股份

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Issued and fully paid: 8,009,571,999 (31 March 2017: 8,006,321,999) ordinary shares	已發行及繳足： 8,009,571,999股 (2017年3月31日： 8,006,321,999股)普通股	7,060,973	7,054,362

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

36. Share Capital (Continued)

A summary of the movements in the Company's share capital is as follows:

		Number of shares in issue 已發行股份數目	Share capital 股本 HK\$'000 千港元
At 1 April 2016	於2016年4月1日	7,999,321,999	7,043,784
Exercise of share options (note)	行使購股權(附註)	7,000,000	10,578
At 31 March 2017	於2017年3月31日	8,006,321,999	7,054,362
At 1 April 2017	於2017年4月1日	8,006,321,999	7,054,362
Exercise of share options (note)	行使購股權(附註)	3,250,000	6,611
At 31 March 2018	於2018年3月31日	8,009,571,999	7,060,973

Note:

The subscription rights attaching to 3,250,000 (2017: 7,000,000) share options were exercised at the average subscription price of approximately HK\$1.7223 (2017: HK\$1.2900) per share (note 37), resulting in issue of 3,250,000 (2017: 7,000,000) shares at a total cash consideration, before expenses, of HK\$5,597,000 (2017: HK\$9,030,000). An amount of approximately HK\$1,014,000 (2017: HK\$1,548,000) was transferred from the share option reserve to share capital upon the exercise of the share options.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 37 to the financial statements.

36. 股本(續)

本公司的股本變動摘要如下：

		Number of shares in issue 已發行股份數目	Share capital 股本 HK\$'000 千港元
At 1 April 2016	於2016年4月1日	7,999,321,999	7,043,784
Exercise of share options (note)	行使購股權(附註)	7,000,000	10,578
At 31 March 2017	於2017年3月31日	8,006,321,999	7,054,362
At 1 April 2017	於2017年4月1日	8,006,321,999	7,054,362
Exercise of share options (note)	行使購股權(附註)	3,250,000	6,611
At 31 March 2018	於2018年3月31日	8,009,571,999	7,060,973

附註：

附於3,250,000(2017年：7,000,000)份購股權之認購權益於年內以每股平均行使價約1.7223港元(2017年：1.2900港元)(附註37)被行使，導致本公司發行3,250,000股(2017年：7,000,000股)(扣除發行開支前價值5,597,000港元(2017年：9,030,000港元))的股本。當購股權行使，約1,014,000港元(2017年：1,548,000港元)由購股權儲備轉撥到發行股本。

購股權

關於本公司的購股權計劃及於計劃下已發行的購股權已詳載於財務報表的附註37。

31 March 2018 2018年3月31日

37. Share Options

The Company has adopted a share option scheme on 4 September 2009 (the "Share Option Scheme") to provide incentives and reward to selected eligible persons which include Directors, employees, officers, agents, consultants or representatives of the Group for their contribution or potential contribution to the Company or its subsidiaries. The Share Option Scheme became effective on 30 September 2009 and, unless otherwise canceled or amended, will remain in force for 10 years from that date. Further details of the Share Option Scheme are set out in the "Report of the Directors" in the Company's annual report.

On 27 June 2013, a total of 186,300,000 share options under the Share Option Scheme were granted. These share options have an exercise price of HK\$1.69 per share and an exercise period ranging from 27 June 2013 to 26 June 2018. Of the total 186,300,000 share options, 70,800,000 share options were granted to certain Executive Directors of the Company, and 115,500,000 share options were granted to certain employees of the Group.

The fair value of the 186,300,000 share options granted was HK\$44,470,000, of which no share option expense was recognized during the current year (2017: Nil).

On 17 February 2014, a total of 48,000,000 share options under the Share Option Scheme were granted. These share options have an exercise price of HK\$4.14 per share and an exercise period ranging from 17 February 2014 to 16 February 2019. Of the total 48,000,000 share options, 8,000,000 share options were granted to certain Independent Non-executive Directors of the Company, and 40,000,000 share options were granted to certain employees of the Group.

The fair value of the 48,000,000 share options granted was HK\$36,470,000, of which no share option expense was recognized during the current year (2017: Nil).

On 30 June 2014, a total of 103,300,000 share options under the Share Option Scheme were granted to certain Directors, senior management and certain other employees of the Company and its subsidiaries in respect of their services to the Group. These share options have an exercise price of HK\$4.07 per share and an exercise period ranging from 30 June 2014 to 29 June 2019.

The fair value of the 103,300,000 share options granted was HK\$83,552,000, of which no share option expense was recognized during the current year (2017: HK\$100,000).

37. 購股權

本公司已於2009年9月4日採納購股權計劃(「購股權計劃」)，向對本公司或其附屬公司作出貢獻或潛在貢獻的經甄選合資格人士(包括本集團董事、僱員、高級職員、代理、顧問或代表)提供獎勵及回報，購股權計劃自2009年9月30日起生效，並由當日起持續十年(除非取消或作出修訂)。購股權計劃的進一步詳情載於公司年報中的「董事會報告」。

於2013年6月27日，根據購股權計劃授出合共186,300,000份購股權。該等購股權的行使價為每股1.69港元，行使期為2013年6月27日至2018年6月26日。於合共186,300,000份購股權中，70,800,000份購股權已授予本公司若干本公司之執行董事，另115,500,000份購股權則授予本集團若干僱員。

所授出的186,300,000份購股權之公平值為44,470,000港元，本集團於本年度並無確認購股權開支(2017年：無)。

於2014年2月17日，根據購股權計劃授出合共48,000,000份購股權。該等購股權的行使價為每股4.14港元，行使期為2014年2月17日至2019年2月16日。於合共48,000,000份購股權中，8,000,000份購股權已授予本公司若干本公司之獨立非執行董事，另40,000,000份購股權則授予本集團若干僱員。

所授出的48,000,000份購股權的公平值為36,470,000港元，本集團於本年度並無確認購股權開支(2017年：無)。

於2014年6月30日，根據購股權計劃向本公司若干本公司之董事、高級管理層及本公司及其附屬公司若干僱員就彼等向本集團所提供的服務授出合共103,300,000份購股權。該等購股權的行使價為每股4.07港元，行使期為2014年6月30日至2019年6月29日。

所授出的103,300,000份購股權之公平值為83,552,000港元，本集團於本年度並無確認購股權開支(2017年：100,000港元)。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

37. Share Options (Continued)

On 13 January 2016, a total of 79,990,000 share options under the Share Option Scheme were granted to a Director of the Company in respect of his services to the Group. These share options have an exercise price of HK\$1.528 per share and an exercise period ranging from 13 January 2016 to 12 January 2022.

The fair value of the 79,990,000 share options granted was HK\$29,802,000, of which no share option expense was recognized during the current year (2017: HK\$12,102,000).

On 22 August 2016, a total of 70,500,000 share options under the Share Option Scheme were granted to certain senior management and other employees of the Company and its subsidiaries in respect of their services to the Group. These share options have an exercise price of HK\$1.75 per share and an exercise period ranging from 22 August 2016 to 21 August 2023.

The fair value of the 70,500,000 share options granted was HK\$27,739,000, of which the Group recognized a share option expense of HK\$7,699,000 during the current year (2017: HK\$18,410,000).

On 3 July 2017, a total of 120,000,000 share options under the Share Option Scheme were granted to certain Directors of the Company in respect of their services to the Group. These share options have an exercise price of HK\$1.52 per share and an exercise period ranging from 3 July 2017 to 2 July 2025.

The fair value of the 120,000,000 share options granted was HK\$45,599,000, of which the Group recognized a share option expense of HK\$34,366,000 during the current year.

The fair value of the share options granted on 3 July 2017 was estimated as at the date of grant by Vigers Appraisal and Consulting Limited, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model:

Share price at the date of grant (HK\$)	1.52
Exercise price (HK\$)	1.52
Dividend yield (%)	4.98
Expected volatility (%)	38.0–40.0
Risk-free interest rate (%)	1.22–1.42
Exercise multiple	2.90

37. 購股權(續)

於2016年1月13日，根據購股權計劃向本公司一名董事就彼等向本集團所提供的服務授出合共79,990,000份購股權。該等購股權的行使價為每股1.528港元，行使期為2016年1月13日至2022年1月12日。

所授出79,990,000份購股權之公平值為29,802,000港元，本集團於本年度並無確認購股權開支(2017年：12,102,000港元)。

於2016年8月22日，根據購股權計劃向本公司若干本公司之高級管理層及本公司及其附屬公司若干僱員就彼等向本集團所提供的服務授出合共70,500,000份購股權。該等購股權的行使價為每股1.75港元，行使期為2016年8月22日至2023年8月21日。

所授出70,500,000份購股權之公平值為27,739,000元，其中本集團於本年度內確認購股權開支合共7,699,000港元(2017年：18,410,000港元)。

於2017年7月3日，根據購股權計劃向本公司若干本公司之董事就彼等向本集團所提供的服務授出合共120,000,000份購股權。該等購股權的行使價為每股1.52港元，行使期為2017年7月3日至2025年7月2日。

所授出120,000,000份購股權之公平值為45,599,000港元，其中本集團已於本年度內確認購股權開支合共34,366,000港元。

於2017年7月3日授出的購股權的公平值，威格斯資產評估有限公司於授出日期採用二項式模式對該等購股權進行估計，當中已考慮購股權獲授出時的條款及條件。下表列示所用模式的主要元素：

於授出日之股價(港元)	1.52
行使價(港元)	1.52
股息率(%)	4.98
預期波動性(%)	38.0–40.0
無風險利率(%)	1.22–1.42
行使倍數	2.90

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

37. Share Options (Continued)

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility was determined based on the movement of the share price of the Company since its listing, which may also not necessarily be the actual outcome. No other feature of the options granted was incorporated into the measurement of fair value.

The following share options were outstanding under the Share Option Scheme during the year:

37. 購股權(續)

購股權的預期年期乃按歷史數據得出，及未必顯示可能發生的行使情況。預期波動性乃按自上市日期起本公司股價之變動而釐定，未必是實際結果。計量公平值時，並無考慮所授出的購股權的其他特性。

於年內根據購股權計劃尚未行使之購股權如下：

		Year ended 31 March 截至3月31日止年度			
		2018		2017	
		Weighted average exercise price per share 每股加權 平均行使價 HK\$ 港元	Number of options 購股權數目 '000 千份	Weighted average exercise price per share 每股加權 平均行使價 HK\$ 港元	Number of options 購股權數目 '000 千份
At the beginning of year	於年初	2.8165	310,540	3.0604	250,240
Granted during the year	年內授出	1.5200	120,000	1.7500	70,500
Lapsed during the year	年內失效	2.0000	(18,500)	1.7285	(1,950)
Exercised during the year	年內行使	1.7223	(3,250)	1.2900	(7,000)
Forfeited during the year	年內沒收	—	—	1.7500	(1,250)
At the end of year	於年終	2.4815	408,790	2.8165	310,540

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

37. Share Options (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018

37. 購股權(續)

於報告期末，未行使購股權的行使價及行使期如下：

2018年

Number of options 購股權數目 '000 千股	Exercise price 行使價 HK\$ per share 每股港元	Exercise period 行使期
10,250	1.69	27-06-2014 to 26-06-2018 2014年6月27日至2018年6月26日
1,250	1.69	27-06-2015 to 26-06-2018 2015年6月27日至2018年6月26日
22,000	4.14	17-02-2014 to 16-02-2019 2014年2月17日至2019年2月16日
24,000	4.14	17-02-2015 to 16-02-2019 2015年2月17日至2019年2月16日
2,000	4.14	17-02-2016 to 16-02-2019 2016年2月17日至2019年2月16日
47,650	4.07	30-06-2014 to 29-06-2019 2014年6月30日至2019年6月29日
50,650	4.07	30-06-2015 to 29-06-2019 2015年6月30日至2019年6月29日
1,000	4.07	30-06-2016 to 29-06-2019 2016年6月30日至2019年6月29日
39,995	1.528	13-01-2016 to 12-01-2021 2016年1月13日至2021年1月12日
39,995	1.528	13-01-2017 to 12-01-2022 2017年1月13日至2022年1月12日
10,250	1.75	22-08-2016 to 21-08-2021 2016年8月22日至2021年8月21日
34,000	1.75	22-08-2017 to 21-08-2022 2017年8月22日至2022年8月21日
5,750	1.75	22-08-2018 to 21-08-2023 2018年8月22日至2023年8月21日
40,000	1.52	03-07-2017 to 02-07-2022 2017年7月3日至2022年7月2日
60,000	1.52	03-07-2018 to 02-07-2023 2018年7月3日至2023年7月2日
10,000	1.52	03-07-2019 to 02-07-2024 2019年7月3日至2024年7月2日
10,000	1.52	03-07-2020 to 02-07-2025 2020年7月3日至2025年7月2日
408,790		

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

37. Share Options (Continued)

2017

Number of options 購股權數目 '000 千股	Exercise price 行使價 HK\$ per share 每股港元	Exercise period 行使期
1,500	1.69	27-06-2013 to 26-06-2018 2013年6月27日至2018年6月26日
10,500	1.69	27-06-2014 to 26-06-2018 2014年6月27日至2018年6月26日
1,250	1.69	27-06-2015 to 26-06-2018 2015年6月27日至2018年6月26日
22,000	4.14	17-02-2014 to 16-02-2019 2014年2月17日至2019年2月16日
24,000	4.14	17-02-2015 to 16-02-2019 2015年2月17日至2019年2月16日
2,000	4.14	17-02-2016 to 16-02-2019 2016年2月17日至2019年2月16日
49,650	4.07	30-06-2014 to 29-06-2019 2014年6月30日至2019年6月29日
50,650	4.07	30-06-2015 to 29-06-2019 2015年6月30日至2019年6月29日
1,000	4.07	30-06-2016 to 29-06-2019 2016年6月30日至2019年6月29日
39,995	1.528	13-01-2016 to 12-01-2021 2016年1月13日至2021年1月12日
39,995	1.528	13-01-2017 to 12-01-2022 2017年1月13日至2022年1月12日
22,250	1.75	22-08-2016 to 21-08-2021 2016年8月22日至2021年8月21日
34,000	1.75	22-08-2017 to 21-08-2022 2017年8月22日至2022年8月21日
11,750	1.75	22-08-2018 to 21-08-2023 2018年8月22日至2023年8月21日
310,540		

At the end of the reporting period, the Company had 408,790,000 share options outstanding under the Share Option Scheme, which represented approximately 5.10% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 408,790,000 additional ordinary shares of the Company and additional share capital of HK\$1,217,223,000 (before issue expenses).

於報告期末時，根據購股權計劃，本公司有408,790,000份未行使購股權，相當於本公司當日已發行股份約5.10%。根據本公司現時的資本結構而言，全數行使未行使購股權將會導致本公司發行408,790,000股額外普通股及額外股本1,217,223,000港元(扣除發行開支前)。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

37. Share Options (Continued)

At the date of approval of these financial statements, the Company had 408,290,000 share options outstanding under the Share Option Scheme, which represented approximately 5.10% of the Company's shares in issue as at that date.

38. Other Reserves

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on pages 140 and 141 of the financial statements.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries which are established in the PRC has been transferred to the statutory reserve which is restricted as to use.

Capital reserve represents additional contribution made by the shareholders of the Company's subsidiaries and, in the case of an acquisition of an additional equity interest in a non-wholly-owned subsidiary, the difference between the cost of acquisition and the non-controlling interests acquired.

Revaluation reserve represents the difference arising from change in use from owner-occupied properties to investment properties carried at fair value.

39. Note to the Consolidated Statement of Cash Flows

(a) Changes in liabilities arising from financing activities

37. 購股權(續)

於該等財務報表批准當日，根據購股權計劃，本公司有408,290,000份未行使購股權，相當於本公司當日已發行股份約5.10%。

38. 其他儲備

有關本集團於本年度及過往年度的儲備及其變動已呈列於財務報表第140及141頁的綜合權益變動表內。

根據中外合營企業相關法律及法規，本集團旗下在中國成立的附屬公司的部分利潤已轉撥至用途受限制的法定儲備金。

資本儲備指本公司子公司之股東作出的額外注資，以及在收購一家非全資子公司的額外股權後，收購成本與所收購非控制權益兩者之差額。

重估儲備指因用途變更而由自用物業轉為以公平值列賬的投資物業而產生的差額。

39. 綜合現金流量表附註

(a) 融資活動產生的負債變動

		Interest-bearing bank and other borrowings 計息銀行及 其他借貸 HK\$'000 千港元	Short-term notes 短期融資券 HK\$'000 千港元	Senior notes 優先票據 HK\$'000 千港元	Medium-term notes 中期票據 HK\$'000 千港元	Corporate bonds 企業債券 HK\$'000 千港元	Domestic company bonds 境內公司債券 HK\$'000 千港元	Interest payable included in trade and other payables 貿易及其他 應付款項內 的應付利息 HK\$'000 千港元
At 1 April 2017	於2017年4月1日	13,412,462	1,353,240	6,425,992	4,723,000	1,778,744	5,079,429	59,398
Interest expense	利息開支	-	-	452,711	367,288	129,785	336,868	923,244
Changes from financing cash flows	融資現金流變動	1,184,232	(853,186)	2,261,693	(352,581)	(123,816)	(324,633)	(938,824)
Loss on redemption of the 2014 Notes	贖回2014年票據之虧損	-	-	89,876	-	-	-	-
Exchange movement	匯兌變動	1,501,511	125,046	-	513,937	193,581	552,505	2,111
At 31 March 2018	於2018年3月31日	16,098,205	625,100	9,230,272	5,251,644	1,978,294	5,644,169	45,929

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

39. Note to the Consolidated Statement of Cash Flows (Continued)

(b) Analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Cash consideration	現金代價	8,867	—
Cash and bank balances disposed of	已出售現金及銀行結餘	(20,672)	—
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	處置附屬公司之現金及現金等價物流出淨額	(11,805)	—

40. Pledge of Assets

Details of the Group's bank and other borrowings, which are secured by the assets of the Group, are included in notes 13, 14, 15, 22, 27 and 29 to the financial statements.

41. Contingent Liabilities

At the end of each reporting period, contingent liabilities not provided for in the financial statements were as follows:

39. 綜合現金流量表附註(續)

(b) 就處置附屬公司之現金及現金等價物流出淨額分析

40. 資產抵押

以本集團的資產作抵押的銀行及其他借貸詳情載於財務報表附註13、14、15、22、27及29。

41. 或然負債

於各報告期末，財務報表內未有撥備的或然負債如下：

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Guarantees given to banks in connection with facilities granted to:	就以下各方獲授的融資而向銀行提供的擔保：		
Third parties	第三方	12,574,525	9,396,341

The Group has provided guarantees in respect of banking facilities granted by certain banks to the purchasers of the Group's properties held for sale and held for finance lease. Pursuant to the terms of the guarantees, if there is default of the loan payments by the purchasers and lessees, the Group is responsible to repay the outstanding loans together with accrued interest thereon and any penalty owed by the defaulted purchasers and lessees to banks. The Group is then entitled to take over the legal titles and usage rights of the related properties. For trade center units and residential properties sold, the guarantee period commences from the dates of grant of the relevant loans and ends when the purchasers obtain the building ownership certificates which will then be pledged with the banks. For residential and commercial properties under finance leases, the guarantees will be released along with the full repayment of loan principals by the lessees.

本集團就若干銀行授予持作銷售物業及融資租賃物業的買家的銀行信貸提供擔保。根據該等擔保條款，倘該等買家及承租人拖欠貸款還款，本集團負責償還未付貸款，連同應計利息，以及欠款買家及承租人結欠銀行的任何罰金。其後，本集團有權接管相關物業的法律業權及使用權。已售交易中心商舖及住宅物業方面，擔保期由相關貸款授出日期起至買家取得其後抵押予銀行的房地產權證日期止。就融資租賃下的住宅及商業物業而言，擔保將隨承租人償還貸款本金解除。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

41. Contingent Liabilities (Continued)

The Group did not incur any material losses during the financial year in respect of the guarantees provided for mortgage facilities granted to the purchasers and lessees of the Group's properties. The Directors consider that in case of default on payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore the fair value of the guarantees is not significant.

42. Operating Lease Arrangements
(a) As lessor

The Group leases its investment properties (note 14) and properties sold with cooperation and leasing arrangements with the purchasers under operating lease arrangements negotiated for terms ranging from one to twenty years. The terms of the leases also require the tenants to pay security deposits.

At the end of each reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

41. 或然負債(續)

本集團於財政年度內並無因向本集團物業的買家及承租人於獲授按揭融資時所提供擔保而錄得任何重大虧損。董事認為，倘出現拖欠款項的情況，相關物業的可變現淨值足以支付未償還按揭貸款連同任何應計利息及罰款，故擔保之公平值並不重大。

42. 經營租賃安排
(a) 作為出租人

本集團根據經營租賃安排租賃其投資物業(附註14)及與買家的合作及租賃安排的已出售物業，並磋商一至二十年的租賃期。租賃條款亦規定租戶需支付押金。

於各報告期末，本集團根據與租戶訂立的不可註銷經營租賃按下列年度到期之未來最低應收租金總額如下：

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Within one year	一年內	754,836	760,049
In the second to fifth years, inclusive	第二至第五年(包括首尾兩年)	1,575,985	1,537,821
After five years	五年後	488,270	416,518
Total	總計	2,819,091	2,714,388

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

42. Operating Lease Arrangements (Continued)

(b) As lessee

The Group leases certain of its land and buildings and vehicles under operating lease arrangements. Leases are negotiated for terms ranging from one to twenty years.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Within one year	一年內	133,205	268,729
In the second to fifth years, inclusive	第二至第五年(包括首尾兩年)	127,817	396,533
After five years	五年後	32,333	40,906
Total	總計	293,355	706,168

43. Commitments

In addition to the operating lease commitments detailed in note 42(b) above, the Group had the following commitments at the end of each reporting period:

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Contracted, but not provided for:	已訂約但未撥備：		
Properties under development	發展中物業	10,470,922	8,787,653
Prepaid land lease payments	預付土地出租金	254,416	—
Total	總計	10,725,338	8,787,653

42. 經營租賃安排(續)

(b) 作為承租人

本集團以經營租賃安排租用若干土地及房屋及汽車，並磋商一至二十年的租賃期。

於各報告期末，本集團根據不可註銷經營租賃按下列年度到期之未來最低租金總額如下：

43. 承擔

除上文附註42(b)詳述的經營租賃承擔外，於各報告期末，本集團有下列承擔：

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

44. Related Party Transactions

- (a) In addition to the transactions disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Rental expense and related service fees for an office property paid to:	辦公樓的租金開支及相關服務費用支付予：		
A company of which a Director of the Company was a controlling shareholder (note)	本公司董事擔任控股股東的一間公司(附註)	—	1,959

Note:

During the prior year, the Group leased the office property of a company of which a Director of the Company was a controlling shareholder. The rental and related service fees were based on terms mutually agreed between both parties.

附註：

於以前年度，本集團向本公司董事擔任控股股東一間公司租入辦公樓。租金及有關費用根據雙方協定條款計算。

(b) Outstanding balances with related parties

Details of the Group's amounts due from associates as at the end of each reporting period are disclosed in note 18.

44. 關連人士交易

- (a) 除財務報表其他部分另有披露的交易外，於年內，本集團與關連人士進行下列重大交易：

(b) 與關連人士之間的未結付結餘

本集團於各報告期末的應收聯營企業之款項詳情於附註18披露。

(c) Compensation of key management personnel of the Group

(c) 本集團主要管理人員薪酬

		2018 HK\$'000 千港元	2017 HK\$'000 千港元
Short term employee benefits	短期僱員福利	65,835	55,366
Post-employment benefits	離職後福利	73	54
Share-based payments	以權益結算的購股權開支	34,366	12,102
Total compensation paid to key management personnel	支付予主要管理人員的薪酬總額	100,274	67,522

Further details of Directors' emoluments are included in note 8 to the financial statements.

董事酬金的進一步詳情載於財務報表附註8。

In prior year, the rental expense for office properties paid to the related parties above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules.

於過往年度，上述有關支付辦公樓的租金開支的關連人士交易亦構成上市規則第14A章定義的持續關連交易。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

45. Financial Instruments by Category

Other than the held-for-trading investments at fair value through profit or loss as disclosed in note 26 which are stated at fair value and the available-for-sale investments in note 19 which are stated at historical cost, all financial assets and liabilities of the Group as at 31 March 2018 and 2017 are loans and receivables and financial liabilities stated at amortized cost, respectively.

46. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

45. 金融工具分類

除附註26所披露的透過損益以公平值列賬之持作買賣投資及附註19所披露的以歷史成本列賬之可供出售金融投資外，於2018年及2017年3月31日，本集團的所有金融資產和負債分別為貸款與應收款項及按攤銷成本入賬的金融負債。

46. 金融工具之公平值及公平值等級架構

本集團之金融工具之賬面值及公平值(賬面值與公平值極其相近者除外)如下：

		Carrying amounts		Fair values	
		賬面值		公平值	
		2018	2017	2018	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
Short-term notes	短期融資券	625,100	1,353,240	647,446	1,385,038
Senior notes	優先票據	9,230,272	6,425,992	8,894,383	6,587,532
Medium-term notes	中期票據	5,251,644	4,723,000	5,261,155	4,856,191
Corporate bonds	企業債券	1,978,294	1,778,744	1,874,550	1,743,988
Domestic company bonds	境內公司債券	5,644,169	5,079,429	5,169,152	4,991,584
		22,729,479	19,360,405	21,846,686	19,564,333

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in trade and other payables, current portion of interest-bearing bank and other borrowings and amounts due from associates, approximate to their carrying amounts largely due to the short term maturities of these instruments.

管理層已評估現金及現金等價物、應收賬款、金融資產包括預付款、訂金及其他應收款項、金融負債包括貿易及其他應付款項、計息銀行及其他借貸的即期部分及應收聯營公司款項之公平值與其各自之賬面值相若，主要因為該等工具於短期內到期。

31 March 2018 2018年3月31日

46. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The management reports directly to the Directors and the audit committee. At each reporting date, the management analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the Directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of other long-term receivables and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk in interest-bearing bank and other borrowings as at 31 March 2018 was assessed to be insignificant. The fair values of the non-current portion of other long-term receivables and interest-bearing bank and other borrowings are not materially different from their carrying amounts.

The fair values of short-term notes, senior notes, medium-term notes, corporate bonds and domestic company bonds are calculated using the quoted market prices on 31 March 2018.

46. 金融工具之公平值及公平值等級架構(續)

本集團管理層負責釐定金融工具公平值計量之政策及程序。管理層直接向董事及審核委員會報告。於各報告日期，管理層分析金融工具之價值變動並釐定估值中適用的主要元素。估值由董事審核及批准。估值過程及結果由審核委員會每年討論兩次，以便呈列於中期及年度財務報告。

金融資產及負債的公平值按可在自願雙方(強迫或清盤銷售除外)在現有交易中進行交換的工具之金額入賬。估計公平值時所用之方法及假設載述如下：

其他長期應收款項、計息銀行及其他借貸之非即期部分的公平值乃透過使用當前可供金融工具使用之現行利率按類似條款、信用風險及餘下到期日，折讓預期未來現金流量而計算。於2018年3月31日，本集團自身於計息銀行及其他借貸之不履約風險被評定為並不重大。其他長期應收款項及計息銀行及其他借貸非即期部分的公平值與賬面值相差不大。

短期融資券、優先票據、中期票據、企業債券及境內公司債券之公平值乃根據2018年3月31日的市場價格之報價釐定。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

46. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)
Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 March 2018

		Fair value measurement using quoted prices in active markets (Level 1) 使用於活躍市場之報價 的公平值計量 (第1級) HK\$'000 千港元
Held-for-trading investments at fair value through profit or loss	透過損益以公平值列賬之 持作買賣投資	205,966

As at 31 March 2017

於2017年3月31日

		Fair value measurement using quoted prices in active markets (Level 1) 使用於活躍市場之報價 的公平值計量 (第1級) HK\$'000 千港元
Held-for-trading investments at fair value through profit or loss	透過損益以公平值列賬之 持作買賣投資	—

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

46. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)
Fair value hierarchy (Continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (2017: Nil).

Liabilities for which fair values are disclosed:

As at 31 March 2018

46. 金融工具之公平值及公平值等級架構
(續)
公平值等級 (續)

本年內，公平值計量於第1級別與第2級別之間並無轉換及無轉入或轉出至第3級別(2017年：無)。

已披露公平值之金融負債：

於2018年3月31日

		Fair value measurement using quoted prices in active markets (Level 1) 使用於活躍市場之報價的公平值計量(第一級) HK\$'000 千港元
Short-term notes	短期融資券	647,446
Senior notes	優先票據	8,894,383
Medium-term notes	中期票據	5,261,155
Corporate bonds	企業債券	1,874,550
Domestic company bonds	境內公司債券	5,169,152
		21,846,686

As at 31 March 2017

於2017年3月31日

		Fair value measurement using quoted prices in active markets (Level 1) 使用於活躍市場之報價的公平值計量(第一級) HK\$'000 千港元
Short-term notes	短期融資券	1,385,038
Senior notes	優先票據	6,587,532
Medium-term notes	中期票據	4,856,191
Corporate bonds	企業債券	1,743,988
Domestic company bonds	境內公司債券	4,991,584
		19,564,333

31 March 2018 2018年3月31日

47. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank and other borrowings, short-term notes, senior notes, medium-term notes, corporate bonds, domestic company bonds and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets such as trade receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign exchange risk. The Board of Directors reviews and agrees policies for managing each of these risks and they are summarized below.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's borrowings. The interest rates and terms of repayment of the Group's borrowings are disclosed in notes 29, 30, 31, 32, 33 and 34 to the financial statements. The Group's policy is to obtain the most favorable interest rates available for its borrowings.

The Group will constantly assess the interest rate risk it encounters to decide whether it is required to hedge against the possible interest rate risk that may arise.

On 31 March 2018, if the interest rate of bank borrowings had increased/decreased by 0.5% and all other factors remained unchanged, the profit after tax for the year of the Group would have decreased/increased by approximately HK\$51,217,000 (2017: HK\$50,297,000).

47. 財務風險管理目標及政策

本集團主要金融工具包括銀行及其他借貸、短期融資券、優先票據、中期票據、企業債券、境內公司債券及現金及短期存款。該等金融工具主要為本集團業務籌集資金。本集團亦擁有多項其他金融資產，例如直接從業務營運產生的應收貿易賬款。

本集團金融工具所產生的主要風險包括利率風險、信貸風險、流動資金風險及外匯風險。董事會對管理上述各項風險的政策進行檢討及協定，該等風險概述如下。

利率風險

本集團面臨的利率風險主要與本集團的借貸相關。本集團借貸的利率及還款期於財務報表附註29、30、31、32、33及34中披露。本集團的政策是為其借貸取得最有利的利率。

本集團將持續評估所遇到的利率風險以決定是否需要對沖可能產生的利率風險。

於2018年3月31日，倘銀行借貸的利率上升/下降0.5%及所有其他因素保持不變，則本集團本年度稅後利潤將會減少/增加約51,217,000港元（2017年：50,297,000港元）。

31 March 2018 2018年3月31日

47. Financial Risk Management Objectives and Policies (Continued)
Credit risk

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, trade and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 41 to the financial statements.

To manage the risk, deposits are mainly placed with banks with high credit quality. The Group trades only with recognized and creditworthy third parties. For the sales of properties, the Group has policies in place to ensure that sales are made to buyers with appropriate financial strength and appropriate percentage of down payments. The Group would not release the property ownership certificates to the buyers before the buyers fully settle the payment. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. With exposure spread over a number of counterparties and customers, the Group has no significant concentration of credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings, short-term notes, senior notes, medium-term notes, corporate bonds and domestic company bonds.

47. 財務風險管理目標及政策(續)

信貸風險

本集團金融資產包括現金及現金等價物、應收貿易賬款及其他應收款項的信貸風險來自對方拖欠付款，而可能拖欠的最高金額等於此等工具的賬面值。本集團亦因提供財務擔保而面對信貸風險，有關詳情於財務報表附註41中披露。

為管理風險，本集團主要將存款存入高信貸質素的銀行。本集團僅與知名及具信譽的第三方進行交易。就出售物業方面，本集團已實行政策確保向具有適當財務實力及支付適當百分比首期付款的買家作出銷售。在買家全數清償付款前，本集團不會向其發出房產證。本集團亦擁有其他監控程序以確保採取跟進措施收回逾期款項。此外，本集團定期審閱每名個人的貿易應收賬款的可收回金額，以確保就不可收回金額作出足夠的減值虧損列賬。本集團並無任何重大集中信貸風險，而所面對的風險分散到多名交易對手及客戶。

有關本集團就貿易應收賬款的信貸風險所承擔的風險的進一步量化數據於財務報表附註24中披露。

流動資金風險

本集團的目標是透過使用銀行及其他借貸、短期融資券、優先票據、中期票據、企業債券及境內公司債券，維持資金持續性與靈活性之間的平衡。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

47. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

47. 財務風險管理目標及政策(續)

流動資金風險(續)

本集團於報告期末時的金融負債的到期狀況(按照合同未折現付款)如下：

		2018					Total 總計
		On demand	Within one year	One to two years	Two to five years	Beyond five years	
		應要求	一年內	第一至二年	第二至五年	五年後	
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	
Interest-bearing bank and other borrowings	計息銀行及其他借貸	–	7,892,373	4,193,177	4,933,369	864,157	17,883,076
Short-term notes	短期融資券	–	665,732	–	–	–	665,732
Senior notes	優先票據	–	787,438	3,712,906	9,935,011	–	14,435,355
Medium-term notes	中期票據	–	2,874,210	2,699,182	–	–	5,573,392
Corporate bonds	企業債券	–	1,978,294	–	–	–	1,978,294
Domestic company bonds	境內公司債券	–	4,094,780	1,870,174	–	–	5,964,954
Financial liabilities included in trade and other payables	計入應付貿易及其他應付款項的金融負債	–	9,705,579	–	–	–	9,705,579
Financial guarantees granted to third parties	對第三方授予財務擔保	12,574,525	–	–	–	–	12,574,525
Total	總計	12,574,525	27,998,406	12,475,439	14,868,380	864,157	68,780,907

		2017					Total 總計
		On demand	Within one year	One to two years	Two to five years	Beyond five years	
		應要求	一年內	第一至二年	第二至五年	五年後	
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	
Interest-bearing bank and other borrowings	計息銀行及其他借貸	–	7,554,399	3,795,546	2,726,861	273,223	14,350,029
Short-term notes	短期融資券	–	1,419,549	–	–	–	1,419,549
Senior notes	優先票據	–	649,809	359,539	6,388,688	–	7,398,036
Medium-term notes	中期票據	–	337,182	2,592,582	2,434,704	–	5,364,468
Corporate bonds	企業債券	–	118,409	118,409	2,046,776	–	2,283,594
Domestic company bonds	境內公司債券	–	310,456	3,693,556	1,686,926	–	5,690,938
Financial liabilities included in trade and other payables	計入應付貿易及其他應付款項的金融負債	–	8,663,678	–	–	–	8,663,678
Financial guarantees granted to third parties	對第三方授予財務擔保	9,396,341	–	–	–	–	9,396,341
Total	總計	9,396,341	19,053,482	10,559,632	15,283,955	273,223	54,566,633

31 March 2018 2018年3月31日

47. Financial Risk Management Objectives and Policies (Continued)**Foreign exchange risk**

The Group only conducts business within Mainland China. Except for interest payables, repayment of foreign currency loans obtained to finance the Group's operations and any potential future dividends of its subsidiaries that might be declared to their shareholders, the bulk of the Group's revenue, capital investment and expenses are denominated in RMB. At the date of approval of the financial statements, the Group has not experienced any difficulties in obtaining government approval for its necessary foreign exchange purchases. During the year, the Group did not issue any financial instruments for hedging purposes.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

		Changes in RMB rate 人民幣匯率變動 %	Increase/ (decrease) in profit before tax 稅前利潤增加/ (減少) HK\$'000 千港元
2018	2018年		
If Hong Kong dollar weakens against RMB	倘港元兌人民幣轉弱	5	55,206
If Hong Kong dollar strengthens against RMB	倘港元兌人民幣轉強	5	(55,206)
2017	2017年		
If Hong Kong dollar weakens against RMB	倘港元兌人民幣轉弱	5	53,316
If Hong Kong dollar strengthens against RMB	倘港元兌人民幣轉強	5	(53,316)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

47. 財務風險管理目標及政策(續)**外匯風險**

本集團僅在中國大陸經營業務。除應付利息、本集團撥資營運所需而取得的外幣貸款的還款以及其附屬公司可能向其股東宣派的任何潛在股息外，本集團大部分收入、資本投資及開支均以人民幣為單位。於財務報表批准日期，本集團在申領政府批文以購買所需外匯方面，從未遇上任何困難。年內，本集團並無為對沖目的而發行任何金融工具。

下表顯示在所有其他變量維持不變的情況下，本集團稅前利潤於報告期末對人民幣匯率的可能合理變動的敏感度，有關稅前利潤的變動乃因貨幣資產及負債的公平值出現變動所致。

資本管理

本集團資本管理的首要目標是為了確保本集團持續發展及穩健資本比率的能力，以支持其業務運作及實現最大股東價值。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

47. Financial Risk Management Objectives and Policies (Continued)

Capital management (Continued)

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 31 March 2017.

The Group monitors capital using a gearing ratio (net debt to the total equity) and total liabilities to total assets ratio. Net debt includes interest-bearing bank and other borrowings, short-term notes, senior notes, medium-term notes, corporate bonds and domestic company bonds, less cash and cash equivalents and restricted cash. The gearing ratios as at the end of the reporting periods were as follows:

		Notes 附註	2018 HK\$'000 千港元	2017 HK\$'000 千港元
Interest-bearing bank and other borrowings	計息銀行及其他借貸	29	16,098,205	13,412,462
Short-term notes	短期融資券	30	625,100	1,353,240
Senior notes	優先票據	31	9,230,272	6,425,992
Medium-term notes	中期票據	32	5,251,644	4,723,000
Corporate bonds	企業債券	33	1,978,294	1,778,744
Domestic company bonds	境內公司債券	34	5,644,169	5,079,429
Less: Cash and cash equivalents and restricted cash	減：現金及現金等價物及受限制現金	27	(10,655,692)	(10,490,909)
Net debt	債務淨額		28,171,992	22,281,958
Total equity	權益總額		36,400,754	28,479,391
Total assets	總資產		111,545,966	88,975,833
Total liabilities	總負債		75,145,212	60,496,442
Net debt/Total equity	資本負債比率		77%	78%
Total liabilities/Total assets	負債對資產比率		67%	68%

48. Event After the Reporting Period

On 24 May 2018 and 4 June 2018, the Company issued senior notes with an aggregate principal amounts of US\$150,000,000 and US\$100,000,000, respectively (collectively known as, the "2018 May Notes"). The 2018 May Notes are listed on the Singapore Exchange Securities Trading Limited. The 2018 May Notes carry interest at the rate of 10.875% per annum, payable semi-annually on 24 February and 24 August in arrears, and will mature on 24 August 2020, unless redeemed earlier. The offering price was at 99.654% and 99.649% of the principal amount of the 2018 May Notes of US\$150,000,000 and US\$100,000,000, respectively.

47. 財務風險管理目標及政策(續)

資本管理(續)

本集團根據經濟情況的變動及相關資產的風險特點，管理其資本結構並對其作出調整。為維持或調整資本結構，本集團可能會調整向股東派發的股息付款、向股東返還資本或發行新股。本集團毋須遵守任何外界施加的資本規定。截至2018年3月31日及2017年3月31日止年度，並無更改資本管理的目標、政策或程序。

本集團採用資本負債比率(債務淨額除以權益總額)和負債對資產比率監控資本情況。債務淨額包括計息銀行及其他借貸、短期融資券、優先票據、中期票據、企業債券及境內公司債券減現金及現金等價物及受限制現金。於報告期末，資本負債比率如下：

48. 報告期間結束後事項

於2018年5月24日及2018年6月4日，本公司分別發行本金總額150,000,000美元及100,000,000美元的優先票據(統稱為「2018年5月票據」)。2018年5月票據於新加坡證券交易所有限公司上市。2018年5月票據按年利率10.875%計息，每半年於2月24日及8月24日支付，並將於2020年8月24日到期(除非提早贖回)。發售價分別為150,000,000美元及100,000,000美元2018年5月票據本金總額的99.654%及99.649%。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2018 2018年3月31日

49. Statement of Financial Position of the Company 49. 公司財務狀況表

		31 March 2018 2018年 3月31日 HK\$'000 千港元	31 March 2017 2017年 3月31日 HK\$'000 千港元
NON-CURRENT ASSETS	非流動資產		
Property, plant and equipment	物業、廠房及設備	1,177	909
Investments in subsidiaries	於附屬公司的投資	3,246,958	3,246,958
Total non-current assets	非流動資產總額	3,248,135	3,247,867
CURRENT ASSETS	流動資產		
Due from subsidiaries	應收附屬公司款項	13,521,584	8,767,553
Prepayments, deposits and other receivables	預付款項、按金及 其他應收款項	514	514
Cash and cash equivalents	現金及現金等價物	631,113	2,429,336
Total current assets	流動資產總額	14,153,211	11,197,403
CURRENT LIABILITIES	流動負債		
Other payables, accruals and deposits received	其他應付款項、應計項目及 已收按金	144,184	133,337
Total current liabilities	流動負債總額	144,184	133,337
NET CURRENT ASSETS	流動資產淨值	14,009,027	11,064,066
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總額減流動負債	17,257,162	14,311,933
NON-CURRENT LIABILITIES	非流動負債		
Senior notes	優先票據	9,230,272	6,503,653
Total non-current liabilities	非流動負債總額	9,230,272	6,503,653
Net assets	資產淨值	8,026,890	7,808,280
EQUITY	權益		
Share capital	股本	7,060,973	7,054,362
Reserves (note)	其他儲備(附註)	965,917	753,918
Total equity	權益總額	8,026,890	7,808,280

CHENG CHUNG HING 鄭松興
Director 董事

SONG CHUAN 宋川
Director 董事

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2018 2018年3月31日

49. Statement of Financial Position of the Company

(Continued)

Note:

A summary of the Company's reserves is as follows:

		Share option reserve 購股權儲備 HK\$'000 千港元	Retained profits 保留利潤 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2016	於2016年4月1日	140,818	888,212	1,029,030
Profit for the year	年內利潤	–	96,140	96,140
Equity-settled share option arrangement	以權益結算的購股權安排	30,612	–	30,612
Exercise of share options	行使購股權	(1,548)	–	(1,548)
Lapse of share options	購股權失效	(637)	637	–
Final 2016 dividend paid	已付2016末期股息	–	(400,316)	(400,316)
At 31 March 2017	於2017年3月31日	169,245	584,673	753,918

		Share option reserve 購股權儲備 HK\$'000 千港元	Retained profits 保留利潤 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2017	於2017年4月1日	169,245	584,673	753,918
Profit for the year	年內利潤	–	571,264	571,264
Equity-settled share option arrangement	以權益結算的購股權安排	42,065	–	42,065
Exercise of share options	行使購股權	(1,014)	–	(1,014)
Lapse of share options	購股權失效	(7,501)	7,501	–
Final 2017 dividend paid	已付2017末期股息	–	(400,316)	(400,316)
At 31 March 2018	於2018年3月31日	202,795	763,122	965,917

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share capital when the related options are exercised, or be transferred to retained profits should the related options expire.

購股權儲備包含已授出但未行使之購股權的公平值，其會計政策已詳載於財務報表附註2.4內，當有關購股權被行使，此金額會轉入股本，或者當有關購股權失效，此金額會轉至保留利潤。

50. Approval of the Financial Statements

The financial statements were approved and authorized for issue by the Board of Directors on 28 June 2018.

49. 公司財務狀況表(續)

附註：

公司之儲備變動詳情如下：

		Share option reserve 購股權儲備 HK\$'000 千港元	Retained profits 保留利潤 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2016	於2016年4月1日	140,818	888,212	1,029,030
Profit for the year	年內利潤	–	96,140	96,140
Equity-settled share option arrangement	以權益結算的購股權安排	30,612	–	30,612
Exercise of share options	行使購股權	(1,548)	–	(1,548)
Lapse of share options	購股權失效	(637)	637	–
Final 2016 dividend paid	已付2016末期股息	–	(400,316)	(400,316)
At 31 March 2017	於2017年3月31日	169,245	584,673	753,918

		Share option reserve 購股權儲備 HK\$'000 千港元	Retained profits 保留利潤 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2017	於2017年4月1日	169,245	584,673	753,918
Profit for the year	年內利潤	–	571,264	571,264
Equity-settled share option arrangement	以權益結算的購股權安排	42,065	–	42,065
Exercise of share options	行使購股權	(1,014)	–	(1,014)
Lapse of share options	購股權失效	(7,501)	7,501	–
Final 2017 dividend paid	已付2017末期股息	–	(400,316)	(400,316)
At 31 March 2018	於2018年3月31日	202,795	763,122	965,917

50. 批核財務報表

董事會於2018年6月28日批准及授權刊發財務報表。

INDEPENDENT AUDITOR'S REPORT

獨立核數師報告



To the members of China South City Holdings Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of China South City Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 136 to 252, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

致華南城控股有限公司各股東
(於香港註冊成立之有限公司)

意見

我們已審核華南城控股有限公司(「貴公司」)及其附屬公司(「貴集團」)載於第136至252頁的綜合財務報表，當中載有於二零一七年三月三十一日的綜合財務狀況表、及截至該日止年度的綜合損益表、綜合全面收益表、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」)頒布之香港財務報告準則(「香港財務報告準則」)真實而公允地反映了 貴集團於二零一七年三月三十一日的綜合財務狀況及截至該日止年度的綜合財務表現及綜合現金流量，並已遵照香港公司條例妥為編制。

意見之基礎

我們根據香港會計師公會頒布之香港審計準則(「香港審計準則」)進行審核。根據該等準則下，我們的責任於本報告內核數師就審核綜合財務報表須承擔之責任一節中進一步闡述。根據香港會計師公會之專業會計師操守守則(「守則」)，我們獨立於 貴集團，並已根據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足夠及能適當地為我們的審核意見提供基礎。

關鍵審核事項

關鍵審核事項根據我們的專業判斷，認為對我們審核本期綜合財務報表最為重要之事項。該等事項是在我們對綜合財務報表整體進行審核並形成意見之背景下處理，我們不會對該等事項提供單獨意見。我們對下述每一事項在審核中是如何處理之描述亦以此為背景。

INDEPENDENT AUDITOR'S REPORT (Continued)

獨立核數師報告(續)

Key audit matters (Continued)

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

關鍵審核事項

Fair value of investment properties

投資物業之公平值

As of 31 March 2017, the carrying amount of investment properties was HK\$42,191,542,000. Fair value gains on investment properties amounted to HK\$4,549,509,000, which accounted for 69.0% of profit before tax of the Group. The Group engaged an external valuation expert to perform valuation of the Group's investment properties to estimate their fair values as at 31 March 2017. The fair values of investment properties were determined principally using the income capitalisation method by capitalising the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The determination of application of the valuation technique, future rental income and renting rate involved significant management judgement and estimates.

The related disclosures are included in notes 3 and 14 to the consolidated financial statements.

於二零一七年三月三十一日，投資物業的賬面值為42,191,542,000港元。投資物業之公平值收益為4,549,509,000港元，佔貴集團稅前利潤之69.0%。貴集團委聘外部估值專家進行貴集團投資物業於二零一七年三月三十一日的估值。投資物業公平值主要按收入資本化法釐定，方法是將現有租賃所得的租金收入資本化，並就物業的潛在可復歸收入計提適當撥備。決定估值技術的運用、未來租金收入及出租率涉及重大的管理層判斷及估計。

相關披露載於綜合財務報表附註3及14。

關鍵審核事項(續)

我們已履行本報告中核數師審核綜合財務報表之責任一節中所述的責任，包括有關該等事項之責任。因此，我們的審核包括執行旨在應對綜合財務報表存有重大錯誤陳述風險評估而設定之程序。審核程序的結果包括處理以下事項的程序，為我們就隨附的綜合財務報表的審核意見提供基礎。

How our audit addressed the key audit matter

該事項在審計中如何處理

Our audit procedures included evaluating the valuation process and the independence and expertise of the external valuation expert. We assessed the related data of the property as used by the external valuation expert as inputs for the valuations by comparing to the historical data and market index. We also involved our valuation specialists to assist us in evaluating the valuation methodology and the underlying assumptions which principally included the market unit rental rate and capitalisation rate. We further assessed the adequacy of the disclosures of the valuations of investment properties in the consolidated financial statements.

我們的審核程序包括評估估值程序及外部估值專家的獨立性及專業性。我們比較歷史數據及市場指數，從而評估外部估值專家用於估值中有關物業資料投入。我們亦委託我們的評估專家協助評定評估的方法及包括市場單位租金率及資本化比率等主要基礎假設。我們亦評估在綜合財務報表中對投資物業估值披露的充分性。

Key audit matters (Continued)

關鍵審核事項(續)

Key audit matter

How our audit addressed the key audit matter

關鍵審核事項

該事項在審計中如何處理

Impairment of trade receivable balances***應收貿易賬款減值***

As at 31 March 2017, the carrying amount of trade receivables was HK\$1,238,228,000, with the overdue amount of HK\$518,813,000. The Group estimates the impairment allowances for trade receivables by assessing the recoverability based on historical recovery of the overdue trade receivables of respective ages and related prevailing market conditions. This requires the use of significant estimates and judgements.

The related disclosures are included in notes 3 and 24 to the consolidated financial statements.

於二零一七年三月三十一日，應收貿易賬款賬面值為1,238,228,000港元，包含逾期金額518,813,000港元。貴集團以個別賬齡的逾期賬款之歷史回收紀錄及普遍的市場條件評估應收貿易賬款的可回收性，從而估計應收貿易賬款減值撥備。此涉及重大判斷及估計之使用。

相關披露載於綜合財務報表附註3及24。

We obtained an understanding of management's analysis of the recoverability of trade receivables. We evaluated the accuracy of the ageing analysis prepared by management by checking to the related sales invoices, and the credit terms specified in the related sales contracts. We also assessed the historical settlement history and checked the settlement received subsequent to the year end with respective bank slips on a sampling basis.

我們對管理層對應收貿易賬款可回收性分析作出了解。我們核對有關的銷售發票及銷售合同上的信貸期，以評估管理層編制的賬齡分析的準確性。我們亦分析過往還款紀錄及以樣本方式核對期後回款的銀行賬單。

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

年報中所載之其他資料

貴公司董事須對其他資料承擔責任。其他資料包括年報所載資料，惟不包括綜合財務報表及我們的核數師報告。

我們對綜合財務報表作出之意見並不涵蓋其他資料，我們亦不會就其他資料發表任何形式之鑒證結論。

就審核綜合財務報表而言，我們的責任為閱讀其他資料，及在此過程中，考慮其他資料是否與綜合財務報表或我們在審核過程中所了解的情況有重大不符，或者似乎有重大錯誤陳述。基於我們已執行之工作，如我們認為其他資料出現重大錯誤陳述，我們需要報告有關事實。就此而言，我們並無需報告任何事項。

董事就綜合財務報表須承擔之責任

貴公司董事須負責根據香港會計師公會頒布之香港財務報告準則及香港公司條例規定編製綜合財務報表使其真實而公允地列報，及制訂董事認為必要之相關內部監控，以使綜合財務報表之編製不會存在由於欺詐或錯誤而導致之重大錯誤陳述。

在編製綜合財務報表時，貴公司董事須負責評估貴集團持續經營之能力，並在適用情況下披露與持續經營有關之事項。除非貴公司董事有意將貴集團清盤或停止經營，或別無其他實際的替代方案。

貴公司董事在審核委員會協助下履行監督貴集團財務報告過程之責任。

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- 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之責任

我們的目標為對整體綜合財務報表是否不存在由於欺詐或錯誤而導致之任何重大錯誤陳述取得合理保證，並發出載有我們意見的核數師報告。我們根據香港公司條例第405條，僅向整體股東報告，而不作其他用途。我們概不就本報告之內容對任何其他人士承擔任何責任或負責。

合理保證是高水平的保證，惟根據香港審計準則進行之審核工作不能保證總能察覺所存在之重大錯誤陳述。錯誤陳述可因欺詐或錯誤產生，如按合理預期情況下可影響使用者根據綜合財務報表作出之經濟決定時，則被視為重大錯誤陳述。

在根據香港審計準則進行審核之過程中，我們運用了專業判斷，保持了專業懷疑態度。我們亦：

- 識別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之風險、設計及執行審核程序以應對該等風險，以及獲取充足和適當之審核憑證，作為我們意見之基礎。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之情況，因此未能發現因欺詐而導致之重大錯誤陳述之風險較因錯誤而導致之重大錯誤陳述之風險為高。
- 了解與審核相關之內部監控，以設計適當之審核程序，但目的並非對貴集團內部監控之有效性發表意見。
- 評估董事所採用會計政策之恰當性及作出會計估計和相關披露之合理性。

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

核數師就審核綜合財務報表須承擔之責任 (續)

- 對董事採用持續經營會計基礎之恰當性作出結論，並根據所獲取之審核憑證，決定是否存在與事件或情況有關之重大不確定性，而可能對貴集團持續經營之能力構成重大疑慮。如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之相關披露，或倘有關之披露不足，則修改吾等之意見。我們的結論是基於截至核數師報告日期止所取得的審核憑證。然而，未來事件或情況可能導致貴集團無法持續經營。
- 評價綜合財務報表之整體列報方式、結構及內容，包括披露資料，以及綜合財務報表是否公允反映相關交易和事項。
- 就貴集團實體或業務活動之財務資料獲取充分及適當的審核憑證，以對綜合財務報表發表意見。我們負責指導、監督和執行集團審核。我們對審核意見承擔全部責任。

我們與審核委員會溝通計劃審計範圍、時間安排及重大審核發現等事項，包括我們在審核期間識別出內部監控之任何重大缺陷。

我們亦向審核委員會提交聲明，說明我們已符合有關獨立性之相關道德要求，並與彼等溝通所有合理地被認為會影響我們獨立性之關係及其他事宜，以及相關防範措施(如適用)。

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Law Kwok Kee.

核數師就審核綜合財務報表須承擔之責任
(續)

就與審核委員會溝通之事項中，我們釐定對本期綜合財務報表之審核最為重要之事項，因而構成關鍵審核事項。我們於核數師報告中描述該等事項，除非法律法規不允許公開披露該等事項，或在極端罕見之情況下，若合理預期下於我們報告中溝通某事項造成之負面後果將會超過其產生之公眾利益，我們將不會在報告中溝通該事項。

本獨立核數師報告之審核項目合伙人為羅國基。

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower

1 Tim Mei Avenue

Central

Hong Kong

30 June 2017

安永會計師事務所

執業會計師

香港

中環

添美道1號

中信大廈22樓

2017年6月30日

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

綜合損益表

Year ended 31 March 2017 截至2017年3月31日止年度

		For the year ended 31 March	
		截至3月31日止年度	
		2017	2016
		HK\$'000	HK\$'000
		千港元	千港元
	Notes 附註		
REVENUE	收入	5	
Cost of sales	銷售成本	7,838,510	6,136,262
		(4,328,365)	(3,177,209)
Gross profit	毛利	3,510,145	2,959,053
Other income and gains/(losses)	其他收入及收益/(虧損)	5	1,066,242
Fair value gains on investment properties	投資物業公平值收益	5	3,232,699
Selling and distribution expenses	銷售及分銷開支	(624,629)	(864,670)
Administrative expenses	行政開支	(1,146,292)	(1,177,180)
Other expenses	其他開支	(147,028)	(152,525)
Finance costs	融資成本	7	(159,386)
PROFIT BEFORE TAX	稅前利潤	6	4,904,233
Income tax expenses	所得稅開支	10	(1,370,457)
PROFIT FOR THE YEAR	本年度利潤	4,322,962	3,533,776
Attributable to:	下列各方應佔：		
Owners of the parent	母公司擁有人	4,322,626	3,537,012
Non-controlling interests	非控股權益	336	(3,236)
		4,322,962	3,533,776
EARNINGS PER SHARE	歸屬於母公司普通股		
ATTRIBUTABLE TO ORDINARY	權益持有人之		
EQUITY HOLDERS OF THE PARENT	每股盈利	12	
Basic	基本		
– for profit for the year	– 本年度利潤	HK53.99 cents港仙	HK44.22 cents港仙
Diluted	攤薄		
– for profit for the year	– 本年度利潤	HK53.96 cents港仙	HK44.05 cents港仙

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

綜合全面收益表

Year ended 31 March 2017 截至2017年3月31日止年度

		For the year ended 31 March	
		截至3月31日止年度	
		2017	2016
		HK\$'000	HK\$'000
		千港元	千港元
PROFIT FOR THE YEAR	本年度利潤	4,322,962	3,533,776
OTHER COMPREHENSIVE LOSS	其他全面虧損		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:	將於其後期間重分類至損益的		
Exchange differences on translation of foreign operations	其他全面虧損： 換算海外業務的 匯兌差額	(1,853,190)	(1,092,050)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	本年度除稅後 其他全面虧損	(1,853,190)	(1,092,050)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	本年度總全面收入	2,469,772	2,441,726
Attributable to:	下列各方應佔：		
Owners of the parent	母公司擁有人	2,482,231	2,453,167
Non-controlling interests	非控股權益	(12,459)	(11,441)
		2,469,772	2,441,726

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

綜合財務狀況表

31 March 2017 2017年3月31日

		Notes	31 March 2017 2017年3月31日 HK\$'000 千港元	31 March 2016 2016年3月31日 HK\$'000 千港元
		附註		
NON-CURRENT ASSETS	非流動資產			
Property, plant and equipment	物業、廠房及設備	13	1,454,909	1,507,155
Investment properties	投資物業	14	42,191,542	34,814,188
Properties under development	發展中物業	15	4,493,810	4,252,854
Prepaid land lease payments	預付土地出租金	16	1,146,108	996,351
Goodwill	商譽	17	34,128	34,128
Investments in associates	於聯營公司的投資	18	82,497	60,310
Available-for-sale investments	可供出售金融投資	19	175,512	175,512
Other long-term receivables	其他長期應收款項	20	5,926	4,179
Deposits paid for purchase of land use rights	購買土地使用權支付的按金	21	15,235	403,144
Deferred tax assets	遞延稅項資產	35	2,289,999	2,145,347
Total non-current assets	非流動資產總值		51,889,666	44,393,168
CURRENT ASSETS	流動資產			
Properties held for finance lease	持作融資租賃物業		305,240	168,524
Properties held for sale	持作銷售物業	22	23,847,433	25,179,046
Inventories	存貨	23	137,555	53,535
Trade receivables	應收貿易賬款	24	1,238,228	1,149,273
Prepayments, deposits and other receivables	預付款項、按金及其他應收款項	25	1,066,802	727,725
Held-for-trading investments	透過損益以公平值列賬之			
at fair value through profit or loss	持作買賣投資	26	—	27,365
Cash and cash equivalents and restricted cash	現金及現金等價物及受限制現金	27	10,490,909	11,686,695
Total current assets	流動資產總值		37,086,167	38,992,163
CURRENT LIABILITIES	流動負債			
Trade and other payables	貿易及其他應付款項	28	16,763,218	13,269,724
Interest-bearing bank and other borrowings	計息銀行及其他借貸	29	7,042,625	7,656,878
Short-term notes	短期融資券	30	1,353,240	2,525,460
Tax payables	應付稅項		4,442,096	4,569,111
Total current liabilities	流動負債總額		29,601,179	28,021,173
NET CURRENT ASSETS	流動資產淨值		7,484,988	10,970,990
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總值減流動負債		59,374,654	55,364,158

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
綜合財務狀況表(續)

31 March 2017 2017年3月31日

			31 March 2017 2017年3月31日	31 March 2016 2016年3月31日
	Notes 附註		HK\$'000 千港元	HK\$'000 千港元
NON-CURRENT LIABILITIES		非流動負債		
Interest-bearing bank and other borrowings	29	計息銀行及其他借貸	6,369,837	8,965,863
Senior notes	31	優先票據	6,425,992	4,113,363
Medium-term notes	32	中期票據	4,723,000	5,026,696
Corporate bonds	33	企業債券	1,778,744	1,891,219
Domestic company bonds	34	境內公司債券	5,079,429	3,629,086
Deferred tax liabilities	35	遞延稅項負債	6,518,261	5,369,466
Total non-current liabilities		非流動負債總額	30,895,263	28,995,693
Net assets		資產淨值	28,479,391	26,368,465
EQUITY		權益		
Equity attributable to owners of the parent		母公司擁有人應佔權益		
Share capital	36	股本	7,054,362	7,043,784
Other reserves	38	其他儲備	21,243,892	19,134,733
			28,298,254	26,178,517
Non-controlling interests		非控股權益	181,137	189,948
Total equity		權益總額	28,479,391	26,368,465

CHENG CHUNG HING 鄭松興
Director 董事

FUNG SING HONG STEPHEN 馮星航
Director 董事

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

綜合權益變動表

Year ended 31 March 2017 截至2017年3月31日止年度

		Attributable to owners of the parent 母公司擁有人應佔								Non-controlling interests 非控股權益		Total equity 權益總額
		Share capital 股本	Statutory surplus reserve 法定盈餘儲備	Share option reserve 購股權儲備	Exchange fluctuation reserve 匯兌波動儲備	Capital reserve 資本儲備	Revaluation reserve 重估儲備	Retained profits 保留利潤	Total 總計			
Note		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	
			Note (i) 附註(i)									
At 1 April 2015	於2015年4月1日	7,034,761	1,081,080	112,767	1,458,025	(227,479)	286,456	15,121,359	24,866,969	154,847	25,021,816	
Profit for the year	本年度利潤	-	-	-	-	-	-	3,537,012	3,537,012	(3,236)	3,533,776	
Other comprehensive loss for the year:	本年度其他全面虧損：											
Exchange differences on translation of foreign operations	換算海外業務的匯兌差額	-	-	-	(1,083,845)	-	-	-	(1,083,845)	(8,205)	(1,092,050)	
Total comprehensive income for the year	本年度總全面收入	-	-	-	(1,083,845)	-	-	3,537,012	2,453,167	(11,441)	2,441,726	
Capital contribution from non-controlling shareholders	非控股股東的資本出資	-	-	-	-	(46,542)	-	-	(46,542)	46,542	-	
Exercise of share options	行使購股權	37	9,023	(1,164)	-	-	-	-	7,859	-	7,859	
Lapse of share options	購股權失效	-	-	(126)	-	-	-	126	-	-	-	
Equity-settled share option arrangement	以權益結算的購股權安排	37	-	29,341	-	-	-	-	29,341	-	29,341	
Shares repurchased	股份回購	37	-	-	-	-	-	(11,602)	(11,602)	-	(11,602)	
Final 2015 dividend paid	已付2015年末期股息	-	-	-	-	-	-	(1,120,675)	(1,120,675)	-	(1,120,675)	
Transfer from retained profits	轉撥自保留利潤	-	263,686	-	-	-	-	(263,686)	-	-	-	
At 31 March 2016	於2016年3月31日	7,043,784	1,344,766*	140,818*	374,180*	(274,021)*	286,456*	17,262,534*	26,178,517	189,948	26,368,465	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

綜合權益變動表(續)

Year ended 31 March 2017 截至2017年3月31日止年度

		Attributable to owners of the parent 母公司擁有人應佔								Non-controlling interests 非控股權益		Total equity 權益總額
		Share capital 股本	Statutory surplus reserve 法定盈餘儲備	Share option reserve 購股權儲備	Exchange fluctuation reserve 匯兌波動儲備	Capital reserve 資本儲備	Revaluation reserve 重估儲備	Retained profits 保留利潤	Total 總計			
Note 附註		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
			Note (i) 附註(i)									
At 1 April 2016	於2016年4月1日	7,043,784	1,344,766	140,818	374,180	(274,021)	286,456	17,262,534	26,178,517	189,948		26,368,465
Profit for the year	本年度利潤	-	-	-	-	-	-	4,322,626	4,322,626	336		4,322,962
Other comprehensive loss for the year:	本年度其他全面虧損：											
Exchange differences on translation of foreign operations	換算海外業務的匯兌差額	-	-	-	(1,840,395)	-	-	-	(1,840,395)	(12,795)		(1,853,190)
Total comprehensive income for the year	本年度總全面收入	-	-	-	(1,840,395)	-	-	4,322,626	2,482,231	(12,459)		2,469,772
Capital contribution from non-controlling shareholders	非控股股東的資本出資	-	-	-	-	-	-	-	-	36,676		36,676
Acquisition of non-controlling interest	收購非控股權益	-	-	-	-	(1,820)	-	-	(1,820)	(33,028)		(34,848)
Exercise of share options	行使購股權	37	10,578	(1,548)	-	-	-	-	9,030	-		9,030
Lapse of share options	購股權失效	-	-	(637)	-	-	-	637	-	-		-
Equity-settled share option arrangement	以權益結算的購股權安排	37	-	30,612	-	-	-	-	30,612	-		30,612
Final 2016 dividend paid	已付2016年末期股息	-	-	-	-	-	-	(400,316)	(400,316)	-		(400,316)
Transfer from retained profits	轉撥自保留利潤	-	246,281	-	-	-	-	(246,281)	-	-		-
At 31 March 2017	於2017年3月31日	7,054,362	1,591,047*	169,245*	(1,466,215)*	(275,841)*	286,456*	20,939,200*	28,298,254	181,137		28,479,391

* These reserve accounts comprise the consolidated other reserves of HK\$21,243,892,000 (31 March 2016: HK\$19,134,733,000) in the consolidated statement of financial position.

* 該等儲備賬包括綜合財務狀況表所載的綜合其他儲備21,243,892,000港元(2016年3月31日: 19,134,733,000港元)。

Note:

附註：

(i) In accordance with the PRC Company Law, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the registered capital after such usages.

(i) 根據中國公司法，本公司於中國註冊的附屬公司須將年度法定稅後利潤(經抵銷任何過往年度虧損後)的10%撥入法定盈餘儲備。當儲備資金結餘達至實體註冊資本的50%時，可以選擇是否再次撥入資金。法定盈餘儲備可用於抵銷過往年度虧損或增加資本。然而，法定盈餘儲備於作出該等用途後的結餘必須最少維持於註冊資本的25%。

CONSOLIDATED STATEMENT OF CASH FLOWS

綜合現金流量表

Year ended 31 March 2017 截至2017年3月31日止年度

		For the year ended 31 March		
		截至3月31日止年度		
		2017	2016	
		HK\$'000	HK\$'000	
		千港元	千港元	
	Notes 附註			
CASH FLOWS FROM OPERATING ACTIVITIES	經營活動現金流量			
Profit before tax	稅前利潤	6,592,254	4,904,233	
Adjustments for:	調整：			
Finance costs	融資成本	7	275,478	159,386
Bank interest income	銀行利息收入	5	(71,603)	(85,947)
Loss on disposal of items of property, plant and equipment	出售物業、廠房及設備項目 虧損	6	1,708	61
Depreciation	折舊	6	137,317	150,885
Amortisation of prepaid land lease payments	預付土地出租金攤銷	6	27,020	23,618
Changes in fair value of investment properties	投資物業公平值變動	5	(4,549,509)	(3,232,699)
Provision for impairment of trade receivables	應收貿易賬款減值撥備	6	73,885	96,660
Loss on disposal of a joint venture	處置一家合營公司虧損	6	—	4,959
Loss on disposal of subsidiaries	處置附屬公司虧損	6	—	444
Loss on redemption of the 2012 Notes and 2014 Notes	贖回2012年票據及 2014年票據之虧損	5	178,317	—
Gain on purchase of the 2014 Notes	購買2014年票據之收益	5	(597)	—
Fair value (gains)/losses on held-for-trading investments at fair value through profit or loss, net	透過損益以公平值列賬之 持作買賣投資的公平值 (收益)/虧損，淨額	5	(3,770)	5,525
Dividend income from held-for-trading investments at fair value through profit or loss	透過損益以公平值列賬之 持作買賣投資的股息收入		(1,014)	(1,053)
Equity-settled share option expense	以權益結算的購股權開支	6	30,612	29,341
		2,690,098	2,055,413	
(Increase)/decrease in properties held for sale	持作銷售物業(增加)/減少	(1,687,649)	1,846,657	
Decrease in properties held for finance lease	持作融資租賃物業減少	135,524	233,976	
Increase in inventories	存貨增加	(100,187)	(10,778)	
(Increase)/decrease in other long-term receivables	其他長期應收款項(增加)/減少	(1,469)	4,342	
(Increase)/decrease in trade receivables	應收貿易賬款(增加)/減少	(234,419)	328,128	
Increase in prepayments, deposits and other receivables	預付款項、按金及其他 應收款項增加	(8,768)	(195,225)	
Increase in restricted cash	受限制現金增加	(256,917)	(993,890)	
Increase/(decrease) in trade and other payables	貿易及其他應付款項 增加/(減少)	3,622,321	(599,346)	
Cash generated from operations	經營所得的現金	4,158,534	2,669,277	
Overseas taxes paid	已付海外稅項	(875,766)	(1,481,940)	
Net cash flows from operating activities	經營活動現金流入淨額	3,282,768	1,187,337	

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

綜合現金流量表(續)

Year ended 31 March 2017 截至2017年3月31日止年度

		For the year ended 31 March	
		截至3月31日止年度	
		2017	2016
	Notes	HK\$'000	HK\$'000
	附註	千港元	千港元
Net cash flows from operating activities	經營活動現金流入淨額	3,282,768	1,187,337
CASH FLOWS FROM INVESTING ACTIVITIES	投資活動現金流量		
Purchases of items of property, plant and equipment	購買物業、廠房及設備項目	(39,284)	(38,390)
Dividends received from held-for-trading investments at fair value through profit or loss	透過損益以公平值列賬之持作買賣投資已收股息	1,014	1,053
Proceeds from disposal of held-for-trading investments at fair value through profit or loss	出售透過損益以公平值列賬之持作買賣投資所得款項	31,135	–
Proceeds from disposal of items of property, plant and equipment	出售物業、廠房及設備項目所得款項	11,826	6,392
Purchase of an available-for-sale investment	購買一可供出售金融投資	–	(12)
Increase in amounts due from associates	應收聯營公司增加	(25,943)	(26,760)
Acquisition of non-controlling interests	收購非控股權益	(34,848)	–
Proceeds received from disposal of subsidiaries	出售附屬公司所得款項	–	10,246
Additions to properties under development	發展中物業添置	(2,105,868)	(5,423,894)
Additions to prepaid land lease payments	預付土地出租金增加	(210,642)	(83,019)
Interest received	已收利息	71,603	85,947
Net cash flows used in investing activities	投資活動現金流出淨額	(2,301,007)	(5,468,437)
CASH FLOWS FROM FINANCING ACTIVITIES	融資活動現金流量		
Issue of short-term notes	發行短期融資券	1,395,187	2,559,480
Payment for interests on short-term notes	短期融資券利息付款	(111,524)	(135,995)
Repayment of short-term notes	償還短期融資券	(2,446,897)	(2,698,740)
Issue of senior notes	發行優先票據	4,930,000	–
Payment for interests on senior notes	優先票據利息付款	(336,667)	(389,024)
Redemption of the 2012 Notes and 2014 Notes	贖回2012年票據及2014年票據	(2,652,420)	–
Purchase of the 2014 Notes	購買2014年票據	(154,128)	–
Payment of consent fee for 2014 Notes	支付2014年票據同意費	(23,193)	–
Issue of medium-term notes	發行之中期票據	–	2,415,662
Payment for interests on medium-term notes	中期票據利息付款	(350,637)	(196,953)
Issue of corporate bonds	發行企業債券	–	1,787,980
Payment for interests on corporate bonds	企業債券利息付款	(123,134)	–
Issue of domestic company bonds	發行境內公司債券	1,615,390	3,582,545
Payment for interests on domestic company bonds	境內公司債券利息付款	(206,830)	–
New bank and other borrowings	新借銀行及其他貸款	6,218,187	10,800,504
Repayment of bank and other borrowings	償還銀行及其他貸款	(8,393,172)	(9,051,904)
Exercise of share options	行使購股權	9,030	7,859
Capital contribution from a non-controlling shareholder	非控股股東出資	36,676	–
Shares repurchased	股份回購	–	(11,602)
Dividends paid	分派股息	(400,316)	(1,120,675)
Interest paid	已付利息	(784,145)	(990,380)
Net cash flows (used in)/from financing activities	融資活動現金(流出)/流入淨額	(1,778,593)	6,558,757
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	現金及現金等價物(減少)/增加淨額	(796,832)	2,277,657
Cash and cash equivalents at beginning of year	年初的現金及現金等價物	9,327,807	7,253,469
Effect of foreign exchange rate changes, net	匯率變動影響淨額	(508,955)	(203,319)
CASH AND CASH EQUIVALENTS AT END OF YEAR	年終的現金及現金等價物	8,022,020	9,327,807
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	現金及現金等價物結餘分析		
Cash and cash equivalents	現金及現金等價物	8,022,020	9,327,807

NOTES TO FINANCIAL STATEMENTS

財務報表附註

31 March 2017 2017年3月31日

1. Corporate and Group Information

China South City Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Room 2205, 22/F, Sun Life Tower, The Gateway, 15 Canton Road, Tsimshatsui, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the development and operation of large-scale integrated logistics and trade centers, development of residential and commercial ancillary facilities, property management and the provision of E-commerce, outlet operations, logistics and warehousing services.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

1. 公司及本集團資料

華南城控股有限公司(「本公司」)在香港註冊成立為有限公司。本公司註冊辦事處位於香港九龍尖沙咀廣東道15號港威大廈永明金融大樓22樓2205室。

年內，本公司及其附屬公司(統稱「本集團」)主要從事發展及經營大型綜合物流及商品交易中心、開發商住配套設施、物業管理以及提供電子商貿、奧特萊斯運營、物流及倉儲服務。

附屬公司資料

本公司的主要附屬公司詳情如下：

Name 名稱	Place of incorporation/ registration and business 註冊成立／註冊及 經營地點	Nominal value of issued ordinary/ registered share capital as at 31 March 2017 於2017年3月31日 已發行普通／註冊 股本面值	Date of incorporation/ registration 註冊成立／ 註冊日期	Percentage of equity attributable to the Company		Principal activities 主要業務
				本公司應佔 權益百分比		
				Direct 直接 %	Indirect 間接 %	
China South International Industrial Materials City (Shenzhen) Company Limited (ii)(iv) ("China South International") 華南國際工業原料城(深圳)有限公司(ii)(iv) (「華南國際」)	The People's Republic of China ("PRC")/ Mainland China 中國／中國大陸	HK\$2,200,000,000 2,200,000,000港元	18 December 2002 18-12-2002	100	–	Development and operation of integrated logistics trade centers 綜合商貿物流及商品交易中心 開發及運營
Nanchang China South City Company Limited (i)(iv) 南昌華南城有限公司(i)(iv)	PRC/Mainland China 中國／中國大陸	Renminbi ("RMB") 1,100,000,000 人民幣1,100,000,000元	16 November 2007 16-11-2007	–	100	Development and operation of integrated logistics trade centers 綜合商貿物流及商品交易中心 開發及運營
Nanning China South City Company Limited (iii)(iv) 南寧華南城有限公司(iii)(iv)	PRC/Mainland China 中國／中國大陸	RMB1,000,000,000 人民幣1,000,000,000元	28 August 2009 28-08-2009	–	100	Development and operation of integrated logistics trade centers 綜合商貿物流及商品交易中心 開發及運營

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

1. Corporate and Group Information (Continued) Information about subsidiaries (Continued)

1. 公司及本集團資料(續) 附屬公司資料(續)

Name 名稱	Place of incorporation/ registration and business 註冊成立/註冊及 經營地點	Nominal value of issued ordinary/ registered share capital as at 31 March 2017 於2017年3月31日 已發行普通/註冊 股本面值	Date of incorporation/ registration 註冊成立/ 註冊日期	Percentage of equity attributable to the Company 本公司應佔 權益百分比		Principal activities 主要業務
				Direct 直接 %	Indirect 間接 %	
Xi'an China South City Company Limited (iii) 西安華南城有限公司(iii)	PRC/Mainland China 中國/中國大陸	RMB1,000,000,000 人民幣1,000,000,000元	12 November 2009 12-11-2009	-	100	Development and operation of integrated logistics trade centers 綜合商貿物流及商品交易中心 開發及運營
Harbin China South City Company Limited (iii) 哈爾濱華南城有限公司(iii)	PRC/Mainland China 中國/中國大陸	RMB1,500,000,000 人民幣1,500,000,000元	9 January 2012 09-01-2012	-	100	Development and operation of integrated logistics trade centers 綜合商貿物流及商品交易中心 開發及運營
Harbin Baolitong Market Development Management Company Limited (iii) 哈爾濱寶力通市場開發管理有限公司(iii)	PRC/Mainland China 中國/中國大陸	RMB500,000,000 人民幣500,000,000元	22 December 2011 22-12-2011	-	100	Development and operation of integrated logistics trade centers 綜合商貿物流及商品交易中心 開發及運營
Zhengzhou China South City Company Limited (iii)(iv) 鄭州華南城有限公司(iii)(iv)	PRC/Mainland China 中國/中國大陸	RMB1,000,000,000 人民幣1,000,000,000元	17 May 2012 17-05-2012	-	100	Development and operation of integrated logistics trade centers 綜合商貿物流及商品交易中心 開發及運營
Hefei China South City Company Limited (ii)(iv) 合肥華南城有限公司(ii)(iv)	PRC/Mainland China 中國/中國大陸	RMB600,000,000 人民幣600,000,000元	25 December 2012 25-12-2012	-	100	Development and operation of integrated logistics trade centers 綜合商貿物流及商品交易中心 開發及運營
Chongqing China South City Company Limited (ii)(iv) 重慶華南城有限公司(ii)(iv)	PRC/Mainland China 中國/中國大陸	RMB800,304,400/ RMB1,000,000,000 人民幣800,304,400元/ 人民幣1,000,000,000元	27 December 2013 27-12-2013	-	100	Development and operation of integrated logistics trade centers 綜合商貿物流及商品交易中心 開發及運營

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

1. Corporate and Group Information (Continued) Information about subsidiaries (Continued)

1. 公司及本集團資料(續) 附屬公司資料(續)

Name 名稱	Place of incorporation/ registration and business 註冊成立/註冊及 經營地點	Nominal value of issued ordinary/ registered share capital as at 31 March 2017 於2017年3月31日 已發行普通/註冊 股本面值	Date of incorporation/ registration 註冊成立/ 註冊日期	Percentage of equity attributable to the Company 本公司應佔 權益百分比		Principal activities 主要業務
				Direct 直接 %	Indirect 間接 %	
Shenzhen Huasheng Commercial Development Company Limited (iii) 深圳華盛商業發展有限公司(iii)	PRC/Mainland China 中國/中國大陸	RMB50,000,000/ RMB100,000,000 人民幣50,000,000元/ 人民幣100,000,000元	19 November 2010 19-11-2010	–	100	Management of outlet operations 奧特萊斯商場運營管理
Shenzhen China South City E-Commerce Technology Company Limited (ii) 深圳華南城網科技有限公司(ii)	PRC/Mainland China 中國/中國大陸	RMB100,000,000 人民幣100,000,000元	19 April 2012 19-04-2012	–	100	Development, operation and management of E-commerce platform 電子商貿平台開發、運營及管理
Shenzhen First Asia Pacific Property Management Company Limited (i) 深圳第一亞太物業管理有限公司(i)	PRC/Mainland China 中國/中國大陸	RMB50,000,000 人民幣50,000,000元	31 December 2003 31-12-2003	2.5	97.5	Provision of property management services 提供物業管理服務
Qianlong Logistics Group Limited (iii) 乾龍物流集團有限公司(iii)	PRC/Mainland China 中國/中國大陸	RMB200,000,000 人民幣200,000,000元	2 July 2004 02-07-2004	–	100	Provision of logistics services 提供物流服務
Shenzhen HOBA Home Furnishing Chain Store Company Limited (iii) 深圳市好百年家居連鎖股份有限公司(iii)	PRC/Mainland China 中國/中國大陸	RMB480,000,000 人民幣480,000,000元	12 October 2001 12-10-2001	–	75	Furnishing market operation 家居廣場運營

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

1. Corporate and Group Information (Continued) Information about subsidiaries (Continued)

1. 公司及本集團資料(續) 附屬公司資料(續)

Name 名稱	Place of incorporation/ registration and business 註冊成立/註冊及 經營地點	Nominal value of issued ordinary/ registered share capital as at 31 March 2017 於2017年3月31日 已發行普通/註冊 股本面值	Date of incorporation/ registration 註冊成立/ 註冊日期	Percentage of equity attributable to the Company 本公司應佔 權益百分比		Principal activities 主要業務
				Direct 直接 %	Indirect 間接 %	
China South City Management Company Limited 華南城管理有限公司	Hong Kong 香港	HK\$1 1港元	9 November 2007 09-11-2007	-	100	Provision of management services 提供管理服務
China South City Group Company Limited (iii) 華南城集團有限公司(iii)	PRC/Mainland China 中國/中國大陸	RMB300,000,000 人民幣300,000,000元	20 July 2004 20-07-2004	-	100	Investment holding 投資控股

Notes:

- (i) Sino-foreign equity joint ventures under PRC law.
- (ii) Wholly-foreign-owned enterprises under PRC law.
- (iii) Limited companies under PRC law.
- (iv) Pursuant to certain project and land related contracts signed by the subsidiaries of the Group and the local governments, as well as pursuant to the requirements of the local governments and the local authorities related to the relevant public tender, auction and listing, some of the land acquired have sales restrictions on properties built on it. The saleable area of trade centers of CSC Shenzhen is limited to 30% of the total buildable gross floor area ("GFA") of properties built on the relevant parcels of land. The saleable area of trade centers and logistics facilities built on certain parcels of land acquired by CSC Nanchang and CSC Nanning in 2010 is limited to 60% of the relevant total buildable GFA. The saleable area of trade centers built by CSC Hefei and CSC Chongqing is limited to 50% of their relevant total buildable GFA. The saleable area of trade centers of phase I and future phases of CSC Zhengzhou is limited to 60% and 50% respectively of the relevant total buildable GFA. Except for the restrictions mentioned herein, there is no sales restriction on other parcels of land acquired by the Group.

附註：

- (i) 中國法律下的中外合資經營公司。
- (ii) 中國法律下的外商獨資企業。
- (iii) 中國法律下的有限公司。
- (iv) 根據本集團附屬公司與當地政府簽訂的若干項目及土地相關合同，以及根據當地政府或招拍掛相關部門的文件要求，部分項目所建物業存在銷售限制，包括深圳華南城相關地塊上的交易中心的可銷售面積限於總可建建築面積的30%；南昌華南城和南寧華南城於2010年取得的若干土地，其上建設的交易中心及倉儲設施的可銷售面積限於該等物業總可建建築面積的60%；合肥華南城及重慶華南城建設的交易中心的可銷售面積限於該等物業總可建建築面積的50%；鄭州華南城建設的一期及以後各期的交易中心的可銷售面積分別限於該等物業總可建建築面積的60%及50%。除上述情況之外，本集團的其他土地並沒有銷售限制。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and held-for-trading investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variance returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangement; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 編製基準

該等財務報表乃根據香港會計師公會(「香港會計師公會」)頒布之香港財務報告準則(「香港財務報告準則」)(當中包括所有香港財務報告準則、香港會計準則(「香港會計準則」)及詮釋)、香港公認會計原則及香港公司條例之規定而編製，並按歷史成本法編製，惟投資物業及透過損益以公平值列賬之持作買賣投資按公平值計量則除外。除另有說明外，此等財務報表以港元呈列，所有數值均已四捨五入至最接近千位數。

綜合基準

合併財務報表包括本集團截至2017年3月31日止年度的財務報表。附屬公司為本公司直接或間接控制的實體(包括結構性實體)。當本集團承受或享有參與投資對象業務所得的可變回報，且能透過對投資對象的權力(即賦予本集團現有能力主導投資對象相關活動的既存權利)影響該等回報時，即取得控制權。

倘本公司直接或間接擁有少於投資對象大多數的投票或類似權利，則本集團於評估其是否擁有對投資對象的權力時，會考慮一切相關事實及情況，包括：

- (a) 與投資對象其他投票持有人的合約安排；
- (b) 其他合約安排所產生的權利；及
- (c) 本集團的投票權及潛在投票權。

附屬公司的財務報表乃就與本公司相同的報告期間採納一致的會計政策編製。附屬公司的業績由本集團取得控制權當日起綜合計算，並會繼續綜合，直至該等控制權終止。

31 March 2017 2017年3月31日

2.1 Basis of Preparation (Continued)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.1 編製基準(續)

綜合基準(續)

即使會導致非控股權益出現虧蝕結餘，損益及其他全面收入的各個組成部分仍會歸屬於本集團母公司擁有人及非控股權益。

所有集團內公司間資產、負債、權益、收入及開支以及與本集團成員公司間交易有關的現金流，將於綜合時悉數對銷。

倘事實或情況顯示上文所述三個控制因素中有一個或以上出現變動，則本集團將重新評估其是否仍控制該投資對象。於附屬公司擁有權權益的變動(並無喪失控制權)於入賬時列作權益交易。

倘本集團失去附屬公司的控制權，則會終止確認(i)該附屬公司的資產(包括商譽)及負債；(ii)任何非控股權益的賬面值；及(iii)計入權益的累計匯兌差額；並確認(i)已收代價的公平值；(ii)任何獲保留投資的公平值；及(iii)其因而產生計入損益的盈餘或虧蝕。先前已於其他全面收入確認的本集團應佔部分，乃按照本集團直接出售相關資產及負債時所規定的相同基準，在適當的情況下重新分類至損益或保留利潤。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

2.2 會計政策的變更及披露

本集團已於本年度之財務報表中首次採納以下新訂及經修訂香港財務報告準則。

香港財務報告準則第10號，香港財務報告準則第12號及香港會計準則第28號(2011年)之修訂	投資實體：應用綜合豁免
香港財務報告準則第11號之修訂	收購合營業務權益的會計方法
香港財務報告準則第14號	監管遞延賬目
香港會計準則第1號之修訂	披露計劃
香港會計準則第16號及香港會計準則第38號之修訂	澄清折舊及攤銷的可接受方法
香港會計準則第16號及香港會計準則第41號之修訂	農業：生產性植物
香港會計準則第27號之修訂(2011年)	獨立財務報表之權益法
2012年至2014年週期之年度改進	多項香港財務報告準則之修訂

31 March 2017 2017年3月31日

2.2 Changes in Accounting Policies and Disclosures

(Continued)

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the *Annual Improvements 2012-2014 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

- (a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:
- (i) the materiality requirements in HKAS 1;
 - (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;
 - (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and
 - (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

2.2 會計政策的變更及披露(續)

除與編製本集團財務報表無關之香港財務報告準則第10號、香港財務報告準則第12號及香港會計準則第28號(2011年)之修訂、香港財務報告準則第11號之修訂、香港財務報告準則第14號、香港會計準則第16號及香港會計準則第41號之修訂、香港會計準則第27號之修訂(2011年)及2012年至2014年週期之年度改進所載若干項修訂外，該等修訂之性質及影響說明如下：

- (a) 香港會計準則第1號之修訂載有對財務報表的呈報及披露範疇內具針對性的改進。該等修訂釐清：
- (i) 香港會計準則第1號內的重大性規定；
 - (ii) 損益表及財務狀況表內之特定項目可予細分；
 - (iii) 實體就彼等呈列財務報表附註的順序擁有靈活性；及
 - (iv) 使用權益法入賬的分佔聯營公司及合營公司的其他全面收益必須作為單獨項目匯總呈列，並且將會或不會在其後重新分類至損益的該等項目進行歸類。

此外，該等修訂釐清於財務狀況表及損益表內呈列額外小計時適用的規定。該等修訂並無對本集團的財務報表產生重大影響。

31 March 2017 2017年3月31日

2.2 Changes in Accounting Policies and Disclosures

(Continued)

- (b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

- (c) *Annual Improvements to HKFRSs 2012-2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any non-current assets or disposal group held for sale during the year.

2.2 會計政策的變更及披露(續)

- (b) 香港會計準則第16號及香港會計準則第38號之修訂澄清香港會計準則第16號及香港會計準則第38號中的原則，即收益反映自經營業務(資產為其一部分)產生的經濟利益而非通過使用資產消耗的經濟利益的模式。因此，收益法不得用於折舊物業、廠房及設備，並且僅在非常有限的情況下可用於攤銷無形資產。該等修訂獲提前應用。該等修訂不會對本集團之財務狀況或表現產生影響，原因是本集團並未使用收益法計算其非流動資產之折舊。

- (c) 於2014年10月頒布之香港財務報告準則2012年至2014年週期之年度改進載列多項香港財務報告準則之修訂。修訂本詳情如下：

- 香港財務報告準則第5號持作銷售之非流動資產及終止經營業務：澄清擁有人銷售計劃或分配計劃之改變不得視為新出售計劃，而是原有計劃之延續。因此，香港財務報告準則第5號之應用並無發生任何改變。該等修訂亦澄清出售方法之改變對持作出售非流動資產或出售集團之分類日期並無影響。該等修訂將於未來適用。由於年內本集團並無任何持作出售之非流動資產或出售集團，故該等修訂對本集團並無任何影響。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions²</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts²</i>
HKFRS 9	<i>Financial Instruments²</i>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
HKFRS 15	<i>Revenue from Contracts with Customers²</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers²</i>
HKFRS 16	<i>Leases³</i>
Amendments to HKAS 7	<i>Disclosure Initiative¹</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses¹</i>
Amendments to HKAS 40	<i>Transfers of Investment Property²</i>
Amendments to HKFRS 12 included in Annual Improvements 2014-2016 Cycle	<i>Disclosure of Interests in Other Entities¹</i>
Amendments to HKFRS 1 included in Annual Improvements 2014-2016 Cycle	<i>First-time Adoption of Hong Kong Financial Reporting Standards²</i>
Amendments to HKAS 28 included in Annual Improvements 2014-2016 Cycle	<i>Investments in Associates and Joint Ventures²</i>

¹ Effective for annual periods beginning on or after 1 January 2017

² Effective for annual periods beginning on or after 1 January 2018

³ Effective for annual periods beginning on or after 1 January 2019

⁴ No mandatory effective date yet determined but available for adoption

2.3 已頒布但尚未生效的香港財務報告準則

本集團並未於此等財務報表中採納以下已頒布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2號之修訂	釐清及計量以股份為基礎付款之交易 ²
香港財務報告準則第4號之修訂	採用香港財務報告準則第4號保險合約時一併應用香港財務報告準則第9號金融工具 ²
香港財務報告準則第9號	金融工具 ²
香港財務報告準則第10號及香港會計準則第28號(2011年)之修訂	投資者與其聯營公司或合營企業之間的資產出售或注資 ⁴
香港財務報告準則第15號	客戶合約收益 ²
香港財務報告準則第15號之修訂	對香港財務報告準則第15號客戶合約收益之澄清 ²
香港財務報告準則第16號	租賃 ³
香港會計準則第7號之修訂	披露計劃 ¹
香港會計準則第12號之修訂	就未實現虧損確認遞延稅項資產 ¹
香港會計準則第40號之修訂	投資物業轉讓 ²
香港財務報告準則第12號之修訂(納入2014至2016年週期之年度改進)	其他實體權益披露 ¹
香港財務報告準則第1號之修訂(納入2014至2016年週期之年度改進)	首次執行香港財務報告準則 ²
香港會計準則第28號之修訂(納入2014至2016年週期之年度改進)	於聯營公司及合營公司之投資 ²

¹ 於2017年1月1日或之後開始之年度期間生效

² 於2018年1月1日或之後開始之年度期間生效

³ 於2019年1月1日或之後開始之年度期間生效

⁴ 尚未釐定強制生效日期惟可予以採納

31 March 2017 2017年3月31日

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 April 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. The Group is currently assessing the impact of the standard.

2.3 已頒布但尚未生效的香港財務報告準則(續)

預期將適用於本集團的香港財務報告準則的進一步資料如下：

香港會計師公會於2016年8月頒布香港財務報告準則第2號，針對三個主要範疇：歸屬條件對於計量現金結算股份付款的交易的影響；設有淨額結算功能(以便為履行僱員稅務義務而就股份付款預扣若干金額)的股份付款交易的分類；當股份付款交易條款及條件之修改使該交易的分類由現金結算改為權益結算時的會計處理。該等修訂澄清，計量權益結算股份支付的付款時對於歸屬條件的處理方法亦適用於現金結算股份支付的付款。該等修訂引入一項豁免，在符合若干條件的情況下，設有股份淨額結算功能(以便為履行僱員稅務義務而預扣若干金額)的股份付款交易可以整項歸類為權益結算股份付款交易。此外，該等修訂澄清，倘現金結算股份付款交易因其條款及條件被修訂而變為權益結算股份付款交易，則該項交易自修訂日期起入賬列為權益結算交易。本集團預期於2018年4月1日採納該等修訂。預期該等修訂不會對本集團的財務報表產生任何重大影響。

於2014年9月，香港會計師公會頒布香港財務報告準則第9號的最終版本，將金融工具項目的所有階段集於一起以代替香港會計準則第39號及香港財務報告準則第9號的全部先前版本。該準則引入分類及計量、減值及對沖會計處理的新規定。本集團預期自2018年4月1日起採納香港財務報告準則第9號。本集團目前正在評估該準則的影響。

31 March 2017 2017年3月31日

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 已頒布但尚未生效的香港財務報告準則(續)

香港財務報告準則第10號及香港會計準則第28號(2011年)之修訂針對香港財務報告準則第10號及香港會計準則第28號(2011年)之間有關投資者與其聯營公司或合營公司之間的資產出售或注資兩者規定的不一致性。該等修訂規定，當投資者與其聯營公司或合營公司之間的資產出售或注資構成一項業務時，須確認全數收益或虧損。當交易涉及不構成一項業務的資產時，由該交易產生的收益或虧損於該投資者的損益內確認，惟僅以不相關投資者於該聯營公司或合營公司的權益為限。該等修訂即將應用。香港會計師公會已於2016年1月撤銷香港財務報告準則第10號及香港會計準則第28號(2011年)之修訂的前強制生效日期，並將於完成對聯營公司及合營公司會計處理的更廣泛檢討後釐定新強制生效日期。然而，現時該等修訂可供應用。

香港財務報告準則第15號建立一個新的五步模式，以將客戶合約收益入賬。根據香港財務報告準則第15號，收益按能反映實體預期就向客戶轉讓貨物或服務而換取有權獲得的代價金額確認。香港財務報告準則第15號的原則為計量及確認收益提供更加系統的方法。該準則亦引入廣泛的定性及定量披露規定，包括分拆收益總額，關於履行責任、不同期間之間合約資產及負債賬目結餘的變動以及主要判斷及估計的資料。該準則將取代香港財務報告準則項下所有現時收益確認的規定。2016年6月，香港會計師公會頒布香港財務報告準則第15號之修訂，針對識別履約責任的執行問題、有關委託人與代理人及知識產權許可使用的應用指引，以及過渡方法。該等修訂亦擬協助確保實體在採用香港財務報告準則第15號時能夠貫徹應用此準則，以及降低應用準則的成本及化繁為簡。本集團預期於2018年4月1日採納香港財務報告準則第15號，目前正評估採納香港財務報告準則第15號的影響。

31 March 2017 2017年3月31日

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 April 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

2.3 已頒布但尚未生效的香港財務報告準則(續)

香港財務報告準則第16號取代香港會計準則第17號租賃、香港(國際財務報告解釋委員會)解釋公告第4號確定一項安排是否包含租賃、香港(常設解釋委員會)解釋公告第15號經營租賃—激勵措施、以及香港(常設解釋委員會)解釋公告第27號評價涉及租賃法律形式交易的實質。該項準則載列確認、計量、呈列及披露租賃的原則，並要求承租人就絕大多數租賃確認資產及負債。該準則包含兩項對承租人的豁免—低值資產及短期租賃。承租人將於租賃開始當日確認一項作出租賃付款的負債(即租賃負債)及一項代表租賃期內使用相關資產的權利之資產(即使用權資產)。除非使用權資產符合香港會計準則第40號對於投資物業的定義，否則，其後使用權資產須按成本減累計折舊及任何減值虧損計算。其後，租賃負債的增加乃反映租賃負債的利息，或因租賃付款而減少。承租人將須分開確認租賃負債的利息開支及使用權資產的折舊開支。若干事件發生(如租賃期改變及未來租賃付款因用以釐定該付款的指數或費率有所變動而改變)後，承租人亦須重新計量租賃負債。承租人一般會將重新計算的租賃負債金額確認為使用權資產的調整。香港財務報告準則第16號大致保留香港會計準則第17號對出租人的會計要求。出租人將繼續採用香港會計準則第17號所載的相同分類原則將所有租賃分類，分為經營租賃或融資租賃。本集團預期於2019年4月1日採納香港財務報告準則第16號，目前正評估採納香港財務報告準則第16號的影響。

31 March 2017 2017年3月31日

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards (Continued)

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 April 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 April 2017.

2.4 Summary of Significant Accounting Policies Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

2.3 已頒布但尚未生效的香港財務報告準則(續)

香港會計準則第7號之修訂規定實體的披露讓財務報表使用者能夠評估融資活動產生的負債的變動，包括現金流量引致之變動及非現金變動。該等修訂將導致在財務報表作出額外披露。本集團預期於2017年4月1日採納該等修訂。

頒布香港會計準則第12號之修訂旨在針對就按公平值計量之債務工具的未變現虧損確認遞延稅項資產，惟該等修訂亦可更廣泛應用於其他情況。該等修訂澄清，當實體在評估是否將有足夠應課稅溢利抵銷可扣減臨時差額之時，必須考慮稅法是否限制其於撥回可扣減臨時差額時可能用以扣減差額的應課稅溢利的來源。此外，該等修訂就實體應如何釐定未來應課稅溢利提供指引，並說明應課稅溢利可包括以高於賬面值收回若干資產的情況。本集團預期於2017年4月1日採納該等修訂。

2.4 重大會計政策概要於聯營公司的投資

聯營公司為本集團一般擁有不少於20%股本投票權的長期權益，並能對其發揮重大影響力的實體。重大影響力為參與投資對象財政及經營政策決策的權力，但並非控制或共同控制該等政策。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Investments in associates (Continued)

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2.4 重大會計政策概要(續)

於聯營公司的投資(續)

本集團於聯營公司的投資乃按以權益會計法計算之本集團應佔資產淨值減任何減值虧損於綜合財務狀況表內列賬。

倘出現任何不相符的會計政策，即會作出調整加以修正。

本集團應佔聯營公司收購後業績和其他全面收入分別計入合併損益表及合併其他全面收入內。此外，倘直接於聯營公司的權益確認變動，則本集團會於綜合權益變動表確認其應佔的任何變動(如適用)。本集團與其聯營公司進行交易而出現的未實現利益及虧損會互相抵銷，金額以本集團於聯營公司的投資為限，但如果未實現虧損證明所轉讓資產發生減值則除外。收購聯營公司產生的商譽計入本集團於聯營公司的投資的一部分。

倘於聯營公司的投資變為於合營企業的投資或出現相反情況，則不會重新計量保留權益。反之，該投資繼續根據權益法入賬。在所有其他情況下，對聯營公司失去重大影響力或對合營企業失去共同控制後，本集團按其公平值計量及確認任何保留投資。於失去重大影響力或共同控制後聯營公司的賬面值與保留投資及來自出售所得款項之公平值之間的差額於損益內確認。

當聯營公司的投資被視為持作銷售，將會以香港財務報告準則第5號持作待售之非流動資產及非持續業務計量。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 重大會計政策概要(續)

業務併購及商譽

業務併購乃使用收購法入賬。所轉讓之代價乃以收購日期之公平值計量，該公平值為本集團所轉讓之資產於收購日期之公平值、本集團自被收購方之前年度擁有人承擔之負債，及本集團發行以換取被收購方控制權之股權之總和。就各業務合併而言，本集團選擇以公平值或被收購方可識別資產淨值之應佔比例，計算於被收購方中現時屬擁有權權益並賦予其持有人權利可於清盤時按比例分佔資產淨值之非控股權益。非控股權益之所有其他部分按公平值計量。有關收購成本於產生時支銷。

當本集團收購一項業務時，會根據合約條款、於收購日期之經濟環境及相關條件，評估將承接之金融資產及負債，以作出適合之分類及指定用途。此包括將被收購方主合約中之嵌入式衍生工具分開計算。

倘業務併購分階段進行，先前持有股權應按收購日期公平值計入收益表重新計量及任何產生之收益或虧損確認於損益。

由收購方將予轉讓的任何或然代價將按收購日期的公平值確認。分類為資產或負債之或然代價按公平值計量，而公平值變動於損益確認。倘或然代價歸類為權益毋須重新計量，其日後結算於權益列賬。

商譽起初按成本計量，即已轉讓代價、已確認非控股權益及本集團先前持有的被收購方股權之公平值之總和，超逾與所收購可識別資產淨值及所承擔負債的差額。倘此代價及其他項目的總和低於所收購資產淨值的公平值，於評估後其差額將於收益表內確認為議價購買收益。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and held-for-trading investments at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

2.4 重大會計政策概要(續)

業務併購及商譽(續)

於初始確認後，商譽按成本減任何累計減值虧損計量。商譽須每年作減值測試，倘有事件發生或情況改變顯示賬面值有可能減值，則會更頻密地進行檢討。本集團於3月31日進行商譽的年度減值測試。為進行減值測試，因業務合併而購入的商譽自購入之日被分配至預期可從合併產生的協同效益中獲益的本集團各個現金產生單位或現金產生單位組別，而無論本集團其他資產或負債是否已分配予該等單位或單位組別。

減值乃通過評估與商譽相關之現金產生單位(或現金產生單位組別)之可收回金額釐定。倘現金產生單位(或現金產生單位組別)之可收回金額低於賬面值時，減值虧損則予以確認。已就商譽確認之減值虧損不得於其後期間撥回。

倘商譽被分配為現金產生單位(或現金產生單位組別)之一部分，而該單位內部分業務被出售，則出售業務相關商譽於釐定出售業務收益或虧損時列入業務之賬面值。在這些情況下出售之商譽根據已出售業務及所保留現金產生單位部分之相對價值計算。

公平值計量

本集團於各報告期末透過損益以公平值計量投資物業及持作買賣投資。公平值為市場參與者於計量日期在有序交易中出售資產所收取的價格或轉讓負債所支付的價格。公平值計量乃假設出售資產或轉讓負債的交易於資產或負債主要市場或(在無主要市場情況下)最具優勢市場進行而作出。主要或最具優勢市場須為本集團可進入之市場。資產或負債的公平值乃基於市場參與者於資產或負債定價所用的假設計量(即假設市場參與者會以最佳經濟利益行事)。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Fair value measurement (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 重大會計政策概要(續)

公平值計量(續)

非金融資產的公平值計量須計及市場參與者透過最大限度使用該資產達致最佳用途，或將該資產出售予將最大限度使用該資產達致最佳用途的其他市場參與者以產生經濟利益的能力。

本集團採納適用於不同情況且具備充分數據以供計量公平值的估值方法，以盡量使用相關可觀察元素及盡量減少使用不可觀察元素。

所有於財務報表計量或披露公平值的資產及負債乃基於對公平值計量整體而言屬重大的最低層輸入數據按以下公平值層級分類：

- 第一級 – 基於相同資產或負債於活躍市場的報價(未經調整)
- 第二級 – 按估值技術計量，而對公平值計量而言屬重大的最低層元素可直接或間接觀察得出
- 第三級 – 按估值技術計量，而對公平值計量而言屬重大的最低層元素不可觀察得出

就按經常性基準於財務報表確認的資產及負債而言，本集團透過於各報告期末重新評估分類(基於對公平值計量整體而言屬重大的最低層元素)確定是否發生不同層級轉移。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 重大會計政策概要(續)

非金融資產減值

倘有跡象顯示減值存在，或當必須為資產(存貨、金融資產、投資物業及商譽除外)作出年度減值測試時，則會估計資產的可收回金額。資產的可收回金額為資產或現金產生單位的使用價值與其公平值減出售成本兩者的較高者，並就個別資產而釐定，惟不可產生大體上獨立於其他資產或資產組別的現金流入的資產則除外，在此情況下，可收回金額就資產所屬的現金產生單位而釐定。

僅於資產的賬面值超逾其可收回金額時，減值虧損方予確認。評估使用價值時，估計日後現金流量乃使用可反映金額時間值的現行市場評估及該資產特有的風險的稅前折現率折現至現值。減值虧損於其產生期間自收益表與該減值資產功能一致的該等費用類別內扣除。

於各申報日期結束時均評估是否有任何跡象顯示於過往確認的減值虧損可能不再存在或可能已經減少。如該等跡象存在，則會估計可收回金額。僅於用作釐定資產的可收回金額的估計出現變動時，資產(商譽除外)過往確認的減值虧損方可撥回；惟撥回金額不得高於(倘該資產於過往年度未有確認減值虧損)將可釐定的賬面值(扣除任何折舊/攤銷)。有關減值虧損的撥回於產生期間計入損益表，但如該資產按重估金額列賬，則減值損失撥回會根據該重估資產的有關會計政策列賬。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 重大會計政策概要(續)

關連人士

有關人士在下列情況下被視為與本集團有關連：

- (a) 該人士為一名人士或該人士之近親，而該人士：
 - (i) 控制或共同控制本集團；
 - (ii) 對本集團有重大影響力；或
 - (iii) 為本集團或本集團母公司的其中一名主要管理層成員；

或

- (b) 該人士為符合下列任何一項條件之實體：
 - (i) 該實體與本集團屬同一集團之成員公司；
 - (ii) 該實體為另一家實體之聯營公司或合營企業(或另一家實體之母公司、附屬公司或同系附屬公司)；
 - (iii) 該實體與本集團均為同一第三方之合營企業；
 - (iv) 該實體為第三方實體之合營企業，而另一家實體則為該第三方實體的聯營公司；
 - (v) 該實體為就本集團或與本集團有關連之實體之僱員之利益而設之離職後福利計劃；
 - (vi) 該實體受(a)項所識別之人士控制或共同控制；
 - (vii) 於(a)(i)項所識別之人士對該實體有重大影響力或屬該實體(或該實體之母公司)之主要管理層成員之一；及
 - (viii) 實體或實體作為集團任何成員公司其中一部分向本集團或本集團的母公司提供主要管理人員服務。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3% to 9%
Furniture, fixtures and equipment	9% to 18%
Motor vehicles	9% to 18%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 重大會計政策概要(續)

物業、廠房和設備及折舊

物業、廠房及設備(除在建工程外)乃按成本減累計折舊及任何減值虧損列賬。物業、廠房及設備項目的成本包括其購買價及使其投入現時運作狀況及將其運往擬定用途地點的任何直接應佔成本。

物業、廠房及設備項目投入使用後所產生的開支，如維修保養費用，通常於產生期間在收益表扣除。在符合確認條件的情況下，大的檢修開支於資產賬面值資本化，作為置換。倘大部分物業、廠房及設備須定期置換，本集團確認該等部分為具備特定可使用年期及據此折舊之個別資產。

折舊乃以直線法於估計可使用年期撇銷各物業、廠房及設備項目的成本至其剩餘價值計算。就此而言使用的主要年率如下：

樓宇	3%至9%
傢俬、裝置及設備	9%至18%
汽車	9%至18%

倘物業、廠房及設備項目的部分有不同的可使用年期，則該項目的成本以合理基準在該等部分之間分配，而各部分將會分開折舊。至少於各財政年結日檢討剩餘價值、可使用年期及折舊方法，並在適當情況下調整。

物業、廠房及設備項目包括初步確認之任何重大部分於出售或預期不會從使用或出售有關項目而取得未來經濟利益時終止確認。於終止確認資產的年度內在收益表確認的任何出售或報廢該等項目的盈虧乃指銷售所得款項淨額與有關資產賬面值的差額。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Property, plant and equipment and depreciation

(Continued)

Construction in progress represents buildings under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from properties under development or properties held for sales to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

2.4 重大會計政策概要(續)

物業、廠房和設備及折舊(續)

在建工程指在建中的大廈，以成本減去任何減值虧損列賬，且不予折舊。成本包括直接建築成本及建築期間相關借貸的資本化借貸成本。在建工程於落成及可予使用時，會重新分類至適當的類別，如物業、廠房及設備。

投資物業

投資物業指為賺取租金收入及/或資本增值目的而持有的土地及樓宇權益(包括符合投資物業定義的物業的經營租賃下的租賃權益)，但不包括用作生產或供應貨品或提供服務或行政管理用途；或用作於日常業務過程中出售的土地及樓宇權益。該等物業初步按成本(包括交易成本)計量。初步確認後，投資物業按反映於報告期末市場狀況的公平值列賬。

投資物業公平值變動產生的盈虧，會於產生年度計入損益表。

報廢或出售投資物業產生的任何盈虧，會於報廢或出售的年度在損益表確認。

若本集團擁有的自用物業轉變為投資物業，本集團將根據「物業、廠房和設備及折舊」的政策把該等物業入賬，直至改變用途當日，並計算物業在該日的賬面值與公平值之間的差額根據上述「物業、廠房和設備及折舊」所載政策確認的重估賬。就將發展中物業或持作銷售物業轉為投資物業而言，物業在該日的公平值與其先前賬面值之間的差額於損益表確認。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Properties under development

Properties under development are stated at the lower of cost and net realisable value. Cost comprises the land costs, construction costs, capitalised borrowing costs and other costs directly attributed to such properties during the period of construction.

Properties under development are initially classified as non-current assets and transferred to current assets under the category of properties held for sale when the construction of the relevant properties commences and the construction period of the relevant property development project is expected to complete within normal operating cycle.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

2.4 重大會計政策概要(續)

發展中物業

發展中物業按成本值及可變現淨值兩者的較低者列賬。成本包括土地成本、發展開支、借貸成本及其他於建築期間該等物業應佔的直接成本。

起始時發展中物業分類為非流動資產，並於有關物業的建設開始及有關發展項目之預計施工期於正常營運週期內結轉至流動資產中的持作銷售物業。

租賃

凡資產所有權(除法定業權外)的絕大部分回報及風險轉移予本集團，均列為融資租賃。於融資租賃生效時，租賃資產之成本按最低應付租金之現值資本化，並連同承擔(不包括利息部分)入賬，以反映購入及融資情況。根據資本化融資租約持有之資產(包括融資租約項下之預付土地租賃款項)均計入物業、廠房及設備，並於租期與資產之估計可使用年期(以較短者為準)內折舊。有關租賃之融資成本於收益表扣除，以便於租期內按固定比率扣除。

凡資產所有權的絕大部分回報及風險仍歸出租人所有，則有關租賃列為經營租賃。倘本集團為出租人，則本集團根據經營租賃出租的資產計入非流動資產，而經營租賃下的應收租金則以直線法於租賃期內計入收益表。倘本集團為承租人，則經營租賃下的應付租金以直線法於租賃期內在收益表扣除。

經營租賃下的預付土地出租金初步按成本列賬，其後則以直線法於租賃期內確認。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and available-for-sale financial investments, or loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held-for-trading. Financial assets are classified as held-for-trading if they are acquired for the purpose of sale in the near term.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as other income and gains. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

2.4 重大會計政策概要(續)

投資及其他金融資產

初次確認及計量

金融資產於初始確認時分類為以公平值列值計入損益表的金融資產及可供出售金融投資，或貸款及應收賬款。金融資產於初次確認時以公平值及收購金融資產應佔交易成本計量，惟以公平值列值計入損益表的金融資產除外。

所有金融資產常規買賣均於交易日確認，即本集團承諾購買或出售該項資產的日期。常規買賣乃指需按法規規定或市場慣例在一定期間內轉移資產的金融資產買賣交易。

其後計量

金融資產的其後計量視其以下分類而定：

透過損益以公平值列賬的金融資產

透過損益以公平值列賬之金融資產，包括持作買賣的金融資產。倘金融資產的收購目的為於短期內出售，則分類為持作買賣。

透過損益以公平值列賬之金融資產於財務狀況表按公平值列賬，而公平值之正變動淨額列為其他收入及收益。該等公平淨值變動並未包括根據下文「收入確認」所載政策確認的該等金融資產的任何股息或所賺取的利息。

僅當符合香港會計準則第39號的條件時，在初步確認時指定為按公平值計入損益的金融資產方於初步確認日期指定。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Investments and other financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held-for-trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investments revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss as other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investments revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

2.4 重大會計政策概要(續)

投資及其他金融資產(續)

貸款及應收款項

貸款及應收款項指具有固定或可確定收回金額但無活躍市場報價的非衍生性金融資產。初步計量後，該等資產其後以實際利率法計算的攤銷成本減去任何減值撥備計量。計量攤銷成本時已考慮到收取時產生的任何折價或溢價，包括構成實際利率一部分的費用或成本。實際利率攤銷計入收益表中的其他收入及收益內。減值產生之虧損在損益表中確認為貸款的融資成本及應收款項的其他開支。

可供出售金融投資

可供出售金融投資指上市及非上市的權益投資及債權證券的非衍生金融資產。分類為可供出售的權益投資即未被分類為持作買賣亦非被指定為公平值計入損益的金融資產。該分類中的債權證券乃以並無具體到期日持有為意圖且根據流動性需要和市場行情變化而出售。

於首次確認後，可供出售金融投資按公平值計量，而有關盈虧確認為其他全面收益中的可供出售投資重估儲備，直至投資終止確認為止，屆時過往在權益入賬的累計盈虧均計入損益表作其他收入，或者直至該投資被確定減值為止，屆時該等投資的累計盈虧將由可供出售投資重估儲備轉撥至損益表作其他收入或虧損。所賺取的利息及股息分別列報為利息收入及股息收入，並根據下文「收入確認」一段所載的政策於綜合收益表中確認為其他收入。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to the statement of profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 重大會計政策概要(續)

投資及其他金融資產(續)

可供出售金融投資(續)

倘基於(a)該項投資的合理公平值估計範圍廣闊或(b)於估計公平值時無法合理評估並使用該範圍內不同估計的可能性而未能可靠衡量非上市權益投資的公平值，則該等投資均按成本減任何減值虧損入賬。

本集團評估可供出售的金融資產以判斷其於短期內出售的能力和意圖是否恰當。當本集團由於市場喪失活躍性而無法交易該金融資產本集團將重分類這些金融資產(極少情況)，僅當實體有能力和意圖在可見將來或到期日持有該金融資產。

當金融資產被分類出可供出售金融資產類別，該等資產任何原計入權益的盈虧須在該投資的剩餘年限內按實際利率法攤銷入損益。任何新攤銷成本與原預期現金流的差異亦須在資產的剩餘年限內按實際利率法予以攤銷。若該資產於其後被確定減值，原計入權益的金額被分類至損益表。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 重大會計政策概要(續)

終止確認金融資產

金融資產(或(如適用)金融資產的一部分或同類金融資產組別的一部分)在下列情況下終止確認(從本集團綜合財務狀況表移除):

- 從資產收取現金流量的權利屆滿時;或
- 本集團已轉讓其收取該項資產所得現金流量的權利,或須根據一項「轉付」安排,有責任在無重大延誤情況下將所收取現金流量悉數付予第三方;及(a)本集團已轉讓該項資產的絕大部分風險及回報,或(b)本集團並無轉讓或保留該項資產的絕大部分風險及回報,但已轉讓該項資產的控制權。

當本集團已轉讓其收取該項資產所得現金流量的權利或已訂立一項轉付安排,會評估其是否保留該項資產所有權的風險及回報以及其程度。倘並無轉讓或保留該項資產的絕大部分風險及回報,且並無轉讓該項資產的控制權,該項資產將按本集團於資產的持續參與而確認入賬。在此情況下,本集團亦確認相關負債。已轉讓的資產及相關負債按反映本集團已保留的權利及責任的基準計量。

持續涉及指本集團就已轉讓資產作出之保證,已轉讓資產乃以該項資產之原賬面值及本集團或須償還之代價數額上限(以較低者為準)計算。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

2.4 重大會計政策概要(續)

金融資產減值

本集團於各報告期末時對資產進行評估，以判斷是否存在客觀證據表明某項金融資產或某組金融資產可能已減值。倘於初步確認資產後發生一個或多個事件，而該事件對該項或該組金融資產的估計未來現金流量所造成的影響乃能夠可靠地估計，即存在減值。減值證據可能包括債務人或一組債務人出現重大財政困難、違約或拖欠利息或本金付款，有面臨破產或進行其他財務重組之可能以及有公開資料表明其預計未來現金流量已出現可計量之減幅，如債務人支付能力或所處經濟環境惡化。

按攤銷成本入賬的金融資產

對於按攤銷成本列賬的金融資產，本集團首先對個別金額屬重大的金融資產單獨評估是否有客觀減值證據，或對個別金額屬不重大的金融資產共同進行評估。倘本集團認定單獨評估的金融資產並不存在客觀減值證據，無論其金額是否重大，亦應當包括具有類似信貸風險特性的金融資產組合內的資產進行集體減值評估。已個別進行減值測試及已確認減值虧損或繼續確認減值虧損的資產不應進行集體減值評估。

已發生減值虧損的金額按該資產的賬面值與所估計未來現金流量(不包括尚未發生的未來信貸虧損)的現值之差額計算。估計未來現金流量的現值按該金融資產的原實際利率(即初始確認時使用的實際利率)折現。

該資產的賬面值乃透過使用撥備賬扣減，而虧損金額則於收益表確認。利息收入應繼續按照計量減值虧損時對未來現金流量進行折現採用的折現率為基準按扣減後的賬面值計算。當未來收回並無實質展望時，則撇銷貸款及應收款項及任何有關撥備，且所有抵押品已變現或轉讓予本集團。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 重大會計政策概要(續)

金融資產減值(續)

按攤銷成本入賬的金融資產(續)

倘在後續期間，確認減值後發生致使估計減值虧損金額增加或減少的事件，則調整撥備賬以增加或減少先前確認的減值虧損。倘撇銷款項其後收回，則收回金額於損益表以其他開支入賬。

可供出售金融投資

對於可供出售金融投資，本集團於各報告期末進行評估，確定是否存在單項投資或一組投資減值的客觀證據。

如果可供出售的資產發生減值，則將按其成本（減去已償還的本金和攤銷額）與當前公平值之間的差額，減去任何以前在損益中確認的減值損失，從其他全面收入轉出並於損益表中確認。

對於分類為可供出售的權益投資，若一項投資的公平值大幅或長期下跌至低於其成本價，即屬客觀減值證據。「大幅」乃相對於投資的成本原值而評估，「長期」相對於公平值低於成本原值的期間。如出現減值證據，累計損失（購入成本與目前公平值的差額，減該項投資先前在損益表中確認的任何減值損失）將從其他全面收入轉出並於損益表中確認。分類為可供出售的權益工具的減值損失，不會在損益表中撥回，減值後公平值如有增加，則直接在其他全面收入確認。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Impairment of financial assets (Continued)

Available-for-sale financial investments (Continued)

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and other payables, interest-bearing bank and other borrowings, short-term notes, senior notes, medium-term notes, corporate bonds and domestic company bonds.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings, short-term notes, senior notes, medium-term notes, corporate bonds and domestic company bonds are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

2.4 重大會計政策概要(續)

金融資產減值(續)

可供出售金融投資(續)

何謂「大幅」或「長期」則需運用判斷決定。在作出此項判斷時，本集團評估某項投資的公平價值低於其成本的持續時間或程度，及其他因素。

金融負債

初始確認及計量

金融負債於初始確認時分類為以公平值列值計入損益表的金融負債、或貸款及借貸。

所有金融負債乃按公平值初步確認，而倘為貸款及借貸，則扣除直接計入應佔交易成本。

本集團的金融負債包括貿易及其他應付款項、計息銀行及其他借貸、短期融資券、優先票據、中期票據、企業債券及境內公司債券。

其後計量

金融負債的其後計量視其以下分類而定：

貸款及借貸

於初步確認後，計息銀行及其他借貸、短期融資券、優先票據、中期票據、企業債券及境內公司債券其後用實際利率法按攤銷成本計量，惟倘貼現影響並不重大，則於該情況下，金融負債按成本列賬。損益乃於負債終止確認時及於實際利率法攤銷過程中於損益表中確認。

攤銷成本乃計算自收購的任何折扣或溢價及屬於實際利率構成部分的費用或成本。實際利率攤銷乃計入損益表中的融資成本內。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Financial liabilities (Continued)

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 重大會計政策概要(續)

金融負債(續)

財務擔保合同

本集團發行的財務擔保合同乃規定於特定債務人未能按照債務票據條款於到期時支付款項時須支付款項以補償持有人所蒙受損失。財務擔保合同初步以公平值確認為負債，並按與發出財務擔保合同有直接關係的交易成本予以調整。在初步確認後，本集團對財務擔保合同的計量以(i)於報告期末時履行有關責任的最佳估計開支金額；及(ii)按初步確認金額減(如適用)累計攤銷，兩者之較高者計算。

終止確認金融負債

當負債項下的責任已解除、取消或期滿，則終止確認金融負債。

如現有金融負債被同一貸款人按條款大部分不同的另一項金融負債取代，或現有負債的條款被大幅修改，有關置換或修改會被視作終止確認原有負債並確認新負債，而其各自賬面值間的差額於損益表確認。

金融工具的抵銷

當目前有可執行法定權利以抵銷已確認金額並擬按淨額基準結算，或將資產變現及償還負債時，金融資產及金融負債會互相抵銷，並在財務狀況表內以淨額列示。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Properties held for sale and held for finance lease

Properties held for sale and held for finance lease include completed properties held for sale and held for finance lease and properties under development expected to be completed within the normal operating cycle. Properties held for sale and held for finance lease are stated at the lower of cost and net realisable value. Cost includes land costs, all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices, on an individual property basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2.4 重大會計政策概要(續)

持作銷售及持作融資租賃物業

持作銷售及持作融資租賃物業包括持作銷售及持作融資租賃已落成物業及建築期間預計在正常經營週期內的發展中物業。持作銷售及持作融資租賃物業按成本值及可變現淨值兩者的較低者列賬。成本包括土地成本、所有發展開支、適用的借貸成本及該等物業應佔的其他直接成本。可變現淨值乃參考當前市價按個別物業基準釐定。

存貨

存貨按成本或可變現淨值兩者較低者列賬。成本以先入先出方法釐定，就在製品和製成品而言，成本包括直接材料、直接勞工及適當分攤的經常性費用。可變現淨值按估計售價減任何尚需投入的完成生產及出售的估計成本計算。

現金及現金等價物

就綜合現金流量表而言，現金及現金等價物包括手頭現金及活期存款，以及可隨時轉換為已知金額現金的短期高流動性投資，該筆現金承受價值轉變的較低風險，一般於收購起計三個月內到期，並已減去須應要求償還的銀行透支，而成為本集團現金管理的一部分。

就綜合財務狀況表而言，現金及現金等價物包括手頭現金及銀行存款，當中包括定期存款及性質與現金相類的資產，該等存款用途不受限制。

撥備

撥備乃於本集團因以往的事件導致現行的責任（不論法定或推定）產生，並將有可能需要於日後作出資源流出以履行責任時確認，惟須可靠地估計有關責任的金額。

倘折現的影響重大，確認為撥備的金額則為預期須用作履行責任的日後開支於報告期末的現值。折現的現值因時間流逝而產生的升幅，乃於損益表中列作融資成本。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2.4 重大會計政策概要(續)

所得稅

所得稅包括即期及遞延稅項。於損益以外確認項目相關的所得稅於損益以外之其他全面收入或直接於權益確認。

即期稅項資產和負債按預期可自稅務機關收回或須支付予稅務機關的金額，基於報告期末時已頒布或實際已頒布的稅率(和稅法)，計及本集團營運所在國家現行詮釋及慣例計量。

在報告期末時，資產與負債的稅基與作為財務報告用途的資產與負債賬面值之間的全部暫時性差異，須按負債法計提遞延稅項撥備。

所有應課稅暫時性差異均確認為遞延稅項負債，惟下列各項除外：

- 倘若遞延稅項負債的起因，是由於商譽而產生，或在一宗非屬業務合併的交易中初步確認資產或負債，而於進行交易時，對會計利潤或應課稅利潤或虧損均無影響；及
- 對於與於附屬公司及聯營公司的投資的權益有關的應課稅暫時性差異而言，倘若撥回暫時性差異的時間可以控制，而暫時性差異不甚可能在可見將來撥回。

對於所有可扣減暫時性差異、結轉未動用稅項抵免及任何未動用稅項虧損，若日後有可能出現應課稅利潤，可用以抵銷該等可扣減暫時性差異、結轉未動用稅項抵免及未動用稅項虧損，則遞延稅項資產確認入賬，惟下列各項除外：

- 倘若有關可扣減暫時性差異的遞延稅項資產的起因，是由於在一宗非屬業務合併的交易中初步確認資產或負債，而於進行交易時，對會計利潤或應課稅利潤或虧損均無影響；及

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Income tax (Continued)

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge or over the benefits received by the Group related to such assets.

2.4 重大會計政策概要(續)

所得稅(續)

- 對於與於附屬公司及聯營公司的投資的權益有關的可扣減暫時性差異而言，只有在暫時性差異有可能在可見將來撥回，而且日後有可能出現應課稅利潤，可用以抵銷該等暫時性差異時，方會確認遞延稅項資產。

遞延稅項資產的賬面值，在各報告期末時予以審閱，若不再可能有足夠應課稅利潤可用以抵扣全部或部分遞延稅項資產，則扣減遞延稅項資產賬面值。過往未予確認的遞延稅項資產於各報告期末時重新評估，而在可能有足夠應課稅利潤可用以抵扣全部或部分遞延稅項資產，則確認過往未予確認的遞延稅項資產。

變現資產或清償負債的期間預期適用的稅率，會用作計量遞延稅項資產及負債，並以報告期末時已經頒布或實際已經頒布的稅率(及稅法)為基準。

倘存在可依法執行的權利將即期稅項資產與即期稅項負債抵銷，而遞延稅項與相同應課稅實體及相同稅務機關有關，則遞延稅項資產及遞延稅項負債互相抵銷。

政府補助

政府補助於合理地確保本集團將取得該補助並將可符合所有隨附條件時按公平值確認。與開支項目有關的補助，則有系統地於擬作成本開銷期間確認為收入。

當該補助與資產有關時，則以其公平值記錄於遞延收入中，再於有關資產之預計可使用年內，分期每年分攤計入損益表，或在資產之賬面值扣除，並以扣減折舊費用方式或本集團從該資產得到的得益之攤分方式計入損益表。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of properties, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold;
- (b) rental income, on a time proportion basis over the lease terms;
- (c) finance lease income, when the significant risks and rewards incidental to ownership of the properties have been transferred to the lessee;
- (d) property management service and other revenue, when the services have been rendered;
- (e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and
- (f) income from E-commerce and the provision of logistics and warehousing services, when the services have been rendered.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including Directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using an appropriate pricing model, further details of which are given in note 37 to the financial statements.

2.4 重大會計政策概要(續)

收入確認

收入乃於經濟利益有可能流入本集團，並能夠可靠地計量收入之時，按下列基準確認：

- (a) 來自銷售物業的收入，於所有權的重大風險及回報已轉移予買家，而本集團並不保留通常與所有權有關的管理權或對已售物業的有效控制；
- (b) 租金收入，在租賃期內按時間比例基準；
- (c) 融資租賃收入，當物業擁有權相關的主要風險及回報已轉移予承租人；
- (d) 物業管理服務及其他收入，於提供服務時；
- (e) 利息收入，以計提基準，於金融工具的預期年期或較短期間(如適用)內採用實際利息法按估計未來現金收入準確折現至金融資產賬面淨額的折現率；及
- (f) 電子商貿及提供物流倉儲服務收入，於提供服務時。

以股份形式付款

本公司營運購股權計劃，向為本集團業務成就作出貢獻的合資格參與者提供獎勵及報酬。本集團僱員(包括董事)按以股份形式付款方式收取薪酬，僱員以提供服務作為權益工具的代價(「以權益結算的交易」)。

與僱員之間於2002年11月7日後的以權益結算的交易成本乃參考授出日期的公平值計量。公平值乃由外聘估值師採用適當定價模式釐定，進一步詳情載於財務報表附註37。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Share-based payments (Continued)

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefit expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

2.4 重大會計政策概要(續)

以股份形式付款(續)

權益結算交易之成本在績效及/或服務條件達成之期間，連同權益之相應升幅一併確認。就權益結算交易於各告期間結束時至歸屬日期確認之累計開支，反映歸屬期屆滿之程度以及本集團就最終歸屬之權益工具數目之最佳估計。期內在損益表扣除或計入之金額，指於該期間期初及期終所確認之累計開支變動。

當一項以權益結算的獎勵註銷，會被視作猶如於註銷當日歸屬，及並未就獎勵確認的任何開支將即時確認。此乃包括受本集團或僱員控制的非歸屬條件未能達成的任何獎勵。然而，如一項新獎勵取代一項註銷獎勵，並於授出當日界定為取替的獎勵，如上段所述，註銷及新獎勵兩者會被視為原有獎勵的改動。

尚未行使購股權的攤薄影響用於計算每股盈利時反映為額外股份攤薄。

釐定獎勵獲授當日之公平值時，並不計及服務及非市場績效條件，惟在有可能符合條件的情況下，則評估為本集團對最終將會歸屬權益工具數目最佳估計之一部分。市場績效條件反映於獎勵獲授當日之公平值。獎勵之任何其他附帶條件(但不帶有服務要求)視作非歸屬條件。非歸屬條件反映於獎勵之公平值，除非同時具服務及/或績效條件，否則獎勵即時支銷。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Share-based payments (Continued)

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their respective payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 重大會計政策概要(續)

以股份形式付款(續)

因非市場績效及/或服務條件未能達成而最終無歸屬之獎勵並不確認為支出。凡獎勵包含市場或非歸屬條件，無論市場條件或非歸屬條件獲履行與否，而所有其他績效及/或服務條件均獲履行，則交易仍被視為一項歸屬。

當以權益結算的獎勵的條款經修改，倘符合獎勵的原有條款，則會確認最低額度的開支，猶如條款未經修改。此外，就引致以股份形式付款的總公平值上升或以其他方式對僱員有利的任何改動（以改動當日的計量為準）確認開支。

其他僱員福利

退休金計劃

本集團根據強制性公積金計劃條例為其所有香港僱員參與強制性公積金計劃（「強積金計劃」）營運一項定額供款強積金計劃。供款按僱員基本薪金的若干百分比作出，並於根據強積金計劃規則的規定於應付時自收益表扣除。強積金計劃的資產乃與本集團資產分開以獨立管理基金持有。本集團對強積金計劃作出的僱主供款，在供款作出時全數歸屬僱員。

本集團旗下在中國大陸營運的附屬公司的僱員，須參與由地方市政府營運的中央公積金計劃。該等附屬公司須按彼等各自的支薪成本的若干百分比向中央公積金計劃作出供款。供款須按照中央公積金計劃規則的規定於應付時在損益表內扣除。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measures at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 重大會計政策概要(續)

借貸成本

因收購、建設或生產合資格資產(即須頗長期間準備方可用作其擬定用途或銷售的資產)直接產生的借貸成本，乃作為該等資產的部分成本予以資本化。當資產大致達到擬定用途或銷售時，該等借貸成本則不再予以資本化。待作出合資格資產開支的特定借貸臨時投資所賺取的投資收入於借貸成本資本化時扣除。所有其他借貸成本會於發生當期支銷。借貸成本包括利息及其他由公司借貸資金而產生之費用。

股息

當末期股息於股東大會上獲股東批准，該等股息則被確認為負債。

外幣

此等財務報表按港元呈列，而港元為本公司的功能貨幣。本集團內各實體決定其本身的功能貨幣，而各實體的財務報表內各項目均使用該功能貨幣計量。本集團實體所入賬的外幣交易初步普遍按交易日期其各自的功能貨幣匯率入賬。以外幣為單位的貨幣資產及負債，乃按報告期末的功能貨幣匯率換算。因結算或換算貨幣項目產生的一切差額乃於損益表入賬。

按外幣的歷史成本計量的非貨幣項目按最初交易當日的匯率換算。按外幣公平值計量的非貨幣項目按釐定公平值當日的匯率換算。換算非貨幣項目產生的收益或虧損乃按與確認該項目的公平值變動產生按公平值的收益或虧損一致的方法處理(即公平值收益或虧損於其他全面收入或損益確認的項目的換算差額，亦分別於其他全面收入或損益確認)。

31 March 2017 2017年3月31日

2.4 Summary of Significant Accounting Policies

(Continued)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

2.4 重大會計政策概要(續)

外幣(續)

若干海外附屬公司及聯營公司的功能貨幣為港元以外的貨幣。於報告期末時，該等實體的資產及負債按報告期末時的匯率換算為港元，而該等公司的損益表按該年度普遍的平均匯率換算為港元。

所產生的匯兌差額確認為其他全面收入，並累計於匯兌波動儲備。出售海外實體時，在其他全面收入有關該特定海外業務的金額在損益表確認。

就綜合現金流量表而言，海外附屬公司的現金流量按現金流量日期的匯率換算為港元。海外附屬公司於年內經常產生的現金流量則按該年度的加權平均匯率換算為港元。

3. 重大會計判斷及估計

編製本集團財務報表時需管理層作出影響於報告期末的收入、費用、資產及負債及其隨附披露事項以及或然負債之呈報金額的判斷、估計及假設。然而，此等假設及估計的不明朗因素將引致受影響之資產或負債賬面值於將來或作出重大調整。

判斷

在應用本集團的會計政策的過程中，除該等涉及估計者外，管理層已作出下列對財務報表確認的金額有最重大影響的判斷：

經營租賃承擔—本集團作為出租人

本集團已就其投資物業組合訂立商業物業租賃。本集團已根據對該等安排的條款及條件作出的評估來釐定，本集團仍保留該等按照經營租賃出租的物業之所有權的所有重大風險及回報。

31 March 2017 2017年3月31日

3. Significant Accounting Judgements and Estimates (Continued) Judgements (Continued)

Transfer from properties under development to investment properties

Properties under development are transferred to investment properties when there is a change in use with sufficient evidence. The Group determines whether a change in use has occurred based on an assessment of all relevant facts and circumstances, which include but are not limited to: (a) a business plan that reflects the future rental income generated by the property; (b) the resources to hold and manage an investment property; (c) legal permissibility for the change in use; and (d) the commencement of development if the property requires further development for the change in use. Any excess of fair value over the original carrying amount of such properties at the date of transfer was recognised as current year profit or loss.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independent of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. 重大會計判斷及估計(續)

判斷(續)

發展中物業轉移至投資物業

當有充足證明用途轉變時，發展中物業轉移至投資物業。本集團乃基於所有相關事實及情況的評估釐定用途有否轉變，其中包括但不限於：(a) 反映此物業將來產生租金收入的商業計劃；(b) 持有及經營投資物業所需的資源；(c) 容許改變有關用途的法律許可；及(d) 如物業改變用途需其他開發，有關開發需開始進行。於轉移日期該等物業的公平值超出原賬面值的任何金額確認為本年度損益。

投資物業與業主自用物業之間的分類

本集團釐定物業是否符合投資物業的條件，並已制定出一套判斷準則。投資物業是持作賺取租金或資本增值或兩者俱備的物業。因此，本集團考慮物業產生現金流量時是否大體獨立於本集團持有的其他資產。某些物業的部分是為賺取租金或資本增值而持有，而另一部分是為用於生產或供應貨品或服務或作行政用途而持有。倘若此等部分可以分開出售或根據融資租賃分開出租，本集團將把有關部分分開入賬。倘若該等部分無法分開出售，則僅在非主要部分持作生產或供應貨品或服務或作行政用途時，有關物業方會列作投資物業。本集團按基準對個別物業作出判斷，以決定配套服務是否重要，以致物業不符合作為投資物業的條件。

估計的不確定因素

有關未來的主要假設以及於報告期末時存在重大風險導致於下一個財政年度對資產及負債的賬面值作出重大調整的其他主要估計不確定因素來源在下文論述。

31 March 2017 2017年3月31日

3. Significant Accounting Judgements and Estimates (Continued)**Estimation uncertainty (Continued)****Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 March 2017 was HK\$34,128,000 (2016: HK\$34,128,000). Further details are given in note 17.

Estimation of fair value of investment properties

The Group engaged Savills Valuation and Professional Services Limited ("Savills"), an independent professional qualified valuer, to perform the valuation of the Group's investment properties at the end of the reporting period. The carrying amount of investment properties at 31 March 2017 was HK\$42,191,542,000 (2016: HK\$34,814,188,000). Further details are given in note 14.

Impairment allowances for trade receivables and other receivables

The Group estimates the impairment allowances for trade receivables and other receivables by assessing the recoverability based on historical recovery of the overdue trade receivables of respective ages and related prevailing market conditions. This requires the use of significant estimates and judgements. Allowances are applied to trade receivables and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, the difference will affect the carrying amounts of trade receivables and other receivables and thus the impairment loss in the period in which the estimate is changed. The Group reassesses the impairment allowance at the end of each reporting period. At 31 March 2017, the aggregate carrying amounts of trade receivables and other receivables were HK\$1,897,459,000 (2016: HK\$1,594,912,000).

Land appreciation tax

Under the Provisional Regulations on Land Appreciation Tax ("LAT") implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from the transfer of real estate properties in Mainland China with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land use rights, borrowing costs and all property development expenditures.

3. 重大會計判斷及估計(續)**估計的不確定因素(續)****商譽減值**

本集團至少每年釐定商譽是否減值。這需要對獲分配商譽的現金產生單位的使用價值作出估計。估計使用價值時，本集團須對現金產生單位的預期未來現金流量作出估計，亦須選擇適當的折現率以計算該等現金流量的現值。於2017年3月31日，商譽的賬面值為34,128,000港元(2016年：34,128,000港元)。詳情載於附註17。

投資物業公平值估計

本集團委聘獨立專業合資格估值師第一太平戴維斯估值及專業顧問有限公司(「第一太平戴維斯」)進行本集團投資物業於報告期末時的估值。於2017年3月31日，投資物業的賬面值為42,191,542,000港元(2016年：34,814,188,000港元)。詳情載於附註14。

應收貿易賬款及其他應收款項的減值撥備

本集團估計應收貿易賬款及其他應收款項的減值撥備，方法是透過基於不同賬齡的逾期賬款之歷史回收紀錄及相關的現行市況來評估可收回性。此舉需要使用重大估計及判斷。倘事件或情況變動顯示結餘不可收回，則須就應收貿易賬款及其他應收款項作出撥備。倘預計數額與原先估計有所不同，則此差額將影響有關估計變動期間的應收貿易賬款及其他應收款項的賬面值以及減值虧損。本集團於各報告期末時重新評估減值撥備。於2017年3月31日，應收貿易賬款及其他應收款項的賬面總值為1,897,459,000港元(2016年：1,594,912,000港元)。

土地增值稅

根據於1995年1月27日頒布實施的中華人民共和國土地增值稅(「土地增值稅」)暫行條例實施細則，於中國大陸轉讓房地產物業產生的所有收益自1994年1月1日起須按介乎土地增值的30%至60%之累進稅率繳納土地增值稅。土地增值指出售物業所得款項減應課稅開支，包括土地使用權、借貸成本及所有物業開發開支。

31 March 2017 2017年3月31日

3. Significant Accounting Judgements and Estimates (Continued)
Estimation uncertainty (Continued)

Land appreciation tax (Continued)

The subsidiaries of the Group engaging in the property development business in Mainland China are subject to LAT, which has been included in income tax. However, the implementation of these taxes varies amongst various Mainland China cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, the differences will impact the income tax and provisions for land appreciation taxes in the period in which the determination is made.

Withholding tax arising from the distribution of dividends

Withholding tax arising from the distribution of dividends pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Further details are given in note 35.

3. 重大會計判斷及估計(續)

估計的不確定因素(續)

土地增值稅(續)

本集團附屬公司於中國大陸從事物業開發業務，須繳納土地增值稅(計入所得稅)。然而，中國大陸的不同城市對土地增值稅的實施不盡相同，故本集團並未完成向不同稅務機關申報土地增值稅。因此，有關釐定土地增值及相關稅項須作出重大判斷。於日常業務中釐定的最終稅項金額並不確定。本集團基於管理層之最佳估計確認該等負債。當該等事宜之最終稅項支出與初步列賬之數額出現差異時，該等差額將影響釐定稅項期間之所得稅及土地增值稅撥備。

股息分派產生的預扣稅

股息分派產生的預扣稅乃據中國企業所得稅法，在中國內地成立之外資企業向外國投資者宣派之股息需徵收10%預扣稅。該規定由2008年1月1日起生效，且適用於2007年12月31日後之盈利。倘中國內地與外國投資者司法管轄區內訂立稅務條約，則採用較低之預扣稅率。本集團適用的稅率為5%。因此，本集團須為於中國內地成立的附屬公司就2008年1月1日起產生之盈利分派股息而繳納預扣稅。進一步詳情載於附註35。

31 March 2017 2017年3月31日

3. Significant Accounting Judgements and Estimates (Continued)
Estimation uncertainty (Continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 March 2017 was HK\$425,650,000 (2016: HK\$355,795,000). The amount of unrecognised tax losses at 31 March 2017 was HK\$772,673,000 (2016: HK\$652,542,000). Further details are contained in note 35 to the financial statements.

4. Operating Segment Information

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- (a) the property development segment engages in the development of integrated logistics and trade centers and residential and commercial ancillary facilities;
- (b) the property investment segment invests in integrated logistics and trade centers and residential and commercial ancillary facilities;
- (c) the property management segment engages in the management of the Group's developed properties;
- (d) the E-commerce segment engages in the development, operations and maintenance of an E-commerce platform; and
- (e) the "others" segment comprises, principally, the provision of advertising, exhibition, logistics and warehousing services, outlet operations, micro-credit services and other services.

3. 重大會計判斷及估計(續)

估計的不確定因素(續)

遞延稅項資產

僅在可能取得應課稅利潤作扣減虧損的情況下，方確認由所有未動用稅項虧損產生的遞延稅項資產。在釐定可予確認的遞延稅項資產款項時，管理層須根據可能的時間、未來應課稅利潤的水平連同未來稅項計劃策略，作出重大的判斷。於2017年3月31日，有關因稅項虧損而確認的遞延稅項資產的賬面值為425,650,000港元(2016年：355,795,000港元)。於2017年3月31日，未確認的稅項虧損為772,673,000港元(2016年：652,542,000港元)。詳情載於財務報表附註35。

4. 經營分部資料

就管理而言，本集團按其產品及服務劃分為不同的業務單位，並具備以下五個可申報營運分部：

- (a) 物業發展分部從事發展綜合物流及商品交易中心及住宅及商業配套設施；
- (b) 物業投資分部投資綜合物流及商品交易中心及住宅及商業配套設施；
- (c) 物業管理分部從事管理本集團的已建成物業；
- (d) 電子商貿分部從事發展、經營及維持電子商貿平台；及
- (e) 「其他」分部基本上包括提供廣告、展覽、物流及倉儲服務、奧特萊斯經營、小額貸款服務及其他服務。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

4. Operating Segment Information (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, fair value gains from the Group's financial instruments, head office and corporate expenses are excluded from this measurement.

Segment assets exclude cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank and other borrowings, senior notes, medium-term notes, corporate bonds, domestic company bonds, short-term notes, tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

No geographical segment analysis is presented as the majority of the assets and operations of the Group are located in the PRC, which is considered as one geographical location in an economic environment with similar risks and returns.

There were no sale to a single customer which amounted to 10% or more of the Group's revenue during the year ended 31 March 2017 (2016: Nil).

4. 經營分部資料(續)

管理層會獨立監察營運分部之業績而作出資源分配決定及評定其表現。分部表現乃根據可呈報分部利潤/(虧損)(即經調整稅前利潤/(虧損))來評估。經調整稅前利潤/(虧損)與本集團稅前利潤計量方式一致，惟利息收入、融資成本、本集團金融工具公平值收益以及總辦事處及公司開支均無計算在內。

分部資產不包括現金及現金等價物及其他未分配總辦事處及公司資產，原因為該等資產按集團整體管理。

分部負債不包括計息銀行及其他借貸、優先票據、中期票據、企業債券、境內公司債券、短期融資券、應付稅項及其他未分配總辦事處及公司負債，原因為該等負債按集團整體管理。

分部間銷售及轉讓乃參考當時向第三方按市價作出銷售的售價進行。

由於本集團的大部分資產及經營均位於中國(被視為處於具類似風險及回報的經濟環境的一個地理位置)，本集團並無呈列地理分部分析。

截至2017年3月31日止年度，並無單一客戶的銷售為本集團收入貢獻10%或以上(2016年：無)。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

4. Operating Segment Information (Continued)

4. 經營分部資料(續)

Year ended 31 March 2017 截至2017年3月31日止年度		Property development 物業發展 HK\$'000 千港元	Property investment 物業投資 HK\$'000 千港元	Property management 物業管理 HK\$'000 千港元	E-commerce 電子商貿 HK\$'000 千港元	Others 其他 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Segment revenue:	分部收入：						
Sales to external customers	對外部客戶銷售	6,240,553	699,716	288,822	213,674	395,745	7,838,510
Intersegment sales	分部間銷售	–	92,965	59,450	268,469	71,556	492,440
		6,240,553	792,681	348,272	482,143	467,301	8,330,950
Elimination of intersegment sales	分部間銷售對銷						(492,440)
Revenue	收入						7,838,510
Segment results before increase in fair value of investment properties	投資物業公平值增加前 分部業績	2,925,144	484,560	15,622	213,276	228,499	3,867,101
Increase in fair value of investment properties	投資物業公平值增加	–	4,549,509	–	–	–	4,549,509
Segment results after increase in fair value of investment properties	投資物業公平值增加後 分部業績	2,925,144	5,034,069	15,622	213,276	228,499	8,416,610
Unallocated cost of sales	未分配銷售成本						(356,956)
Interest income	利息收入						71,603
Gain on held-for-trading investments at fair value through profit or loss	透過損益以公平值列賬之 持作買賣投資的收益						3,770
Unallocated income and gains	未分配收入及收益						650,654
Unallocated expenses	未分配開支						(1,917,949)
Finance costs	融資成本						(275,478)
Profit before tax	稅前利潤						6,592,254
Segment assets	分部資產	31,976,084	43,001,921	71,402	80,726	1,479,843	76,609,976
Reconciliation:	對賬：						
Investments in associates	於聯營公司的投資						82,497
Unallocated assets	未分配資產						12,283,360
Total assets	資產總值						88,975,833
Segment liabilities	分部負債	10,158,100	4,945,321	68,785	310,860	382,242	15,865,308
Reconciliation:	對賬：						
Unallocated liabilities	未分配負債						44,631,134
Total liabilities	負債總額						60,496,442
Other segment information:	其他分部資料：						
Depreciation	折舊	98,238	1,529	376	5,243	17,651	123,037
Corporate and other unallocated amounts	公司及其他未分配金額						14,280
							137,317
Increase in fair value of investment properties	投資物業公平值增加	–	4,549,509	–	–	–	4,549,509
Capital expenditure*	資本開支*	10,715,927	1,745	527	7,853	19,912	10,745,964

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

4. Operating Segment Information (Continued)

4. 經營分部資料(續)

Year ended 31 March 2016 截至2016年3月31日止年度		Property development 物業發展 HK\$'000 千港元	Property investment 物業投資 HK\$'000 千港元	Property management 物業管理 HK\$'000 千港元	E-commerce 電子商貿 HK\$'000 千港元	Others 其他 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Segment revenue:	分部收入：						
Sales to external customers	對外部客戶銷售	4,715,703	681,314	247,721	202,184	289,340	6,136,262
Intersegment sales	分部間銷售	–	30,058	–	146,228	14,051	190,337
		4,715,703	711,372	247,721	348,412	303,391	6,326,599
Elimination of intersegment sales	分部間銷售對銷						(190,337)
Revenue	收入						6,136,262
Segment results before increase in fair value of investment properties	投資物業公平值增加前 分部業績	2,488,203	493,656	(44,460)	202,169	181,566	3,321,134
Increase in fair value of investment properties	投資物業公平值增加	–	3,232,699	–	–	–	3,232,699
Segment results after increase in fair value of investment properties	投資物業公平值增加後 分部業績	2,488,203	3,726,355	(44,460)	202,169	181,566	6,553,833
Unallocated cost of sales	未分配銷售成本						(362,081)
Interest income	利息收入						85,947
Loss on held-for-trading investments at fair value through profit or loss, net	透過損益以公平值列賬之持作買賣投資虧損，淨額						(5,525)
Unallocated income and gains	未分配收入及收益						985,820
Unallocated expenses	未分配開支						(2,194,375)
Finance costs	融資成本						(159,386)
Profit before tax	稅前利潤						4,904,233
Segment assets	分部資產	36,370,396	32,286,528	45,800	100,455	1,338,433	70,141,612
Reconciliation:	對賬：						
Investments in associates	於聯營公司的投資						60,310
Unallocated assets	未分配資產						13,183,409
Total assets	資產總值						83,385,331
Segment liabilities	分部負債	5,610,040	5,164,724	56,657	544,419	288,382	11,664,222
Reconciliation:	對賬：						
Unallocated liabilities	未分配負債						45,352,644
Total liabilities	負債總額						57,016,866
Other segment information:	其他分部資料：						
Depreciation	折舊	98,266	1,495	403	3,242	14,445	117,851
Corporate and other unallocated amounts	公司及其他未分配金額						33,034
							150,885
Increase in fair value of investment properties	投資物業公平值增加	–	3,232,699	–	–	–	3,232,699
Capital expenditure*	資本開支*	8,973,136	18,032	345	6,181	9,676	9,007,370

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payments, properties under development and investment properties.

* 資本開支包括物業、廠房及設備、預付土地出租金、發展中物業及投資物業添置。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

5. Revenue, Other Income and Gains/(Losses), and Fair value gains on Investment Properties

Revenue represents the net sales of completed properties, finance lease income, rental income, income from the provision of property management services, E-commerce income and other revenue, net of sales tax and other sales related tax.

An analysis of revenue, other income and gains/(losses) is as follows:

5. 收入、其他收入及收益／(虧損)，及投資物業公平值收益

收入指扣除營業稅後竣工物業銷售淨額、融資租賃收入、租金收入、提供物業管理服務收入、電子商貿收入及其他收入(扣除銷售稅及其他銷售相關稅項)。

收入、其他收入及收益／(虧損)分析如下：

		For the year ended 31 March 截至3月31日止年度	
	Notes 附註	2017 HK\$'000 千港元	2016 HK\$'000 千港元
Revenue	收入		
Sales of properties	物業銷售	5,794,215	4,164,135
Finance lease income	融資租賃收入	446,338	551,568
Rental income	租金收入	699,716	681,314
Property management service income	物業管理服務收入	288,822	247,721
E-commerce income	電子商貿收入	213,674	202,184
Other revenue*	其他收入*	395,745	289,340
		7,838,510	6,136,262
Other income	其他收入		
Bank interest income	銀行利息收入	71,603	85,947
Government grants**	政府補貼**	841,427	1,001,128
Others	其他	50,978	56,122
		964,008	1,143,197
Gains/(losses)	收益／(虧損)		
Fair value gains/(losses) on held-for-trading investments at fair value through profit or loss, net	透過損益以公平值列賬之持作買賣投資收益／(虧損)，淨額	3,770	(5,525)
Loss on redemption of the 2012 Notes and 2014 Notes	贖回2012年票據及2014年票據之虧損	(178,317)	—
Gain on purchase of the 2014 Notes	購買2014年票據之收益	597	—
Exchange losses, net	滙兌虧損，淨額	(64,031)	(71,430)
		(237,981)	(76,955)
		726,027	1,066,242
Fair value gains on investment properties	投資物業公平值收益	4,549,509	3,232,699

* Other revenue includes amounts of HK\$200,829,000 (2016: HK\$136,944,000) related to income from outlet operations and HK\$161,984,000 (2016: HK\$143,433,000) related to income from logistics and warehousing services.

** Various government grants have been received from the relevant government authorities to foster and support the development of the relevant projects of the Group in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

* 其他收入已包括奧特萊斯運營收入200,829,000港元(2016年：136,944,000港元)及物流及倉儲服務收入161,984,000港元(2016年：143,433,000港元)。

** 若干政府補貼為相關政府部門給予本集團，以培育及扶持本集團於中國大陸項目的發展。該等補貼沒有未履行之條件或或然事件。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

6. Profit Before Tax

The Group's profit before tax is arrived at after charging/(crediting):

6. 稅前利潤

本集團的稅前利潤已扣除/(計入)下列各項：

		For the year ended 31 March 截至3月31日止年度	
	Notes 附註	2017 HK\$'000 千港元	2016 HK\$'000 千港元
Cost of properties sold	已售物業成本	3,107,738	1,984,613
Cost of properties held for finance lease	融資租賃物業成本	207,671	242,887
Depreciation	折舊	138,630	152,182
Less: Depreciation capitalised in respect of properties under development	減：就發展中物業的資本化折舊	(1,313)	(1,297)
		137,317	150,885
Amortisation of prepaid land lease payments	預付土地出租金攤銷	27,020	23,618
Minimum lease payments under operating leases in respect of land and buildings and vehicles	土地及樓宇及汽車於經營租賃下的最低租金	10,008	9,239
Auditor's remuneration	核數師薪酬	4,100	4,080
Employee benefit expense (including directors' remuneration):	僱員福利開支(包括董事薪酬)：		
Wages and salaries*	工資及薪金*	685,070	718,348
Equity-settled share option expense	以權益結算的購股權開支	30,612	29,341
Pension scheme contributions	退休金計劃供款	100,761	107,938
		816,443	855,627
Provision for impairment of trade receivables**	應收貿易賬款減值撥備**	73,885	96,660
Loss on disposal of a joint venture**	處置一家合營公司虧損**	—	4,959
Loss on disposal of subsidiaries**	處置附屬公司虧損**	—	444
Loss on disposal of items of property, plant and equipment**	出售物業、廠房及設備項目虧損**	1,708	61

* Included amounts of HK\$89,885,000 for the year ended 31 March 2017 (2016: HK\$176,313,000), which were capitalised under properties under development.

** Included in "Other expenses" in the consolidated statement of profit or loss.

* 包括截至2017年3月31日止年度的金額89,885,000港元(2016年：176,313,000港元)，已予以資本化計入發展中物業。

** 計入綜合損益表「其他開支」項內。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

7. Finance Costs

An analysis of finance costs is as follows:

7. 融資成本

融資成本之分析如下：

		For the year ended 31 March 截至3月31日止年度	
		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Interest on bank and other borrowings (including senior notes, medium-term notes, corporate bonds, domestic company bonds and short-term notes)	銀行及其他借貸利息(包括優先票據、中期票據、企業債券、境內公司債券及短期融資券)	2,061,894	2,049,155
Less: Interest capitalised	減：資本化利息	(1,786,416)	(1,889,769)
Total	總計	275,478	159,386

8. Directors' Emoluments

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

8. 董事酬金

根據香港聯交所證券上市規則(「上市規則」)、香港公司條例第383(1)(a), (b), (c)及(f)條及公司(披露董事利益資料)規例第2部，於本年度的董事酬金披露如下：

		For the year ended 31 March 截至3月31日止年度	
		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Fees	袍金	4,640	4,640
Other emoluments:	其他酬金：		
Salaries, allowances, and benefits in kind	薪金、津貼及實物福利	18,150	17,678
Performance-related bonuses*	與表現掛鉤的花紅*	32,576	34,957
Equity-settled share option expense	以權益結算的購股權開支	12,102	28,181
Pension scheme contributions	退休金計劃供款	54	54
		67,522	85,510

* Certain executive directors of the Company are entitled to performance based bonus payments which are determined as a percentage of the Group's consolidated net profit attributable to owners of the parent excluding fair value gains on investment properties and related tax effects and loss on redemption of senior notes (in addition to any discretionary bonus (if any)) of the financial year.

* 本公司若干執行董事有權收取按該財政年度的未計投資物業公平值收益及相關稅務影響和贖回優先票據的虧損的母公司擁有人應佔淨利潤百分比釐定基於表現之花紅(除任何酌情花紅(如有))。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

8. Directors' Emoluments (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

		Fees	Equity-settled share option expense 以權益結算的 購股權開支	Total
		袍金 HK\$'000 千港元	HK\$'000 千港元	總計 HK\$'000 千港元
2017	2017年			
Leung Kwan Yuen Andrew	梁君彥	380	—	380
Li Wai Keung	李偉強	380	—	380
Hui Chiu Chung	許照中	380	—	380
Yung Wing Ki Samuel	容永祺	380	—	380
		1,520	—	1,520

		Fees	Equity-settled share option expense 以權益結算的 購股權開支	Total 總計
		袍金 HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
2016	2016年			
Leung Kwan Yuen Andrew	梁君彥	380	—	380
Li Wai Keung	李偉強	380	—	380
Hui Chiu Chung	許照中	380	—	380
Yung Wing Ki Samuel	容永祺	380	390	770
		1,520	390	1,910

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

8. Directors' Emoluments (Continued)

(b) Executive directors and non-executive directors

8. 董事酬金(續)

(b) 執行董事及非執行董事

		Fees	Salaries, allowances, and benefits in kind	Performance-related bonuses	Equity-settled share option expense	Pension scheme contributions	Total
		袍金	薪金、津貼及實物福利	與表現掛鉤的花紅	以權益結算的購股權開支	退休金計劃供款	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
2017	2017年						
Executive directors:	執行董事：						
Cheng Chung Hing	鄭松興	-	5,850	14,478	-	18	20,346
Leung Moon Lam*	梁滿林*	-	5,500	7,239	-	18	12,757
Fung Sing Hong Stephen	馮星航	-	6,800	10,859	12,102	18	29,779
		-	18,150	32,576	12,102	54	62,882
Non-executive directors:	非執行董事：						
Ma Kai Cheung	馬介璋	1,080	-	-	-	-	1,080
Sun Kai Lit Cliff	孫啟烈	680	-	-	-	-	680
Ma Wai Mo	馬偉武	680	-	-	-	-	680
Cheng Tai Po	鄭大報	680	-	-	-	-	680
Lin Ching Hua**	林璟驊**	-	-	-	-	-	-
		3,120	-	-	-	-	3,120
		3,120	18,150	32,576	12,102	54	66,002

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

8. Directors' Emoluments (Continued)

(b) Executive directors and non-executive directors (Continued)

8. 董事酬金(續)

(b) 執行董事及非執行董事(續)

		Fees	Salaries, allowances, and benefits in kind	Performance-related bonuses	Equity-settled share option expense	Pension scheme contributions	Total
		袍金	薪金、津貼及實物福利	與表現掛鉤的花紅	以權益結算的購股權開支	退休金計劃供款	總計
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
2016	2016年						
Executive directors:	執行董事：						
Cheng Chung Hing	鄭松興	-	5,850	13,167	-	18	19,035
Leung Moon Lam*	梁滿林*	-	5,763	10,582	7,222	18	23,585
Fung Sing Hong Stephen	馮星航	-	6,065	11,208	20,569	18	37,860
		-	17,678	34,957	27,791	54	80,480
Non-executive directors:	非執行董事：						
Ma Kai Cheung	馬介璋	1,080	-	-	-	-	1,080
Sun Kai Lit Cliff	孫啟烈	680	-	-	-	-	680
Ma Wai Mo	馬偉武	680	-	-	-	-	680
Cheng Tai Po	鄭大報	680	-	-	-	-	680
Lin Ching Hua**	林璟驊**	-	-	-	-	-	-
		3,120	-	-	-	-	3,120
		3,120	17,678	34,957	27,791	54	83,600

* On 4 May 2017, Mr. Leung Moon Lam was re-designated from an executive director to a non-executive director of the Company, and Mr. Song Chuan and Ms. Cheng Ka Man Carman have been appointed as executive directors of the Company.

** Mr. Lin Ching Hua, a non-executive director of the Company, has voluntarily decided not to receive any director's emolument in the future from the Company since his appointment on 28 June 2014, including a director's fee of HK\$380,000 per annum. Apart from this, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

* 於2017年5月4日，梁滿林先生由本公司之執行董事調任為非執行董事，而宋川先生及鄭嘉汶女士獲委任為本公司之執行董事。

** 本公司之非執行董事林璟驊先生自願不收取自2014年6月28日上任以後的任何本公司之董事酬金，包括董事酬金380,000港元。除此之外，於本年內無董事放棄或同意放棄酬金的安排。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

9. Five Highest Paid Employees

The five highest paid employees during the year included three (2016: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the five highest paid employees for the year are as follows:

9. 五位最高薪人士

年內，五位最高薪僱員分別包括三名董事(2016年：三名)，其酬金已載於上文附註8。年內五名最高薪僱員酬金的詳情如下：

		For the year ended 31 March 截至3月31日止年度	
		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Salaries, allowances and benefits in kind	薪金、津貼及實物福利	23,762	23,838
Performance-related bonuses	與表現掛鉤的花紅	37,172	34,957
Equity-settled share option expense	以權益結算的購股權開支	15,099	27,791
Pension scheme contributions	退休金計劃供款	54	54
		76,087	86,640

The number of the five highest paid employees whose remuneration fell within the following bands is as follows:

介乎以下範圍的五名最高薪僱員人數如下：

		Number of employees 僱員人數	
		2017	2016
HK\$3,000,001 to HK\$5,000,000	3,000,001港元至5,000,000港元	–	2
HK\$5,000,001 to HK\$10,000,000	5,000,001港元至10,000,000港元	2	–
HK\$10,000,001 to HK\$20,000,000	10,000,001港元至20,000,000港元	1	1
HK\$20,000,001 to HK\$30,000,000	20,000,001港元至30,000,000港元	2	1
HK\$30,000,001 to HK\$40,000,000	30,000,001港元至40,000,000港元	–	1
		5	5

During the year and in prior years, share options were granted to non-director, highest paid employees in respect of their services to the Group, further details of which are included in the disclosure in note 37 to the financial statements. The fair value of those options, which is recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above five highest paid employees' remuneration disclosures.

年內及以前年度，非董事最高薪僱員就其向本集團提供之服務而獲授購股權，其進一步詳情載於財務報表附註37。該等購股權的公平值(已於歸屬期間於損益表確認)乃於授出日期釐定，而載於本年度財務報表的金額已包括於上文五名最高薪僱員酬金的披露資料。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

10. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the year (2016: Nil).

Taxes on profits assessable in Mainland China are calculated at the rates of tax prevailing in the provinces in which the Group operates.

Under the relevant income tax law, the PRC subsidiaries are subject to corporate income tax ("CIT") at the statutory rate of 25% (2016: 25%) on their respective taxable income during the year.

The PRC LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including land costs, borrowing costs and all property development expenditures.

The major components of income tax expenses for the year are as follows:

10. 所得稅

年內，於香港產生的估計應課稅溢利乃按16.5% (2016年：16.5%)的稅率計提。年內，由於本集團概無源自香港的應課稅利潤，故並無計提香港利得稅撥備(2016年：無)。

中國大陸的應課稅溢利稅項乃按本集團營運所在省份的現行稅率計提。

根據相關所得稅法，年內，中國附屬公司須就各自應課稅收入按法定稅率25%(2016年：25%)繳納企業所得稅。

中國土地增值稅按30%至60%不等的累進稅率就土地價值(即物業銷售所得款項減包括土地成本、借貸成本及所有物業發展開支在內的扣減開支)增值徵收。

年內，所得稅開支主要部分如下：

For the year ended 31 March
截至3月31日止年度

			2017	2016
	Note		HK\$'000	HK\$'000
	附註		千港元	千港元
Current — Mainland China		即期—中國大陸	535,734	1,011,480
LAT in Mainland China		中國大陸土地增值稅	499,504	(23,865)
Deferred Mainland China corporate income tax	35	遞延中國大陸企業所得稅	1,234,054	382,842
Total tax charge for the year		年度稅項支出總額	2,269,292	1,370,457

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

10. Income Tax (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate to the tax expense at the Group's effective income tax rate is as follows:

10. 所得稅(續)

按法定稅率計算適用於稅前利潤的稅項開支與按本集團本年度實際稅率計算的稅項開支的對賬如下：

		For the year ended 31 March 截至3月31日止年度	
		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Profit before tax	稅前利潤	6,592,254	4,904,233
Tax at the statutory tax rate of 16.5%	按16.5%法定稅率計算的稅項	1,087,722	809,198
Higher tax rates enacted by local authorities	地方機關制定的較高稅率	561,293	416,656
Income not subject to tax	毋須繳稅收入	(4,146)	(37,664)
Expenses not deductible for tax	不可扣稅開支	150,390	51,975
Tax losses utilised from previous years	動用過往年度的稅項虧損	(1,875)	—
Tax losses not recognised	未確認的稅項虧損	52,360	80,078
LAT	土地增值稅	499,504	(23,865)
Tax effect of LAT	土地增值稅的稅務影響	(124,875)	5,966
Adjustments in respect of current tax of previous years	過往年度稅項調整	2,600	23,363
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	按本集團的中國附屬公司的可分配利潤而計算預扣所得稅的影響	46,319	44,750
Tax charge at the Group's effective rate	按本集團實際稅率計算的稅項支出	2,269,292	1,370,457

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

11. Dividend

11. 股息

For the year ended 31 March
截至3月31日止年度

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Proposed final dividend — HK5.0 cents per ordinary share (2016: HK5.0 cents per ordinary share)	建議末期股息—每股普通股 5.0港仙(2016年：每股 普通股5.0港仙)	400,316	399,966

The proposed final dividend is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

擬派末期股息須待本公司股東於應屆股東周年大會批准後，方可作實。

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 8,006,206,931 (2016: 7,999,399,905) in issue during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

12. 歸屬於母公司普通股權益持有人之每股盈利

每股基本盈利乃根據母公司普通股權益持有人應佔年內利潤及年內已發行8,006,206,931股(2016年：7,999,399,905股)普通股的加權平均數計算。

每股攤薄盈利乃根據母公司普通股權益持有人應佔年內利潤計算。計算所用的普通股加權平均數乃為計算每股基本盈利所用的年內已發行普通股股數，而加權平均普通股數目乃假設行使或轉換所有具潛在攤薄性的普通股為普通股按無償發行。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent (Continued)

The calculations of basic and diluted earnings per share are based on:

12. 歸屬於母公司普通股權益持有人之每股盈利(續)

每股基本及攤薄盈利的計算乃基於：

		For the year ended 31 March	
		截至3月31日止年度	
		2017	2016
		HK\$'000	HK\$'000
		千港元	千港元
<u>Earnings</u>	<u>盈利</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	用於計算每股基本及攤薄盈利之母公司普通股權益持有人應佔利潤	4,322,626	3,537,012
		Number of shares	
		股數	
		2017	2016
<u>Shares</u>	<u>股份</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	用於計算每股基本盈利之年內已發行普通股的加權平均數	8,006,206,931	7,999,399,905
Effect of dilution — weighted average number of ordinary shares:	攤薄影響—普通股加權平均數：		
Share options	購股權	4,562,237	29,764,395
		8,010,769,168	8,029,164,300

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

13. Property, Plant and Equipment

13. 物業、廠房及設備

			Buildings	Furniture, fixtures and equipment	Motor vehicles	Total
			樓宇	傢俬、 裝置及設備	汽車	總計
31 March 2017	2017年3月31日	Notes 附註	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 April 2016:	於2016年4月1日：					
Cost	成本		1,648,029	191,041	95,342	1,934,412
Accumulated depreciation	累計折舊		(257,837)	(116,222)	(53,198)	(427,257)
Net carrying amount	賬面淨額		1,390,192	74,819	42,144	1,507,155
At 1 April 2016, net of accumulated depreciation	於2016年4月1日，已扣除累計折舊		1,390,192	74,819	42,144	1,507,155
Additions	添置		9,392	25,920	3,972	39,284
Transfer from properties under development	轉撥自發展中物業	15	153,687	–	–	153,687
Disposals	出售		(869)	(2,159)	(10,506)	(13,534)
Depreciation provided during the year	年度折舊撥備	6	(99,583)	(32,785)	(6,262)	(138,630)
Exchange realignment	匯兌調整		(86,313)	(4,569)	(2,171)	(93,053)
At 31 March 2017, net of accumulated depreciation	於2017年3月31日，已扣除累計折舊		1,366,506	61,226	27,177	1,454,909
At 31 March 2017:	於2017年3月31日：					
Cost	成本		1,706,052	202,401	83,597	1,992,050
Accumulated depreciation	累計折舊		(339,546)	(141,175)	(56,420)	(537,141)
Net carrying amount	賬面淨額		1,366,506	61,226	27,177	1,454,909

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

13. Property, Plant and Equipment (Continued)

13. 物業、廠房及設備(續)

31 March 2016	2016年3月31日	Notes 附註	Buildings 樓宇 HK\$'000 千港元	Furniture, fixtures and equipment 傢俬、 裝置及設備 HK\$'000 千港元	Motor vehicles 汽車 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2015:	於2015年4月1日：					
Cost	成本		1,348,702	181,634	85,896	1,616,232
Accumulated depreciation	累計折舊		(160,597)	(89,394)	(38,010)	(288,001)
Net carrying amount	賬面淨額		1,188,105	92,240	47,886	1,328,231
At 1 April 2015, net of accumulated depreciation	於2015年4月1日，已扣除累計折舊		1,188,105	92,240	47,886	1,328,231
Additions	添置		3,854	21,316	13,220	38,390
Transfer from properties under development	轉撥自發展中物業	15	353,081	–	–	353,081
Disposals	出售		(1,095)	(4,712)	(646)	(6,453)
Depreciation provided during the year	年度折舊撥備	6	(104,867)	(30,615)	(16,700)	(152,182)
Exchange realignment	匯兌調整		(48,886)	(3,410)	(1,616)	(53,912)
At 31 March 2016, net of accumulated depreciation	於2016年3月31日，已扣除累計折舊		1,390,192	74,819	42,144	1,507,155
At 31 March 2016:	於2016年3月31日：					
Cost	成本		1,648,029	191,041	95,342	1,934,412
Accumulated depreciation	累計折舊		(257,837)	(116,222)	(53,198)	(427,257)
Net carrying amount	賬面淨額		1,390,192	74,819	42,144	1,507,155

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

13. Property, Plant and Equipment (Continued)

Certain of the Group's buildings with aggregate carrying values of approximately HK\$416,046,000 as at 31 March 2017 (2016: HK\$469,182,000) were pledged to secure general banking facilities granted to the Group (note 29).

At 31 March 2017, certificates of ownership in respect of certain buildings of the Group in the PRC with an aggregate net book value of approximately HK\$1,091,174,000 (2016: HK\$1,045,731,000) had not been issued by the relevant PRC authorities. The Group is in the process of obtaining the relevant certificates of ownership.

14. Investment Properties

		Notes 附註	2017 HK\$'000 千港元	2016 HK\$'000 千港元
Carrying amount at beginning of year	年初的賬面值		34,814,188	30,217,792
Additions	添置		263,180	928,586
Transfer from properties under development	轉撥自發展中物業	15	2,591,775	424,934
Transfer from completed properties held for sale	轉撥自竣工持作銷售物業		2,495,481	1,843,953
Transfer to completed properties held for sale	轉撥至竣工持作銷售物業		(254,860)	(632,773)
Net gain from a fair value adjustment	公平值調整淨收益	5	4,549,509	3,232,699
Exchange realignment	匯兌調整		(2,267,731)	(1,201,003)
Carrying amount at end of year	年終的賬面值		42,191,542	34,814,188

The Group's investment properties were revalued on 31 March 2017 by Savills at RMB37,413,800,000 (equivalent to approximately HK\$42,191,542,000) (2016: RMB28,949,100,000 (equivalent to HK\$34,814,188,000)), on an open market, existing use basis.

The Group's investment properties with aggregate carrying values of approximately HK\$21,221,695,000 as at 31 March 2017 (2016: HK\$21,237,246,000), were pledged to secure general banking facilities granted to the Group (note 29).

The Group's investment properties with aggregate carrying values of approximately HK\$35,866,724,000 as at 31 March 2017 (2016: HK\$30,598,954,000), are subject to sales restriction (note 1(iv)).

13. 物業、廠房及設備(續)

於2017年3月31日，本集團賬面總值約416,046,000港元(2016年：469,182,000港元)的若干樓宇已抵押作為本集團獲授一般銀行融資的擔保(附註29)。

於2017年3月31日，本集團於中國賬面淨值合共約1,091,174,000港元(2016年：1,045,731,000港元)的若干樓宇未獲相關中國機關發出所有權證。本集團正在領取相關所有權證。

14. 投資物業

第一太平戴維斯於2017年3月31日重估本集團的投資物業，按公開市場現有用途基準的價值為人民幣37,413,800,000元(相等於約42,191,542,000港元(2016年：人民幣28,949,100,000元(相等於約34,814,188,000港元)))。

於2017年3月31日，本集團賬面總值約21,221,695,000港元(2016年：21,237,246,000港元)的投資物業已抵押作為本集團獲授一般銀行融資的擔保(附註29)。

於2017年3月31日，本集團賬面總值約35,866,724,000港元(2016年：30,598,954,000港元)的投資物業受到銷售限制(附註1(iv))。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

14. Investment Properties (Continued)

The Group's investment properties consist of trade centers, commercial and other ancillary facilities in Mainland China. The Group's investment properties were revalued on 31 March 2017 based on valuations performed by Savills, an independent professional qualified valuer, at HK\$42,191,542,000 on an open market, existing use basis. Each year, the Group's management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's finance department has discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

14. 投資物業(續)

本集團的投資物業包括在中國的交易中心、商業及其他配套設施。根據一家獨立專業合資格估值師第一太平戴維斯進行的估值，本集團的投資物業於2017年3月31日的按公開市場現有用途基準重估價值達42,191,542,000港元。本集團的管理層每年決定委任負責對本集團物業進行外部估值的外聘估值師人選。篩選準則包括市場知識、聲譽、獨立性，以及是否維持專業水平。就中期及年度財務報告進行估值時，本集團的財務部與估值師每年就估值假設及估值結果進行兩次討論。

公平值層級

本集團投資物業的公平值計量層級載於下表：

Fair value measurement as at 31 March 2017 using significant unobservable inputs (Level 3) 於2017年3月31日 使用重大不可觀察元素 的公平值計量 (第3級) HK\$'000 千港元		
Recurring fair value measurement for:	就以下各項的經常性公平值計量：	
Trade centers, commercial and other ancillary facilities	交易中心、商業及 其他配套設施	42,191,542

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

14. Investment Properties (Continued)
Fair value hierarchy (Continued)

14. 投資物業(續)
公平值層級(續)

**Fair value measurement
as at 31 March 2016
using significant
unobservable inputs
(Level 3)**
於2016年3月31日
使用重大不可觀察元素
的公平值計量
(第3級)
HK\$'000
千港元

Recurring fair value measurement for: Trade centers, commercial and other ancillary facilities	就以下各項的經常性公平值計量： 交易中心、商業及 其他配套設施	34,814,188

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2016: Nil).

年內，第1級與第2級之間概無發生公平值計量的轉移，第3級亦無公平值計量轉入或轉出(2016年：無)。

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

以下為投資物業估值所用的估值技術及主要元素的概要：

	Valuation technique 估值技術	Significant unobservable inputs 重大不可觀察元素	Range 範圍	
			As at 31 March 2017 於2017年3月31日	As at 31 March 2016 於2016年3月31日
Trade centers, commercial and other ancillary facilities 交易中心、商業及 其他配套設施	Income capitalisation method 收入資本化法	Market unit rental rate (RMB/sq. m./month) 市場單位租金 (人民幣/平方米/月)	27-149	41-144
		Capitalisation rate 資本化率	3.00%-8.25%	3.00%-8.25%

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

14. Investment Properties (Continued)

Fair value hierarchy (Continued)

The fair values of investment properties are determined principally using the income capitalisation method by capitalising the rental income derived from the existing tenancies with due provisions for the reversionary income potential of the properties. The fair value measurement is positively correlated to the market unit rental rate and negatively correlated to the capitalisation rate. For the portions which were under construction, the expended construction costs and the costs that are expected to be expended to complete the properties have also been taken into account in arriving at their fair values.

15. Properties Under Development

14. 投資物業(續)

公平值層級(續)

投資物業公平值主要按收入資本化法釐定，方法是將現有租賃所得的租金收入資本化，並就物業的潛在可復歸收入計提適當撥備。公平值計量與市場租金成正比且與資本化率成反比。就正在建造之部分，在確定公平值時，已支銷的建築成本及完成開發項目預計將支銷的成本亦已被考慮在內。

15. 發展中物業

		Notes	2017 HK\$'000 千港元	2016 HK\$'000 千港元
		附註		
Carrying amount at beginning of year	年初的賬面值		4,252,854	3,697,166
Additions	添置		10,232,858	7,957,375
Transfer to property, plant and equipment	轉撥至物業、廠房及設備	13	(153,687)	(353,081)
Transfer to investment properties	轉撥至投資物業	14	(2,591,775)	(424,934)
Transfer to prepaid land lease payments	轉撥至預付土地出租金	16	(31,564)	(182,681)
Transfer to completed properties held for sale and properties under development held for sale	轉撥至已竣工持作銷售物業及發展中持作銷售物業		(6,694,359)	(6,171,387)
Transfer to properties held for finance lease	轉撥至融資租賃物業		(282,736)	(115,950)
Exchange realignment	匯兌調整		(237,781)	(153,654)
Carrying amount at end of year	年終的賬面值		4,493,810	4,252,854

Certain of the Group's properties under development with aggregate carrying values of approximately HK\$614,012,000 as at 31 March 2017 (2016: HK\$779,665,000), were pledged to secure general banking facilities granted to the Group (note 29).

During the current year, the Group had received government grants with a total amount of approximately RMB1,468,946,000 (equivalent to HK\$1,693,548,000), which were provided by the local government authorities to support infrastructure construction and development activities in connection with the Group's property development projects. The amount was deducted from the additions of properties under development for the year. An aggregate amount of approximately RMB1,043,679,000 (equivalent to HK\$1,203,258,000) (2016: RMB458,259,000 (equivalent to HK\$559,030,000)) which related to properties sold, has been credited to the cost of properties sold during the year.

於2017年3月31日，本集團賬面總值約614,012,000港元(2016年：779,665,000港元)的若干發展中物業已抵押作為本集團獲授一般銀行融資的擔保(附註29)。

本年內，本集團取得總數為約人民幣1,468,946,000元(相等於1,693,548,000港元)由地方政府機關提供，旨在為集團物業發展項目中有關於基礎建設工程及發展活動提供支持的政府補貼。此金額已在添置發展中物業中扣除。其中關於已售出物業累計金額約人民幣1,043,679,000元(相等於1,203,258,000港元)(2016年：人民幣458,259,000元(相等於559,030,000港元))在年內於已售物業成本中扣除。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

16. Prepaid Land Lease Payments

16. 預付土地出租金

		Notes	2017 HK\$'000 千港元	2016 HK\$'000 千港元
		附註		
Carrying amount at beginning of year	年初的賬面值		1,019,969	802,642
Additions	添置		210,642	83,019
Transfer from properties under development	轉撥自發展中物業	15	31,564	182,681
Recognised during the year	年內確認	6	(27,020)	(23,618)
Exchange realignment	匯兌調整		(62,027)	(24,755)
Carrying amount at end of year	年終的賬面值		1,173,128	1,019,969
Current portion included in prepayments, deposits and other receivables	計入預付款項、按金及其他應收款項的即期部分		(27,020)	(23,618)
Non-current portion	非即期部分		1,146,108	966,351

17. Goodwill

17. 商譽

		HK\$'000 千港元
At 31 March 2016 and 31 March 2017:	於2016年3月31日及2017年3月31日：	
Cost	成本	54,194
Accumulated impairment	累計減值	(20,066)
Net carrying amount	賬面淨額	34,128

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

17. Goodwill (Continued)

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to the hotel cash-generating unit and the property leasing operation cash-generating unit for impairment testing.

- Hotel cash-generating unit
- Property leasing operation cash-generating unit

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

		Hotel 酒店		Property leasing operation 物業租賃經營		Total 總額	
		2017	2016	2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元	千港元	千港元
Carrying amount of goodwill	商譽賬面值	–	–	34,128	34,128	34,128	34,128

The Group has leased its hotel properties to an independent party. Full impairment loss of HK\$20,066,000 was provided on the goodwill related to the hotel operation of the Group in the previous year.

The recoverable amount of the property leasing operation cash-generating unit is determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

The key assumptions adopted on the growth rate and discount rate used in the value-in-use calculation are based on management's best estimates. The growth rate of 5% is determined by considering both internal and external factors relating to the property leasing segment. The discount rate applied to the cash flow projections is 15%.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amounts of goodwill are based would not cause the carrying amounts of goodwill to exceed their recoverable amounts.

17. 商譽(續)

商譽減值測試

透過業務合併收購的商譽已分配至酒店的現金產生單位及物業租賃經營的現金產生單位作減值測試。

- 酒店的現金產生單位
- 物業租賃經營的現金產生單位

分配於各現金產生單位的商譽賬面值如下：

本集團已出租其酒店物業予一個獨立第三方。有關本集團的酒店營運的商譽在以前年度已計提了全部的減值虧損，金額為20,066,000港元。

物業租賃經營的現金產生單位的可收回金額使用價值計算法確定。該計算法使用以高級管理層批准為期五年的財務預算為基準的現金流量預測。

價值計算法中的增長率及貼現率採用的主要假設是以管理層的最佳預測為基準。5%的增長率是考慮有關物業租賃分部的內部及外部因素而確定。現金流量預測的貼現率為15%。

管理層相信商譽可收回金額的主要假設，如有任何合理性的可能改變，都不會引致商譽賬面值大於其可收回金額。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

18. Investments in Associates

18. 於聯營公司的投資

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Due from associates	應收聯營公司款項	82,497	63,626
Due to associates	應付聯營公司款項	—	(3,316)
		82,497	60,310

The amounts due from/(to) associates included in investments in associates above are unsecured, interest-free and are not expected to be repaid in one year.

計入上述於聯營公司的投資的應收/(應付)聯營公司款項為無抵押、免息及預期不會在一年內償還。

Particulars of the associates are as follows:

聯營公司詳情如下：

Name	Place of registration and business	Nominal value of issued and fully paid-up registered capital	Date of registration	Percentage of equity attributable to the Group as at 31 March		Principal activities
名稱	註冊及經營地點	已發行及繳足註冊資本面值	註冊日期	2017 %	2016 %	主要業務
China South Intimex Technology (Shenzhen) Co., Ltd. 華南泰美科技(深圳)有限公司	PRC/Mainland China 中國/中國大陸	RMB10,000,000 人民幣10,000,000元	18 January 2004 18-01-2004	30	30	Website and software development 網站及軟件開發
Harbin Huayilong Fur Market Co., Ltd. 哈爾濱華億龍皮革城有限公司	PRC/Mainland China 中國/中國大陸	RMB21,000,000 人民幣21,000,000元	17 January 2014 17-01-2014	25	25	Property leasing 物業租賃

The associates have a financial year end of 31 December. The consolidated financial statements are adjusted for the material transactions between the associates and the group companies between 1 January and 31 March annually.

聯營公司的財政年度乃截至12月31日止。綜合財務報表就每年1月1日至3月31日期間聯營公司與集團成員公司之間的重大交易作出調整。

The associates have been accounted for using the equity method in these financial statements.

聯營公司乃以權益法於此等財務報表入賬。

The Group has discontinued the recognition of its share of losses of the aforesaid associates because the share of losses of these associates exceeded the Group's interest in the associates and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of these associates for the current year and cumulatively were HK\$7,280,000 (2016: HK\$8,656,000) and HK\$31,374,000 (2016: HK\$24,094,000), respectively.

因應佔聯營公司之虧損之超過本集團於聯營公司的投資及本集團並無義務承擔其他虧損，所以本集團已停止確認其對於以上聯營公司的應佔之虧損。本集團於本年度及累計並無確認之應佔聯營公司之虧損金額分別為7,280,000港元(2016年：8,656,000港元)及31,374,000港元(2016年：24,094,000港元)。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

18. Investments in Associates (Continued)

The following table illustrates the aggregate financial information of the Group's associates:

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Assets	資產	9,270	11,934
Liabilities	負債	94,646	72,606
Revenue	收入	12,941	4,178
Loss	虧損	(29,119)	(34,515)

19. Available-for-sale Investments

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Unlisted equity investments, at cost	按成本計算的非上市權益投資	175,512	175,512

As at 31 March 2017, certain unlisted equity investments with a total carrying amount of HK\$175,512,000 (2016: HK\$175,512,000) were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

18. 於聯營公司的投資(續)

下表列示摘錄本集團聯營公司的財務資料概要：

19. 可供出售金融投資

由於賬面總值為175,512,000港元(2016年：175,512,000港元)的可供出售金融投資的合理公平值估計範圍頗大，致使董事認為其公平值不能可靠地計量，故於2017年3月31日按成本減去減值計量。本集團並無意向於不久將來出售此等投資。

20. Other Long-term Receivables

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Finance lease receivables*	融資租賃應收款項*	1,105	1,758
Other long-term receivables	其他長期應收款項	4,821	2,421
		5,926	4,179

* The balance represents entrusted loans provided by the Group to lessees through Shanghai Pudong Development Bank in connection with the finance lease of its properties. The finance lease receivables, which bear interest at rates ranging from 6.534% to 8.613% per annum, are repayable by monthly instalments within 10 years. The carrying amounts of the finance lease receivables approximate to their fair values. The amounts of the current portion of the finance lease receivables as at 31 March 2017 was HK\$3,438,000 (2016: HK\$7,910,000) which was included in prepayments, deposits and other receivables (note 25).

* 結餘指本集團就其物業的融資租賃，透過上海浦東發展銀行向承租人提供的委託貸款。融資租賃應收款項按年利率介乎6.534%至8.613%計息，並須於10年內每月分期償還。融資租賃應收款項的賬面值與其公平值相若。於2017年3月31日，融資租賃應收款項的即期部分金額為3,438,000港元(2016年：7,910,000港元)並已計入預付款項、按金及其他應收款項(附註25)。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

21. Deposits Paid for Purchase of Land Use Rights

The balance represents deposits paid for acquisitions of land use rights for parcels of land in Mainland China. The carrying amounts of the deposits paid for the purchase of land use rights approximate to their fair values.

21. 購買土地使用權支付的按金

該結餘指在中國大陸收購地塊的土地使用權所支付的按金。購買土地使用權支付的按金的賬面值與其公平值相若。

22. Properties Held for Sale

22. 持作銷售物業

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Completed properties held for sale	持作銷售竣工物業	11,861,981	12,283,168
Properties under development expected to be completed within the normal operating cycle	預期於正常營運週期內竣工的發展中物業	11,985,452	12,895,878
		23,847,433	25,179,046
Properties under development expected to be completed and ready for sale	發展中物業預期竣工及可作銷售		
Within one year	一年內	5,452,105	8,055,546
Beyond one year	一年後	6,533,347	4,840,332
Total	總值	11,985,452	12,895,878

Certain of the Group's properties held for sale with an aggregate carrying value of HK\$2,922,085,000 (2016: HK\$3,644,590,000) at the end of the reporting period were pledged to secure the bank loans granted to the Group (note 29).

於報告期末時，賬面值合共2,922,085,000港元(2016年：3,644,590,000港元)的本集團若干持作銷售物業已抵押作為本集團獲授銀行貸款的擔保(附註29)。

23. Inventories

23. 存貨

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Finished goods	成品	137,555	53,535

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

24. Trade Receivables

24. 應收貿易賬款

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Trade receivables	應收貿易賬款	1,534,478	1,388,129
Impairment	減值	(296,250)	(238,856)
		1,238,228	1,149,273

Trade receivables represent sales income, rentals receivable and service income receivables from customers which are payable on issuance of invoices or in accordance with the terms of the related sale and purchase agreements. The Group generally allows a credit period of not exceeding 60 days to its customers. Overdue balances are reviewed regularly by senior management. In view of this and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

An aged analysis of the trade receivables based on the payment due date as at the end of the reporting period, net of provision, is as follows:

應收貿易賬款指於出具發票時應收或根據相關買賣協議條款應收客戶的銷售收入、應收租金及服務收入。本集團一般提供不超過60天信貸期予客戶。高級管理層定期審閱逾期結餘。有鑑於此及本集團的應收貿易賬款與大量不同客戶有關，故並無重大集中信貸風險。應收貿易賬款為免息。應收貿易賬款賬面值與其公平值相若。

於報告期末時，根據付款到期日，應收貿易賬款扣除撥備後的賬齡分析如下：

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Within 1 month	1個月以內	799,741	550,292
1 to 2 months	1至2個月	36,535	108,926
2 to 3 months	2至3個月	38,633	39,340
Over 3 months	逾3個月	363,319	450,715
		1,238,228	1,149,273

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

24. Trade Receivables (Continued)

The movements in provision for impairment of trade receivables are as follows:

		Note	2017 HK\$'000 千港元	2016 HK\$'000 千港元
Carrying amount at beginning of year	年初的賬面值		238,856	141,788
Provision for impairment of trade receivables	應收貿易賬款減值撥備	6	73,885	96,660
Exchange realignment	匯兌調整		(16,491)	408
Carrying amount at end of year	年終的賬面值		296,250	238,856

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Neither past due nor impaired	未逾期及未減值	719,415	297,010
Less than 1 month past due	逾期少於1個月	80,326	253,282
1 to 3 months past due	逾期1至3個月	75,168	148,266
Over 3 months past due	逾期3個月以上	363,319	450,715
		1,238,228	1,149,273

Receivables that were neither past due nor impaired and past due but not impaired relate to a large number of diversified customers for whom there was no recent history of default. The Group would not release the property ownership certificates to the buyers before the buyers fully settle the payment.

24. 應收貿易賬款(續)

應收貿易賬款的減值撥備變動如下：

個別或合計均不被視為減值的應收貿易賬款的賬齡分析如下：

未逾期及未減值以及已逾期但未減值的應收款項與大量不同客戶有關，彼等最近並無欠款記錄。在買家全數清償付款前，本集團不會向其發出房產證。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

25. Prepayments, Deposits and Other Receivables

25. 預付款項、按金及其他應收款項

		Note	2017 HK\$'000 千港元	2016 HK\$'000 千港元
Prepayments	預付款項		413,497	286,265
Deposits and other receivables	按金及其他應收款項		649,867	433,550
Current portion of finance lease receivables	融資租賃應收款項之 即期部分	20	3,438	7,910
			1,066,802	727,725

The financial assets included in the above balances relate to receivables for which there was no recent history of default.

於上述結餘入賬的金融資產最近並無欠款記錄。

26. Held-for-Trading Investments at Fair Value Through Profit or Loss

26. 透過損益以公平值列賬之持作買賣投資

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Listed investment funds at market value	按市值計算的上市投資基金	—	27,365

The above listed investment funds at 31 March 2016 were classified as held-for-trading upon initial recognition, and designated by the Group as financial assets at fair value through profit or loss since they were acquired or incurred principally for the purpose of selling or repurchasing in the near term. The investment funds have been fully disposed of in March 2017.

於2016年3月31日，上述上市投資基金初步確認時分類為持作買賣，由於收購或產生主要為於短期內銷售或購回，故本集團將其指定為透過損益以公平值列賬的金融資產。此投資基金已於2017年3月全數出售。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

27. Cash and Cash Equivalents and Restricted Cash

27. 現金及現金等價物及受限制現金

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Cash and bank balances	現金及銀行結餘	10,490,909	11,686,695
Less: Restricted cash*	減：受限制現金*	(2,468,889)	(2,358,888)
Cash and cash equivalents	現金及現金等價物	8,022,020	9,327,807

* Restricted cash mainly comprises: (i) guarantee deposits for the mortgage loan facilities granted by the banks to purchasers of the Group's properties; (ii) guarantee funds of construction projects to meet local authorities' requirements; (iii) certain amounts of pre-sale proceeds from properties placed as guarantee deposits for the construction of related properties; and (iv) certain amounts of proceeds from lease of properties which have been placed as guarantee deposits for the borrowings.

* 受限制現金主要包括：(i)就購買本集團物業之買家獲銀行授予的按揭貸款融資的保證按金；(ii)建設項目的保證金，以符合當地機關的要求；(iii)物業預售的若干所得款項金額，以作為相關物業建設的保證按金；及(iv)租賃物業的若干出租所得款項金額以作為借貸保證的保證按金。

At the end of the reporting period, the cash and cash equivalents of the Group denominated in RMB amounted to HK\$4,628,388,000 (2016: HK\$7,709,882,000). RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

於報告期末，本集團以人民幣為單位的現金及現金等價物達4,628,388,000港元(2016年：7,709,882,000港元)。人民幣並不可自由兌換為其他貨幣，然而，根據中國大陸的外匯管制條例及結匯、付匯及售匯規定，本集團可以透過獲准進行外匯業務的銀行將人民幣兌換為其他貨幣。

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and restricted cash are deposited with creditworthy banks with no recent history of default.

存於銀行之現金根據每日銀行存款利率之浮動利率賺取利息。短期定期存款的存款期各異，由一天至三個月不等，視乎本集團即時的現金需求而定，而利息則按各個短期定期存款利率賺取。銀行結餘及受限制現金乃存放於信譽良好且近期並無欠款記錄的銀行。

Certain of the Group's bank deposits with a carrying amount of HK\$450,801,000 as at 31 March 2017 (2016: HK\$245,330,000), were pledged to secure general banking facilities granted to the Group (note 29).

於2017年3月31日，本集團賬面總值為450,801,000港元(2016年：245,330,000港元)的若干存款已抵押作為本集團獲授一般銀行融資的擔保(附註29)。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

28. Trade and Other Payables

28. 貿易及其他應付款項

		Notes 附註	2017 HK\$'000 千港元	2016 HK\$'000 千港元
Other payables and accruals	其他應付款項及應計項目		2,069,844	2,514,025
Notes payable	應付票據	(i)	604,917	203,708
Deposits and receipts in advance	按金及預收款項		8,099,540	4,184,827
Construction fee and retention payables	應付建築費用及保留金	(ii)	5,988,917	6,367,164
			16,763,218	13,269,724

(i) An aged analysis of the Group's notes payable presented based on the invoice date at the end of the reporting period is as follows:

(i) 於報告期末本集團基於發票日之應付票據的賬齡分析如下：

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
1 to 3 months	1至3個月	50,264	72,625
Over 3 months	超過3個月	554,653	131,083
		604,917	203,708

(ii) An aged analysis of the construction fee and retention payables as at the end of the reporting period is as follows:

(ii) 於報告期末建築費用及保留金應付款項的賬齡分析如下：

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Within 1 year	1年內	5,595,795	6,152,501
Over 1 year	超過1年	393,122	214,663
		5,988,917	6,367,164

The construction fee and retention payables are non-interest-bearing and repayable within the normal operating cycle or on demand.

應付建築費用及保留金為免息及須於一般業務週期或應要求償還。

The other payables are non-interest-bearing.

其他應付款項為免息。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

29. Interest-Bearing Bank and Other Borrowings

29. 計息銀行及其他借貸

		2017			2016		
		Effective interest rate (%) 實際利率 (%)	Maturity 到期	HK\$'000 千港元	Effective interest rate (%) 實際利率 (%)	Maturity 到期	HK\$'000 千港元
Current	即期						
Bank loans – unsecured	銀行貸款－無抵押	4.35%–5.66%	2017–2018	1,930,622	3.30%–6.00%	2016–2017	1,712,502
Bank loans – secured	銀行貸款－有抵押	4.79%–5.22%	2017–2018	806,306	3.97%–5.34%	2016–2017	1,691,277
Current portion of long term bank and other borrowings:	長期銀行及其他借貸的 即期部分：						
Bank loans – unsecured	銀行貸款－無抵押	4.55%–5.70%	2017–2018	592,043	5.15%–7.50% HIBOR+2.65%	2016–2017	654,767
Bank loans – secured	銀行貸款－有抵押	4.41%–6.18%	2017–2018	3,713,654	4.41%–7.48%	2016–2017	3,598,332
				<u>7,042,625</u>			<u>7,656,878</u>
Non-current	非即期						
Bank loans – unsecured	銀行貸款－無抵押	4.55%–5.70%	2018–2020	310,118	5.15%–5.46%	2017–2020	601,300
Bank loans – secured	銀行貸款－有抵押	4.41%–6.18%	2018–2025	6,059,719	4.41%–7.48%	2017–2022	8,364,563
				<u>6,369,837</u>			<u>8,965,863</u>
				<u>13,412,462</u>			<u>16,622,741</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

29. Interest-Bearing Bank and Other Borrowings 29. 計息銀行及其他借貸(續)

(Continued)

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Analysed into:	分析列為：		
Bank loans repayable:	須於以下期間償還的 銀行貸款：		
Within one year or on demand	一年內或應要求	7,042,625	7,656,878
In the second year	第二年	3,571,816	4,368,426
In the third to fifth years, inclusive	第三至第五年 (包括首尾兩年在內)	2,545,191	4,291,375
Beyond five years	五年後	252,830	306,062
		13,412,462	16,622,741

Bank loans with a total amount of HK\$10,579,679,000 (2016: HK\$13,654,172,000) are secured by:

總共10,579,679,000港元(2016年：13,654,172,000港元)的銀行貸款以下列各項抵押：

- (i) Certain of the Group's buildings with aggregate carrying values of approximately HK\$416,046,000 as at 31 March 2017 (2016: HK\$469,182,000) (note 13);
- (ii) Certain of the Group's investment properties situated in Mainland China with aggregate carrying values of approximately HK\$21,221,695,000 as at 31 March 2017 (2016: HK\$21,237,246,000) (note 14);
- (iii) Certain of the Group's properties under development situated in Mainland China with aggregate carrying values of approximately HK\$614,012,000 as at 31 March 2017 (2016: HK\$779,665,000) (note 15);
- (iv) Certain of the Group's properties held for sale with aggregate carrying values of approximately HK\$2,922,085,000 as at 31 March 2017 (2016: HK\$3,644,590,000) (note 22); and
- (v) Certain of Group's bank deposits with a carrying amount of HK\$450,801,000 as at 31 March 2017 (2016: HK\$245,330,000) (note 27).

- (i) 於2017年3月31日賬面總值約416,046,000港元的本集團若干樓宇(2016年：469,182,000港元)(附註13)；
- (ii) 於2017年3月31日賬面總值約21,221,695,000港元的本集團位於中國大陸的若干投資物業(2016年：21,237,246,000港元)(附註14)；
- (iii) 於2017年3月31日賬面總值約614,012,000港元的本集團位於中國大陸的若干發展中物業(2016年：779,665,000港元)(附註15)；
- (iv) 於2017年3月31日賬面總值約2,922,085,000港元的本集團若干持作銷售物業(2016年：3,644,590,000港元)(附註22)；及
- (v) 於2017年3月31日賬面總值達450,801,000港元的本集團若干銀行存款(2016年：245,330,000港元)(附註27)。

All interest-bearing borrowings of the Group are denominated in RMB and bear interest at floating rates ranging from 4.35% to 6.18% per annum (2016: 3.30% to 7.50% per annum), except for bank loan equivalent to HK\$300,000,000 at 31 March 2016 was denominated in Hong Kong dollars and bore interest at floating rate of HIBOR+ 2.65%.

除於2016年3月31日一筆300,000,000港元銀行貸款以港元為單位及按香港銀行同業拆息加2.65%之浮動利率計息外，本集團所有計息借貸均以人民幣為單位，並按每年4.35%至6.18%的浮動利率計息(2016年：每年3.30%至7.50%的浮動利率)。

31 March 2017 2017年3月31日

29. Interest-Bearing Bank and Other Borrowings

(Continued)

The carrying amounts of the Group's bank and other borrowings approximate to their fair values, which have been calculated by discounting the expected future cash flows at the prevailing interest rates.

30. Short-Term Notes

The Group issued the following short-term notes in the current and prior years:

- (i) On 9 September 2015, China South International completed the issuance of the first tranche of short-term notes of 2015 (the "2015 First tranche STN") with a total principal amount of RMB2,100,000,000 (equivalent to HK\$2,559,480,000) in the national inter-bank market of the PRC. The 2015 First tranche STN carry interest at the rate of 4.3% per annum, payable on 9 September in arrears, and would mature on 9 September 2016. The amount was fully settled in September 2016.
- (ii) On 13 September 2016, China South International completed the issuance of the first tranche of short-term notes of 2016 (the "2016 First tranche STN") with a total principal amount of RMB1,200,000,000 (equivalent to HK\$1,395,187,000) in the national inter-bank market of the PRC. The 2016 First tranche STN carry interest at the rate of 4.9% per annum, payable on 13 September in arrears and will mature on 13 September 2017.

The fair value of the short-term notes at 31 March 2017 amounted to HK\$1,385,038,000 (2016: HK\$2,588,000,000). The fair value is calculated using the market price of the short-term notes on 31 March 2017.

29. 計息銀行及其他借貸(續)

本集團計息銀行及其他借貸的賬面值與其公平值相若，乃按預期日後現金流量以當時利率貼現計算。

30. 短期融資券

本集團於本年及以前年度發行以下短期融資券：

- (i) 華南國際於2015年9月9日完成在中國銀行間市場發行2015年第一期短期融資券，本金總額為人民幣2,100,000,000元（相等於為2,559,480,000港元）。2015年第一期短期融資券年利率為4.3%，每年於9月9日後支付，並將於2016年9月9日到期。其金額已於2016年9月全數支付。
- (ii) 華南國際於2016年9月13日完成在中國銀行間市場發行2016年第一期短期融資券，本金總額為人民幣1,200,000,000元（相等於1,395,187,000港元）。2016年第一期短期融資券年利率為4.9%，每年於9月13日後支付，並將於2017年9月13日到期。

於2017年3月31日，短期融資券的公平值達1,385,038,000港元（2016年：2,588,000,000港元）。公平值乃使用短期融資券於2017年3月31日的市場價格計算。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

31. Senior Notes

The Group issued the following senior notes in the current and prior years:

- (i) On 17 October 2012, the Company issued senior notes with an aggregate principal amount of US\$125,000,000 (the "2012 Notes"). The 2012 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2012 Notes carry interest at 13.5% per annum, payable semi-annually on 17 April and 17 October in arrears, and will mature on 17 October 2017, unless redeemed earlier. The offering price was at 97.381% of the principal amount of the 2012 Notes.

At any time on or after 17 October 2015, the Company may redeem the 2012 Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount set forth below plus accrued and unpaid interest as of (but not including) the redemption date if redeemed during the twelve-month period beginning on 17 October of each of the years indicated below:

Period	Redemption price
2015	106.750%
2016 and thereafter	103.375%

At any time prior to 17 October 2015, the Company may at its option redeem the 2012 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2012 Notes plus the applicable premium and accrued and unpaid interest, if any, as of (but not including) the redemption date.

At any time prior to 17 October 2015, the Company may redeem up to 35% of the aggregate principal amount of the 2012 Notes with net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 113.5% of the principal amount of the 2012 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 2012 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related sale of the Company's capital stock and is subject to certain conditions.

31. 優先票據

本集團於本年及以前年度發行以下優先票據：

- (i) 於2012年10月17日，本公司發行本金總額125,000,000美元的優先票據（「2012年票據」）。2012年票據於新加坡證券交易所有限公司上市。2012年票據按年利率13.5%計息，每半年於4月17日及10月17日期後支付，並將於2017年10月17日到期（除非提早贖回）。發售價為2012年票據本金總額的97.381%。

於2015年10月17日或之後任何時候，本公司可按相等於下述本金總額百分比的贖回價，另加截至贖回日期（但不包括該日）的累計及未付利息，贖回全部或部分2012年票據（倘於下文所示各年度10月17日開始的12個月期間內贖回）：

期間	贖回價
2015年	106.750%
2016年及之後	103.375%

於2015年10月17日前任何時間，本公司可按相等於2012年票據本金總額100%的贖回價，另加截至贖回日期（但不包括該日）2012年票據的適用溢價以及累計及未付利息（如有），贖回全部但非部分2012年票據。

於2015年10月17日前任何時間，本公司可以在股份發售中進行一次或多次銷售本公司普通股所得的現金款項淨額，按2012年票據本金總額113.5%的贖回價，另加截至贖回日期（但不包括該日）的累計及未付利息（如有），贖回最多2012年票據本金總額的35%，惟每次贖回後2012年票據原發行本金總額最少65%須仍未贖回，且任何有關贖回須於相關本公司股本銷售結束後60日內進行及受限於若干條件。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

31. Senior Notes (Continued)

- (ii) On 29 January 2014, the Company issued senior notes with an aggregate principal amount of US\$400,000,000 (the "2014 Notes"). The 2014 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2014 Notes carry interest at the rate of 8.25% per annum, payable semi-annually on 29 January and 29 July in arrears, and will mature on 29 January 2019, unless redeemed earlier. The offering price was at 98.999% of the principal amount of the 2014 Notes.

At any time and from time to time on or after 29 January 2017, the Company may redeem the 2014 Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount set forth below plus accrued and unpaid interest as of (but not including) the redemption date if redeemed during the twelve-month period beginning on 29 January of each of the years indicated below:

Period	Redemption price
2017	104.1250%
2018 and thereafter	102.0625%

At any time prior to 29 January 2017, the Company may at its option redeem the 2014 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2014 Notes plus the applicable premium and accrued and unpaid interest, if any, as of (but not including) the redemption date.

At any time and from time to time prior to 29 January 2017, the Company may redeem up to 35% of the aggregate principal amount of the 2014 Notes with net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 108.25% of the principal amount of the 2014 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 2014 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related sale of the Company's capital stock and is subject to certain conditions.

31. 優先票據(續)

- (ii) 於2014年1月29日，本公司發行本金總額400,000,000美元的優先票據(「2014年票據」)。2014年票據於新加坡證券交易所有限公司上市。2014年票據按年利率8.25%計息，每半年於1月29日及7月29日期後支付，並將於2019年1月29日到期(除非提早贖回)。發售價為2014年票據本金總額的98.999%。

於2017年1月29日或之後任何時候，本公司可按相等於下述本金總額百分比的贖回價，另加截至贖回日期(但不包括該日)的累計及未付利息，贖回全部或部分2014年票據(倘於下文所示各年度1月29日開始的12個月期間內贖回)：

期間	贖回價
2017年	104.1250%
2018年及之後	102.0625%

於2017年1月29日前任何時間，本公司可按相等於2014年票據本金總額100%的贖回價，另加截至贖回日期(但不包括該日)2014年票據的適用溢價以及累計及未付利息(如有)，贖回全部但非部分2014年票據。

於2017年1月29日前任何時間，本公司可以在股份發售中進行一次或多次銷售本公司普通股所得的現金款項淨額，按2014年票據本金總額108.25%的贖回價，另加截至贖回日期(但不包括該日)的累計及未付利息(如有)，贖回最多2014年票據本金總額的35%，惟每次贖回後2014年票據原發行本金總額最少65%須仍未贖回，且任何有關贖回須於相關本公司股本銷售結束後60日內進行及受限於若干條件。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

31. Senior Notes (Continued)

- (iii) On 13 September 2016 and 3 October 2016, the Company issued senior notes with the aggregate principal amounts of US\$200,000,000 and US\$150,000,000 respectively (collectively known as, the "2016 Notes"). The 2016 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2016 Notes carry interest at the rate of 6.75% per annum, payable semi-annually on 13 September and 13 March in arrears, and will mature on 13 September 2021, unless redeemed earlier. The offering price was at 98.960% and 98.964% of the principal amount of the 2016 Notes, respectively.

At any time and from time to time on or after 13 September 2019, the Company may redeem the 2016 Notes, in whole or in part, at a redemption price equal to the percentage of the principal amount set forth below plus accrued and unpaid interest as of (but not including) the redemption date if redeemed during the twelve-month period beginning on 13 September of each of the years indicated below:

Period	Redemption price
2019	103.3750%
2020 and thereafter	101.6875%

At any time prior to 13 September 2019, the Company may at its option redeem the 2016 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2016 Notes plus the applicable premium and accrued and unpaid interest, if any, as of (but not including) the redemption date.

At any time and from time to time prior to 13 September 2019, the Company may redeem up to 35% of the aggregate principal amount of the 2016 Notes with the net cash proceeds of one or more sales of common stock of the Company in an equity offering at a redemption price of 106.75% of the principal amount of the 2016 Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date, provided that at least 65% of the aggregate principal amount of the 2016 Notes originally issued remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related sales of the Company's capital stock and is subject to certain conditions.

31. 優先票據(續)

- (iii) 於2016年9月13日及2016年10月3日，本公司分別發行本金總額200,000,000美元及150,000,000美元的優先票據(統稱為「2016年票據」)。2016年票據於新加坡證券交易所有限公司上市。2016年票據按年利率6.75%計息，每半年於9月13日及3月13日期後支付，並將於2021年9月13日到期(除非提早贖回)。發售價分別為2016年票據本金總額的98.960%及98.964%。

於2019年9月13日或之後任何時候，本公司可按相等於下述本金總額百分比的贖回價，另加截至贖回日期(但不包括該日)的累計及未付利息，贖回全部或部分2016年票據(倘於下文所示各年度9月13日開始的12個月期間內贖回)：

期間	贖回價
2019	103.3750%
2020及之後	101.6875%

於2019年9月13日前任何時間，本公司可按相等於2016年票據本金總額100%的贖回價，另加截至贖回日期(但不包括該日)2016年票據的適用溢價以及累計及未付利息(如有)，贖回全部但非部分2016年票據。

於2019年9月13日前任何時間，本公司可以在股份發售中進行一次或多次銷售本公司普通股所得的現金款項淨額，按2016年票據本金總額106.75%的贖回價，另加截至贖回日期(但不包括該日)的累計及未付利息(如有)，贖回最多2016年票據本金總額的35%，惟每次贖回後2016年票據原發行本金總額最少65%須仍未贖回，且任何有關贖回須於相關本公司股本銷售結束後60日內進行及受限於若干條件。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

31. Senior Notes (Continued)

- (iv) On 9 March 2017, the Company issued senior notes with the aggregate principal amount of US\$300,000,000 (the “2017 Notes”). The 2017 Notes are listed on the Singapore Exchange Securities Trading Limited. The 2017 Notes carry interest at the rate of 5.75% per annum, payable semi-annually on 9 March and 9 September in arrears, and will mature on 9 March 2020. The offering price was at 98.986% of the principal amount of the 2017 Notes.

At any time prior to 9 March 2020, the Company may at its option redeem the 2017 Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the 2017 Notes plus the applicable premium and accrued and unpaid interest, if any, as of (but not including) the redemption date.

At any time and from time to time prior to 9 March 2020, the Company may redeem up to 35% of the aggregate principal amount of the 2017 Notes at a redemption price of 105.75% of the principal amount of the 2017 Notes, plus accrued and unpaid interest, if any, as of (but not including) the redemption date, with the proceeds from sales of certain kinds of capital stock of the Company.

31. 優先票據(續)

- (iv) 於2017年3月9日，本公司發行本金總額300,000,000美元的優先票據(「2017年票據」)。2017年票據於新加坡證券交易所有限公司上市。2017年票據按年利率5.75%計息，每半年於3月9日及9月9日期後支付，並將於2020年3月9日到期(除非提早贖回)。發售價為2017年票據本金總額的98.986%。

於2020年3月9日前任何時間，本公司可按相等於2017年票據本金總額100%的贖回價，另加截至贖回日期(但不包括該日)2017年票據的適用溢價以及累計及未付利息(如有)，贖回全部但非部分2017年票據。

於2020年3月9日前任何時間，本公司可以在銷售本公司任何股份中所得的款項，按2017年票據本金額105.75%的贖回價，另加截至贖回日期(但不包括該日)的累計及未付利息(如有)，贖回最多2017年票據本金總額的35%。

31 March 2017 2017年3月31日

31. Senior Notes (Continued)

On 3 May 2016, a subsidiary of the Company purchased part of the 2014 Notes with principal amount of US\$20,000,000 from the open market. The total consideration of the purchase was US\$19,760,000 (equivalent to HK\$154,128,000), which includes purchase price at 96.55% of principal amount and pro-rata accrued and unpaid interest. The carrying amount of the 2014 Notes purchased was US\$19,869,000 (equivalent to HK\$154,725,000), resulting in a gain on purchase of the 2014 Notes amounting to HK\$597,000 in the current year.

On 15 April 2016, the Company fully redeemed the outstanding 2012 Notes with a principal amount of US\$125,000,000 from the open market. The total consideration of the redemption was US\$141,781,000 (equivalent to HK\$1,105,894,000), which includes redemption price at 106.750% of the principal amount and pro-rata accrued and unpaid interest. The carrying amount of the redeemed 2012 Notes was US\$130,621,000 (equivalent to HK\$1,018,845,000), resulting in a loss on redemption of the 2012 Notes amounting to HK\$87,049,000 in the current year.

On 9 February 2017, the Company redeemed the partial outstanding 2014 Notes with a principal amount of US\$200,000,000 from the open market, including the principal amount of US\$10,000,000 purchased by a subsidiary of the Company in May 2016 mentioned above. The total consideration of the redemption was US\$198,273,600 (equivalent to HK\$1,546,526,000), which includes redemption price at 104.125% of the principal amount and pro-rata accrued and unpaid interest. The carrying amount of the redeemed 2014 Notes was US\$186,572,000 (equivalent to HK\$1,455,258,000), resulting in a loss on redemption of the 2014 Notes amounting to HK\$91,268,000 in the current year.

31. 優先票據(續)

於2016年5月3日，本公司之附屬公司於市場購買部分本金金額為20,000,000美元之2014年票據。總購買代價為19,760,000美元(相等於154,128,000港元)，包括以本金金額96.55%計算的購買價及按比例計算的累計及未付利息。所購買2014年票據的賬面為19,869,000美元(相等於154,725,000港元)，導致於本年度錄得597,000港元收益。

於2016年4月15日，本公司已於市場全數贖回未償還本金總額為125,000,000美元之2012年票據。總贖回代價為141,781,000美元(相等於1,105,894,000港元)，包括以本金金額106.750%計算的贖回價及按比例計算的累計及未付利息。所贖回之2012年票據的賬面值為130,621,000美元(相等於1,018,845,000港元)，導致於本年度錄得87,049,000港元虧損。

於2017年2月9日，本公司於市場贖回部分未償還本金總額為200,000,000美元之2014年票據，包括以上所提及的由一間本公司之附屬公司於2016年5月購買的本金10,000,000美元。總贖回代價為198,273,600美元(相等於1,546,526,000港元)，包括以本金金額104.125%計算的贖回價及按比例計算的累計及未付利息。所贖回之2014年票據的賬面值為186,572,000美元(相等於1,455,258,000港元)，導致於本年度錄得91,268,000港元虧損。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

31. Senior Notes (Continued)

At the end of the reporting period, the 2014 Notes, 2016 Notes and 2017 Notes (the "Senior Notes") contain liability components and early redemption options as follow:

- (i) The liability component represents the present value of the contractually determined stream of future cash flows discounted at the prevailing market interest rate at that time applicable to instruments with comparable credit status that provided substantially the same cash flows, on the same terms, but without the embedded derivatives.

The interest charged for the period is calculated by applying effective interest rates of approximately 9.20%, 7.46% and 6.76% per annum to the liability components of the 2014 Notes, 2016 Notes and 2017 Notes, respectively, since they were issued.

- (ii) Early redemption options are regarded as embedded derivatives not closely related to the host contract. The directors consider that the fair value of the above early redemption options is insignificant on initial recognition and at 31 March 2017.

The Senior Notes recognised in the statement of financial position were calculated as follows:

31. 優先票據(續)

於報告期末，2014年票據、2016年票據及2017年票據(「優先票據」)含有下列負債部分及上述提早贖回權：

- (i) 負債部分指合約所釐定未來現金流量按具有可資比較信貸評級並按相同條款提供大致相同現金流量但無嵌入衍生工具的工具當時適用的現行市場利率折現的現值。

期內收取的利息乃按2014年票據、2016年票據及2017年票據發行以來的負債部分分別使用實際年利率約9.20%、7.46%及6.76%計算。

- (ii) 提早贖回權被視為並非與主合約有密切關係的嵌入衍生工具。董事認為於初始確認及在2017年3月31日，上述提早贖回權的公平值不大。

已於財務狀況表確認的優先票據計算如下：

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Carrying amount at the beginning of year	於年初的賬面值	4,113,363	4,082,811
Additions	新增	4,930,000	—
Interest expenses	利息開支	371,317	419,576
Payment for interests	支付利息	(336,667)	(389,024)
Redemption of the 2012 Notes and 2014 Notes	贖回2012年票據及2014年票據	(2,474,103)	—
Purchase of the 2014 Notes	購買2014年票據	(154,725)	—
Consent fee for the 2014 Notes	2014年票據同意費	(23,193)	—
Carrying amount at the end of year	於年終的賬面值	6,425,992	4,113,363

The fair value of the Senior Notes at 31 March 2017 amounted to HK\$6,587,532,000 (2016: HK\$4,155,497,000). The fair value is calculated using the market price of the Senior Notes on 31 March 2017.

於2017年3月31日，優先票據的公平值達6,587,532,000港元(2016年：4,155,497,000港元)。公平值乃使用優先票據於2017年3月31日的市場價格計算。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

32. Medium-Term Notes

The Group has the following medium-term notes remain in issue at the end of the reporting period:

- (i) On 9 May 2014, China South International completed the issuance of the first tranche of medium-term notes of 2014 (the "2014 First tranche MTN") with a total principal amount of RMB1,000,000,000 in the national inter-bank market of the PRC. The 2014 First tranche MTN carry interest at the rate of 7.5% per annum, payable annually on 9 May in arrears, and will mature on 9 May 2019.
- (ii) On 12 September 2014, China South International completed the issuance of the second tranche of medium-term notes of 2014 (the "2014 Second tranche MTN") with a total principal amount of RMB1,000,000,000 in the national inter-bank market of the PRC. The 2014 Second tranche MTN carry interest at the rate of 8.4% per annum, payable annually on 12 September in arrears, and will mature on 12 September 2019.
- (iii) On 13 July 2015, China South International completed the issuance of the first tranche of medium-term notes of 2015 (the "2015 First tranche MTN") with a total principal amount of RMB2,000,000,000 in the national inter-bank market of the PRC. The 2015 First tranche MTN carry interest at the rate of 7.0% per annum, payable annually on 13 July in arrears, and will mature on 13 July 2018.

The medium-term notes recognised in the statement of financial position were calculated as follows:

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Carrying amount at the beginning of year	於年初的賬面值	5,026,696	2,704,226
Additions	新增	—	2,415,662
Interest expenses	利息開支	358,056	327,161
Payment for interests	支付利息	(350,637)	(196,953)
Exchange realignment	匯兌調整	(311,115)	(223,400)
Carrying amount at the end of year	於年終的賬面值	4,723,000	5,026,696

The fair value of the medium-term notes at 31 March 2017 amounted to HK\$4,856,191,000 (2016: HK\$5,273,563,000). The fair value is calculated using the market price of the medium-term notes on 31 March 2017.

32. 中期票據

本集團於報告期末尚有以下中期票據在發行：

- (i) 華南國際於2014年5月9日完成在中國銀行間市場發行2014年第一期中期票據，本金總額為人民幣1,000,000,000元。2014年第一期票據年利率為7.5%，每年於5月9日後支付，並將於2019年5月9日到期。
- (ii) 華南國際於2014年9月12日完成在中國銀行間市場發行2014年第二期中期票據，本金總額為人民幣1,000,000,000元。2014年第二期票據年利率為8.4%，每年於9月12日後支付，並將於2019年9月12日到期。
- (iii) 華南國際於2015年7月13日完成在中國銀行間市場發行2015年第一期中期票據，本金總額為人民幣2,000,000,000元。2015年第一期中期票據年利率為7.0%，每年於7月13日後支付，並將於2018年7月13日到期。

已於財務狀況表確認的中期票據計算如下：

於2017年3月31日，中期票據的公平值為4,856,191,000港元(2016年：5,273,563,000港元)。公平值乃使用中期票據於2017年3月31日的市場價格計算。

31 March 2017 2017年3月31日

33. Corporate Bonds

On 13 April 2015, China South International completed the issuance of the corporate bonds with a total principal amount of RMB1,500,000,000 on the Shanghai Stock Exchange of the PRC. The corporate bonds carry interest at the rate of 7.0% per annum, payable annually on 13 April in arrears, and have a term of up to 6 years at maximum.

The corporate bonds recognised in the statement of financial position was calculated as follows:

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Carrying amount at the beginning of year	於年初的賬面值	1,891,219	–
Additions	新增	–	1,787,980
Interest expenses	利息開支	126,486	128,832
Payment of interests	支付利息	(123,134)	–
Exchange realignment	匯兌調整	(115,827)	(25,593)
Carrying amount at the end of year	於年終的賬面值	1,778,744	1,891,219

The fair value of the corporate bonds as at 31 March 2017 amounted to HK\$1,743,988,000 (2016: HK\$1,867,037,000). The fair value is calculated using the market price of the corporate bonds on 31 March 2017.

34. Domestic Company Bonds

The Group issued the following domestic company bonds in the current and prior years:

- (i) On 14 January 2016, China South International completed the issuance of the first tranche of domestic company bonds of 2016 (the "2016 First Tranche DCB") with a total principal amount of RMB3,000,000,000 on the Shenzhen Stock Exchange of the PRC. The 2016 First Tranche DCB carry interest at the rate of 5.98% per annum, payable annually on 13 January in arrears, and will mature on 13 January 2019.
- (ii) On 4 May 2016, China South International completed the issuance of the second tranche of domestic company bonds of 2016 (the "2016 Second tranche DCB") with a total principal amount of RMB1,400,000,000 on the Shenzhen Stock Exchange of the PRC. The 2016 Second tranche DCB carry interest at the rate of 6.85% per annum, payable annually on 3 May in arrears, and will mature on 3 May 2019.

33. 企業債券

華南國際於2015年4月13日完成於中國上海證券交易所發行本金總額為人民幣1,500,000,000元的企業債券。企業債券年利率為7.0%，每年於4月13日後支付，期限最長為6年。

已於財務狀況表確認的企業債券計算如下：

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Carrying amount at the beginning of year	於年初的賬面值	1,891,219	–
Additions	新增	–	1,787,980
Interest expenses	利息開支	126,486	128,832
Payment of interests	支付利息	(123,134)	–
Exchange realignment	匯兌調整	(115,827)	(25,593)
Carrying amount at the end of year	於年終的賬面值	1,778,744	1,891,219

於2017年3月31日，企業債券的公平值達1,743,988,000港元(2016年：1,867,037,000港元)。公平值乃使用企業債券於2017年3月31日的市場價格計算。

34. 境內公司債券

本集團於本年及以前年度發行以下境內公司債券：

- (i) 華南國際於2016年1月14日完成於深圳證券交易所發行本金總額為人民幣3,000,000,000元的2016年第一期境內公司債券。2016年第一期境內公司債券年利率為5.98%，每年於1月13日後支付，並將於2019年1月13日到期。
- (ii) 華南國際於2016年5月4日完成於深圳證券交易所發行本金總額為人民幣1,400,000,000元的2016年第二期境內公司債券。2016年第二期境內公司債券年利率為6.85%，每年於5月3日後支付，並將於2019年5月3日到期。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

34. Domestic Company Bonds (Continued)

The domestic company bonds recognised in the statement of financial position were calculated as follows:

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Carrying amount at the beginning of year	於年初的賬面值	3,629,086	–
Additions	新增	1,615,390	3,582,545
Interest expenses	利息開支	317,783	47,210
Payment for interests	支付利息	(206,830)	–
Exchange realignment	匯兌調整	(276,000)	(669)
Carrying amount at the end of year	於年終的賬面值	5,079,429	3,629,086

The fair value of the domestic company bonds as at 31 March 2017 amounted to HK\$4,991,584,000 (2016: HK\$3,662,374,000). The fair value is calculated using the market price of the domestic company bonds on 31 March 2017.

34. 境內公司債券(續)

已於財務狀況表確認的境內公司債券計算如下：

於2017年3月31日，境內公司債券的公平值達4,991,584,000港元（2016年：3,662,374,000港元）。公平值乃使用境內公司債券於2017年3月31日的市場價格計算。

35. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Note	Accelerated tax depreciation 加速稅項折舊	Revaluation of investment properties 投資物業重估	Withholding tax 預扣稅	Revaluation of property, plant and equipment 物業、廠房及 設備重估	Capitalised interest expense 資本化利息	Total 總計
	附註	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 April 2016	於2016年4月1日	338,378	4,400,729	341,355	91,871	197,133	5,369,466
Deferred tax charged to the statement of profit or loss during the year	年內於損益表內扣除的 遞延稅項	142,154	1,256,181	46,319	–	73,903	1,518,557
Exchange realignment	匯兌調整	(24,181)	(301,541)	(22,274)	(7,873)	(13,893)	(369,762)
At 31 March 2017	於2017年3月31日	456,351	5,355,369	365,400	83,998	257,143	6,518,261

35. 遞延稅項

年內遞延稅項負債及資產之變動如下：

遞延稅項負債

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

35. Deferred Tax (Continued)
Deferred tax assets

35. 遞延稅項(續)
遞延稅項資產

		Note	Tax effect of LAT 土地增值稅的 稅務影響	Losses available for offsetting against future taxable profits 可供抵銷未來 應課稅利潤的 虧損	Provision for impairment of trade receivables 應收賬款 減值撥備	Tax effect of government grants relating to assets 有關資產之 政府補助的 稅務影響	Total 總計
		附註	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 April 2016	於2016年4月1日		971,154	355,795	61,358	757,040	2,145,347
Deferred tax credited to the statement of profit or loss during the year	年內於損益表內計入的 遞延稅項	10	124,875	94,071	18,471	47,086	284,503
Exchange realignment	匯兌調整		(63,230)	(24,216)	(4,224)	(48,181)	(139,851)
At 31 March 2017	於2017年3月31日		1,032,799	425,650	75,605	755,945	2,289,999

Deferred tax liabilities

遞延稅項負債

		Note	Accelerated tax depreciation 加速稅項折舊	Revaluation of investment properties 投資物業重估	Withholding tax 預扣稅	Revaluation of property, plant and equipment 物業、廠房及 設備重估	Capitalised interest expense 資本化利息	Total 總計
		附註	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元
At 1 April 2015	於2015年4月1日		268,531	3,747,265	332,949	95,523	14,828	4,459,096
Deferred tax charged to the statement of profit or loss during the year	年內於損益表內扣除的 遞延稅項	10	81,266	808,175	44,750	–	185,503	1,119,694
Deferred tax transferred out in respect of withholding tax paid by a PRC subsidiary	由一家國內附屬公司繳付的 預扣所得稅所轉出的 遞延稅項		–	–	(21,681)	–	–	(21,681)
Exchange realignment	匯兌調整		(11,419)	(154,711)	(14,663)	(3,652)	(3,198)	(187,643)
At 31 March 2016	於2016年3月31日		338,378	4,400,729	341,355	91,871	197,133	5,369,466

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

35. Deferred Tax (Continued)
Deferred tax assets

35. 遞延稅項(續)
遞延稅項資產

		Note	Tax effect of LAT 土地增值稅的 稅務影響 HK\$'000 千港元	Losses available for offsetting against future taxable profits 可供抵銷未來 應課稅利潤的 虧損 HK\$'000 千港元	Provision for impairment of trade receivables 應收賬款 減值撥備 HK\$'000 千港元	Tax effect of government grants relating to assets 有關資產之 政府補助的 稅務影響 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2015	於2015年4月1日		1,015,870	152,803	39,136	267,514	1,475,323
Deferred tax credited/(charged) to the statement of profit or loss during the year	年內於損益表內計入/(扣除)的 遞延稅項	10	(5,966)	211,838	24,039	506,941	736,852
Exchange realignment	匯兌調整		(38,750)	(8,846)	(1,817)	(17,415)	(66,828)
At 31 March 2016	於2016年3月31日		971,154	355,795	61,358	757,040	2,145,347

The Group has tax losses arising in Hong Kong of HK\$211,112,000 (2016: HK\$258,183,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

The Group also has tax losses in Mainland China of HK\$561,561,000 (2016: HK\$394,359,000) that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. In the current year, the Group accrued withholding tax of HK\$46,319,000 (2016: HK\$44,750,000) for those subsidiaries established in Mainland China.

本集團於香港產生的稅項虧損為211,112,000港元(2016年: 258,183,000港元)，可無限期結轉，以抵銷產生虧損的公司未來應課稅溢利。

本集團亦於中國大陸產生稅項虧損為561,561,000港元(2016年: 394,359,000港元)，將於一至五年內屆滿，可用以抵銷未來應課稅溢利。

由於該等虧損由已出現虧損一段時期的附屬公司產生，且被認為並不可能有充足應課稅溢利以抵銷該等可動用的稅項虧損，故並無就該等虧損確認遞延稅項資產。

根據中國企業所得稅法，凡於中國內地成立的外商投資企業向海外投資者宣派的股息須繳納10%預扣所得稅。該規定自2008年1月1日起生效，並適用於2007年12月31日後之盈利。倘中國與海外投資者所處司法權區訂有稅務條約，則可採用較低預扣所得稅率。本集團的適用稅率為5%。因此，本集團須就於中國內地成立的附屬公司分派2008年1月1日後所賺取盈利的股息而繳納預扣所得稅。於本年度，本集團就其於中國內地成立的附屬公司作出之預扣所得稅為46,319,000港元(2016年: 44,750,000港元)。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

36. Share Capital
Shares

36. 股本
股份

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Issued and fully paid: 8,006,321,999 (31 March 2016: 7,999,321,999) ordinary shares	已發行及繳足： 8,006,321,999股 (2016年3月31日： 7,999,321,999股)普通股	7,054,362	7,043,784

A summary of the movements in the Company's share capital is as follows:

本公司的股本變動摘要如下：

		Notes 附註	Number of shares in issue 已發行股份數目	Share capital 股本 HK\$'000 千港元
At 1 April 2015	於2015年4月1日		8,000,671,999	7,034,761
Exercise of share options	行使購股權	(a)	4,650,000	9,023
Shares repurchased	股份回購	(b)	(6,000,000)	–
At 31 March 2016	於2016年3月31日		7,999,321,999	7,043,784
At 1 April 2016	於2016年4月1日		7,999,321,999	7,043,784
Exercise of share options	行使購股權	(a)	7,000,000	10,578
At 31 March 2017	於2017年3月31日		8,006,321,999	7,054,362

Notes:

附註：

- (a) The subscription rights attaching to 7,000,000 (2016: 4,650,000) share options were exercised at the average subscription price of approximately HK\$1.2900 (2016: HK\$1.6900) per share (note 37), resulting in issue of 7,000,000 shares at a total cash consideration, before expenses, of HK\$9,030,000 (2016: HK\$7,859,000). An amount of approximately HK\$1,548,000 (2016: HK\$1,164,000) was transferred from the share option reserve to share capital upon the exercise of the share options.
- (b) The Company repurchased a total of 6,000,000 shares at prices ranging from HK\$1.80 to HK\$2.00 per share on The Stock Exchange of Hong Kong Limited on 8 July 2015 and 9 July 2015. The amount of HK\$11,602,000 in connection with the share repurchase was paid from the distributable profits of the Company. All 6,000,000 shares repurchased were cancelled on 9 October 2015.

- (a) 附於7,000,000(2016年：4,650,000)份購股權之認購權益於年內以每股平均行使價約1.2900港元(2016年：1.6900港元)(附註37)被行使，導致本公司發行7,000,000股(扣除發行開支前價值9,030,000港元(2016年：7,859,000港元))的股本。當購股權行使，約1,548,000港元(2016年：1,164,000港元)由購股權儲備轉撥到發行股本。
- (b) 於2015年7月8日及2015年7月9日，本公司以每股1.80港元至2.00港元的價格於香港聯交所購回本公司6,000,000股股份。與股份回購有關的金額共11,602,000港元從本公司的可分配利潤中支付。全數6,000,000股購回股份已於2015年10月9日被註銷。

31 March 2017 2017年3月31日

36. Share Capital (Continued)

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 37 to the financial statements.

37. Share Options

The Company has adopted a share option scheme on 4 September 2009 (the "Share Option Scheme") to provide incentives and reward to selected eligible persons which include directors, employees, officers, agents, consultants or representatives of the Group for their contribution or potential contribution to the Company or its subsidiaries. The Share Option Scheme became effective on 30 September 2009 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. Further details of the Share Option Scheme are set out in the "Report of the Directors" in the Company's annual report.

On 27 June 2013, a total of 186,300,000 share options under the Share Option Scheme were granted. These share options have an exercise price of HK\$1.69 per share and an exercise period ranging from 27 June 2013 to 26 June 2018. Of the total 186,300,000 share options, 70,800,000 share options were granted to certain executive directors of the Company, and 115,500,000 share options were granted to certain employees of the Group.

The fair value of the 186,300,000 share options granted was HK\$44,470,000, of which no share option expense was recognised during the current year (2016: HK\$202,000).

On 17 February 2014, a total of 48,000,000 share options under the Share Option Scheme were granted. These share options have an exercise price of HK\$4.14 per share and an exercise period ranging from 17 February 2014 to 16 February 2019. Of the total 48,000,000 share options, 8,000,000 share options were granted to certain independent non-executive directors of the Company, and 40,000,000 share options were granted to certain employees of the Group.

The fair value of the 48,000,000 share options granted was HK\$36,470,000, of which no share option expense was recognised during the current year (2016: HK\$749,000).

36. 股本(續)

購股權

關於本公司的購股權計劃及於計劃下已發行的購股權已詳載於財務報表的附註37。

37. 購股權

本公司已於2009年9月4日採納購股權計劃(「購股權計劃」)，向對本公司或其附屬公司作出貢獻或潛在貢獻的經甄選合資格人士(包括本集團董事、僱員、高級職員、代理、顧問或代表)提供獎勵及回報，購股權計劃自2009年9月30日起生效，並由當日起持續十年(除非取消或作出修訂)。購股權計劃的進一步詳情載於公司年報中的「董事會報告」。

於2013年6月27日，根據購股權計劃授出合共186,300,000份購股權。該等購股權的行使價為每股1.69港元，行使期為2013年6月27日至2018年6月26日。於合共186,300,000份購股權中，70,800,000份購股權已授予本公司執行董事，另115,500,000份購股權則授予本集團若干僱員。

於本年度，所授出的186,300,000份購股權之公平值為44,470,000港元，本集團於本年度並無確認購股權開支(2016年：202,000港元)。

於2014年2月17日，根據購股權計劃授出合共48,000,000份購股權。該等購股權的行使價為每股4.14港元，行使期為2014年2月17日至2019年2月16日。於合共48,000,000份購股權中，8,000,000份購股權已授予本公司獨立非執行董事，另40,000,000份購股權則授予本集團若干僱員。

所授出的48,000,000份購股權的公平值為36,470,000港元，本集團於本年度並無確認購股權開支(2016年：749,000港元)。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

37. Share Options (Continued)

On 30 June 2014, a total of 103,300,000 share options under the Share Option Scheme were granted to certain directors, senior management and certain other employees of the Company and its subsidiaries in respect of their services to the Group. These share options have an exercise price of HK\$4.07 per share and an exercise period ranging from 30 June 2014 to 29 June 2019.

The fair value of the 103,300,000 share options granted was HK\$83,552,000, of which the Group recognised a share option expense of HK\$100,000 during the current year (2016: HK\$10,689,000).

On 13 January 2016, a total of 79,990,000 share options under the Share Option Scheme were granted to a director of the Company in respect of his services to the Group. These share options have an exercise price of HK\$1.528 per share and an exercise period ranging from 13 January 2016 to 12 January 2022.

The fair value of the 79,990,000 share options granted was HK\$29,802,000, of which the Group recognised a share option expense of HK\$12,102,000 during the current year (2016: HK\$17,701,000).

On 22 August 2016, a total of 70,500,000 share options under the Share Option Scheme were granted to certain senior management and other employees of the Company and its subsidiaries in respect of their services to the Group. These share options have an exercise price of HK\$1.75 per share and an exercise period ranging from 22 August 2016 to 21 August 2023.

The fair value of the 70,500,000 share options granted was HK\$27,739,000, of which the Group recognized a share option expense of HK\$18,410,000 during the current year.

The fair value of the share options granted on 22 August 2016 was estimated as at the date of grant by Vigers Appraisal and Consulting Limited, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model:

Share price at the date of grant (HK\$)	1.75
Exercise price (HK\$)	1.75
Dividend yield (%)	4.60
Expected volatility (%)	38.7–40.5
Risk-free interest rate (%)	0.72–0.82
Exercise multiple	2.25–2.32

37. 購股權(續)

於2014年6月30日，根據購股權計劃向本公司若干本公司之董事、高級管理層及本公司及其附屬公司若干僱員就彼等向本集團所提供的服務授出合共103,300,000份購股權。該等購股權的行使價為每股4.07港元，行使期為2014年6月30日至2019年6月29日。

所授出的103,300,000份購股權之公平值為83,552,000港元，其中本集團已於本年度內確認購股權開支合共100,000港元（2016年：10,689,000港元）。

於2016年1月13日，根據購股權計劃向本公司一名董事就彼等向本集團所提供的服務授出合共79,990,000份購股權。該等購股權的行使價為每股1.528港元，行使期為2016年1月13日至2022年1月12日。

所授出79,990,000份購股權之公平值為29,802,000港元，其中本集團已於本年度內確認購股權開支合共12,102,000港元（2016年：17,701,000港元）。

於2016年8月22日，根據購股權計劃向本公司若干本公司之高級管理層及本公司及其附屬公司若干僱員就彼等向本集團所提供的服務授出合共70,500,000份購股權。該等購股權的行使價為每股1.75港元，行使期為2016年8月22日至2023年8月21日。

所授出70,500,000份購股權之公平值為27,739,000港元，其中本集團於本年度內確認購股權開支合共18,410,000港元。

於2016年8月22日授出的購股權的公平值，威格斯資產評估有限公司於授出日期採用二項式模式對該等購股權進行估計，當中已考慮購股權獲授出時的條款及條件。下表列示所用模式的主要元素：

於授出日之股價(港元)	1.75
行使價(港元)	1.75
股息率(%)	4.60
預期波動性(%)	38.7–40.5
無風險利率(%)	0.72–0.82
行使倍數	2.25–2.32

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

37. Share Options (Continued)

The expected life of the options is based on historical data and is not necessarily indicative of the exercise patterns that may occur. The expected volatility was determined based on the movement of the share price of the Company since its listing, which may also not necessarily be the actual outcome. No other feature of the options granted was incorporated into the measurement of fair value.

The following share options were outstanding under the Share Option Scheme during the year:

37. 購股權(續)

購股權的預期年期乃按歷史數據得出，及未必顯示可能發生的行使情況。預期波動性乃按自上市日期起本公司股價之變動而釐定，未必是實際結果。計量公平值時，並無考慮所授出的購股權的其他特性。

於年內根據購股權計劃尚未行使之購股權如下：

		Year ended 31 March 截至3月31日止年度			
		2017		2016	
		Weighted average exercise price per share 每股加權 平均行使價 HK\$ 港元	Number of options 購股權數目 '000 千份	Weighted average exercise price per share 每股加權 平均行使價 HK\$ 港元	Number of options 購股權數目 '000 千份
At beginning of year	於年初	3.0604	250,240	3.7190	175,400
Granted during the year	年內授出	1.7500	70,500	1.5280	79,990
Lapsed during the year	年內失效	1.7285	(1,950)	1.6900	(500)
Exercised during the year	年內行使	1.2900	(7,000)	1.6900	(4,650)
Forfeited during the year	年內沒收	1.7500	(1,250)	—	—
At end of year	於年終	2.8165	310,540	3.0604	250,240

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

37. Share Options (Continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

37. 購股權(續)

於報告期末，未行使購股權的行使價及行使期如下：

2017

2017年

Number of options 購股權數目 '000 千股	Exercise price 行使價 HK\$ per share 每股港元	Exercise period 行使期
1,500	1.69	27-06-2013 to 26-06-2018 2013年6月27日至2018年6月26日
10,500	1.69	27-06-2014 to 26-06-2018 2014年6月27日至2018年6月26日
1,250	1.69	27-06-2015 to 26-06-2018 2015年6月27日至2018年6月26日
22,000	4.14	17-02-2014 to 16-02-2019 2014年2月17日至2019年2月16日
24,000	4.14	17-02-2015 to 16-02-2019 2015年2月17日至2019年2月16日
2,000	4.14	17-02-2016 to 16-02-2019 2016年2月17日至2019年2月16日
49,650	4.07	30-06-2014 to 29-06-2019 2014年6月30日至2019年6月29日
50,650	4.07	30-06-2015 to 29-06-2019 2015年6月30日至2019年6月29日
1,000	4.07	30-06-2016 to 29-06-2019 2016年6月30日至2019年6月29日
39,995	1.528	13-01-2016 to 12-01-2021 2016年1月13日至2021年1月12日
39,995	1.528	13-01-2017 to 12-01-2022 2017年1月13日至2022年1月12日
22,250	1.75	22-08-2016 to 21-08-2021 2016年8月22日至2021年8月21日
34,000	1.75	22-08-2017 to 21-08-2022 2017年8月22日至2022年8月21日
11,750	1.75	22-08-2018 to 21-08-2023 2018年8月22日至2023年8月21日
310,540		

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

37. Share Options (Continued)

37. 購股權(續)

2016		2016年
Number of options 購股權數目 '000 千股	Exercise price 行使價 HK\$ per share 每股港元	Exercise period 行使期
7,000	1.29	11-04-2011 to 10-04-2016 2011年4月11日至2016年4月10日
1,500	1.69	27-06-2013 to 26-06-2018 2013年6月27日至2018年6月26日
10,500	1.69	27-06-2014 to 26-06-2018 2014年6月27日至2018年6月26日
1,950	1.69	27-06-2015 to 26-06-2018 2015年6月27日至2018年6月26日
22,000	4.14	17-02-2014 to 16-02-2019 2014年2月17日至2019年2月16日
24,000	4.14	17-02-2015 to 16-02-2019 2015年2月17日至2019年2月16日
2,000	4.14	17-02-2016 to 16-02-2019 2016年2月17日至2019年2月16日
49,650	4.07	30-06-2014 to 29-06-2019 2014年6月30日至2019年6月29日
50,650	4.07	30-06-2015 to 29-06-2019 2015年6月30日至2019年6月29日
1,000	4.07	30-06-2016 to 29-06-2019 2016年6月30日至2019年6月29日
39,995	1.528	13-01-2016 to 12-01-2021 2016年1月13日至2021年1月12日
39,995	1.528	13-01-2017 to 12-01-2022 2017年1月13日至2022年1月12日
250,240		

At the end of the reporting period, the Company had 310,540,000 share options outstanding under the Share Option Scheme, which represented approximately 3.88% of the Company's shares in issue as at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 310,540,000 additional ordinary shares of the Company and additional share capital of HK\$1,043,870,000 (before issue expenses).

於報告期末時，根據購股權計劃，本公司有310,540,000份未行使購股權，相當於本公司當日已發行股份約3.88%。根據本公司現時的資本結構而言，全數行使未行使購股權將會導致本公司發行310,540,000股額外普通股及額外股本1,043,870,000港元(扣除發行開支前)。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

37. Share Options (Continued)

At the date of approval of these financial statements, the Company had 310,540,000 share options outstanding under the Share Option Scheme, which represented approximately 3.88% of the Company's shares in issue as at that date.

38. Other Reserves

The amounts of the Group's reserves and the movements therein for the current year and the prior year are presented in the consolidated statement of changes in equity on pages 140 and 141 of the financial statements.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries which are established in the PRC has been transferred to the statutory reserve which is restricted as to use.

39. Pledge of Assets

Details of the Group's bank and other borrowings, which are secured by the assets of the Group, are included in notes 13, 14, 15, 22, 27 and 29 to the financial statements.

40. Contingent Liabilities

At the end of each reporting period, contingent liabilities not provided for in the financial statements were as follows:

37. 購股權(續)

於該等財務報表批准當日，根據購股權計劃，本公司有310,540,000份未行使購股權，相當於本公司當日已發行股份約3.88%。

38. 其他儲備

有關本集團於本年度及過往年度的儲備及其變動已呈列於財務報表第140及141頁的綜合權益變動表內。

根據中外合營企業相關法律及法規，本集團旗下在中國成立的附屬公司的部分利潤已轉撥至用途受限制的法定儲備金。

39. 資產抵押

以本集團的資產作抵押的銀行及其他借貸詳情載於財務報表附註13、14、15、22、27及29。

40. 或然負債

於各報告期末，財務報表內未有撥備的或然負債如下：

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Guarantees given to banks in connection with facilities granted to:	就以下各方獲授的融資而向銀行提供的擔保：		
Third parties	第三方	9,396,341	5,805,356

The Group has provided guarantees in respect of banking facilities granted by certain banks to the purchasers of the Group's properties held for sale and held for finance lease. Pursuant to the terms of the guarantees, if there is default of the loan payments by the purchasers and lessees, the Group is responsible to repay the outstanding loans together with accrued interest thereon and any penalty owed by the defaulted purchasers and lessees to banks. The Group is then entitled to take over the legal titles and usage rights of the related properties. For trade center units and residential properties sold, the guarantee period commences from the dates of grant of the relevant loans and ends when the purchasers obtain the building ownership certificates which will then be pledged with the banks. For residential and commercial properties under finance leases, the guarantees will be released along with the full repayment of loan principals by the lessees.

本集團就若干銀行授予持作銷售物業及融資租賃物業的買家的銀行信貸提供擔保。根據該等擔保條款，倘該等買家及承租人拖欠貸款還款，本集團負責償還未付貸款，連同應計利息，以及欠款買家及承租人結欠銀行的任何罰金。其後，本集團有權接管相關物業的法律業權及使用權。已售交易中心商舖及住宅物業方面，擔保期由相關貸款授出日期起至買家取得其後抵押予銀行的房地產權證日期止。就融資租賃下的住宅及商業物業而言，擔保將隨承租人償還貸款本金解除。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

40. Contingent Liabilities (Continued)

The Group did not incur any material losses during the financial year in respect of the guarantees provided for mortgage facilities granted to the purchasers and lessees of the Group's properties. The directors consider that in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty, and therefore the fair value of the guarantees is not significant.

41. Operating Lease Arrangements
(a) As lessor

The Group leases its investment properties (note 14) and properties sold with cooperation and leasing arrangements with the purchasers under operating lease arrangements negotiated for terms ranging from one to twenty years. The terms of the leases also require the tenants to pay security deposits.

At the end of each reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

40. 或然負債(續)

本集團於財政年度內並無因向本集團物業的買家及承租人於獲授按揭融資時所提供擔保而錄得任何重大虧損。董事認為，倘出現拖欠款項的情況，相關物業的可變現淨值足以支付未償還按揭貸款連同任何應計利息及罰款，故擔保之公平值並不重大。

41. 經營租賃安排
(a) 作為出租人

本集團根據經營租賃安排租賃其投資物業(附註14)及與買家的合作及租賃安排的已出售物業，並磋商1至20年的租賃期。租賃條款亦規定租戶需支付押金。

於各報告期末，本集團根據與租戶訂立的不可註銷經營租賃按下列年度到期之未來最低應收租金總額如下：

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Within one year	一年內	760,049	660,523
In the second to fifth years, inclusive	第二至第五年(包括首尾兩年)	1,537,821	1,214,536
After five years	五年後	416,518	630,801
Total	總計	2,714,388	2,505,860

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

41. Operating Lease Arrangements (Continued)

(b) As lessee

The Group leases certain of its land and buildings and vehicles under operating lease arrangements. Leases are negotiated for terms ranging from one to twenty years.

At the end of each reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Within one year	一年內	268,729	304,328
In the second to fifth years, inclusive	第二至第五年(包括首尾兩年)	396,533	552,167
After five years	五年後	40,906	141,398
Total	總計	706,168	997,893

42. Commitments

In addition to the operating lease commitments detailed in note 41(b) above, the Group had the following commitments at the end of each reporting period:

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Contracted, but not provided for:	已訂約但未撥備：		
Properties under development	發展中物業	8,787,653	7,350,506

41. 經營租賃安排(續)

(b) 作為承租人

本集團以經營租賃安排租用若干土地及房屋及汽車，並磋商一至二十年的租賃期。

於各報告期末，本集團根據不可註銷經營租賃按下列年度到期之未來最低租金總額如下：

42. 承擔

除上文附註41(b)詳述的經營租賃承擔外，於各報告期末，本集團有下列承擔：

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

43. Related Party Transactions

- (a) In addition to the transactions disclosed elsewhere in the financial statements, the Group had the following material transactions with related parties during the year:

43. 關連人士交易

- (a) 除財務報表其他部分另有披露的交易外，於年內，本集團與關連人士進行下列重大交易：

	Notes 附註	2017 HK\$'000 千港元	2016 HK\$'000 千港元
Rental expense and related service fees for an office property paid to: A company of which a director of the Company was a controlling shareholder	辦公樓的租金開支及相關服務費用支付予： 本公司董事擔任控股股東的一間公司 (i)	1,959	2,814
Rental income for certain office units received from: A company of which a director of the Company was a controlling shareholder	若干辦公樓的租金收入收取自： 本公司董事擔任控股股東的公司 (ii)	—	1,071

Notes:

- (i) The Group leased the office property from a company of which a director of the Company was a controlling shareholder. The rental and related service fees were based on terms mutually agreed between both parties.
- (ii) During the prior year, the Group leased certain office units to a related party of which a director of the Company was a controlling shareholder. The rental was based on the rental charged to the other tenants of the Group.

附註：

- (i) 本集團向本公司董事擔任控股股東一間公司租入辦公樓。租金及有關費用根據雙方協定條款計算。
- (ii) 本集團於以前年度向本公司董事任控股股東的關聯公司出租若干辦公樓。租金根據本集團與其他方的租金確定。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

43. Related Party Transactions (Continued)

(b) Outstanding balances with related parties

Details of the Group's amounts due from/to its associates as at the end of each reporting period are disclosed in note 18.

(c) Compensation of key management personnel of the Group

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Short term employee benefits	短期僱員福利	55,366	57,275
Post-employment benefits	離職後福利	54	54
Share-based payments	以權益結算的購股權開支	12,102	28,181
Total compensation paid to key management personnel	支付予主要管理人員的薪酬總額	67,522	85,510

Further details of directors' emoluments are included in note 8 to the financial statements.

The rental expense and rental income for office properties paid to or received from the related parties above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

44. Financial Instruments by Category

Other than the held-for-trading investments at fair value through profit or loss as disclosed in note 26 which are stated at fair value and the available-for-sale investments in note 19 which are stated at historical cost, all financial assets and liabilities of the Group as at 31 March 2017 and 2016 are loans and receivables and financial liabilities stated at amortised cost, respectively.

43. 關連人士交易(續)

(b) 與關連人士之間的未結付結餘

本集團於各報告期末的應收/應付一家聯營企業之款項詳情於附註18披露。

(c) 本集團主要管理人員薪酬

		2017 HK\$'000 千港元	2016 HK\$'000 千港元
Short term employee benefits	短期僱員福利	55,366	57,275
Post-employment benefits	離職後福利	54	54
Share-based payments	以權益結算的購股權開支	12,102	28,181
Total compensation paid to key management personnel	支付予主要管理人員的薪酬總額	67,522	85,510

董事酬金的進一步詳情載於財務報表附註8。

上述有關支付辦公樓的租金開支及辦公樓的租金收入的關連人士交易亦構成上市規則第14A章定義的關連交易或持續關連交易。

44. 金融工具分類

除附註26所披露的透過損益以公平值列賬之持作買賣投資及附註19所披露的以歷史成本列賬之可供出售金融投資外，於2017年及2016年3月31日，本集團的所有金融資產和負債分別為貸款與應收款項及按攤銷成本入賬的金融負債。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

45. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

45. 金融工具之公平值及公平值等級架構

本集團之金融工具之賬面值及公平值(賬面值與公平值極其相近者除外)如下：

		Carrying amounts		Fair values	
		賬面值		公平值	
		2017	2016	2017	2016
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		千港元	千港元	千港元	千港元
Short-term notes	短期融資券	1,353,240	2,525,460	1,385,038	2,588,000
Senior notes	優先票據	6,425,992	4,113,363	6,587,532	4,155,497
Medium-term notes	中期票據	4,723,000	5,026,696	4,856,191	5,273,563
Corporate bonds	企業債券	1,778,744	1,891,219	1,743,988	1,867,037
Domestic company bonds	境內公司債券	5,079,429	3,629,086	4,991,584	3,662,374
		19,360,405	17,185,824	19,564,333	17,546,471

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in trade and other payables, current portion of interest-bearing bank and other borrowings and amounts due from associates, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The management reports directly to the directors and the audit committee. At each reporting date, the management analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

管理層已評估現金及現金等價物、應收賬款、金融資產包括預付款、訂金及其他應收款項、金融負債包括貿易及其他應付款項、計息銀行及其他借貸的即期部分及應收聯營公司款項之公平值與其各自之賬面值相若，主要因為該等工具於短期內到期。

本集團管理層負責釐定金融工具公平值計量之政策及程序。管理層直接向董事及審核委員會報告。於各報告日期，管理層分析金融工具之價值變動並釐定估值中適用的主要元素。估值由董事審核及批准。估值過程及結果由審核委員會每年討論兩次，以便呈列於中期及年度財務報告。

31 March 2017 2017年3月31日

45. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of other long-term receivables and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk in interest-bearing bank and other borrowings as at 31 March 2017 was assessed to be insignificant. The fair values of the non-current portion of other long-term receivables and interest-bearing bank and other borrowings are not materially different from their carrying amounts.

The fair values of short-term notes, senior notes, medium-term notes, corporate bonds and domestic company bonds are calculated using the market prices on 31 March 2017.

45. 金融工具之公平值及公平值等級架構(續)

金融資產及負債的公平值按可在自願雙方(強迫或清盤銷售除外)在現有交易中進行交換的工具之金額入賬。估計公平值時所用之方法及假設載述如下：

其他長期應收款項、計息銀行及其他借貸之非即期部分的公平值乃透過使用當前可供金融工具使用之現行利率按類似條款、信用風險及餘下到期日，折讓預期未來現金流量而計算。於2017年3月31日，本集團自身於計息銀行及其他借貸之不履約風險被評定為並不重大。其他長期應收款項及計息銀行及其他借貸非即期部分的公平值與賬面值相差不大。

短期融資券、優先票據、中期票據、企業債券及境內公司債券之公平值乃根據2017年3月31日的市場報價釐定。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

45. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)
Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 March 2017

		Fair value measurement using quoted prices in active markets (Level 1) 使用於活躍市場之報價 的公平值計量 (第1級) HK\$'000 千港元
Held-for-trading investments at fair value through profit or loss	透過損益以公平值列賬之 持作買賣投資	—

As at 31 March 2016

於2016年3月31日

		Fair value measurement using quoted prices in active markets (Level 1) 使用於活躍市場之報價 的公平值計量 (第1級) HK\$'000 千港元
Held-for-trading investments at fair value through profit or loss	透過損益以公平值列賬之 持作買賣投資	27,365

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

45. Fair Value and Fair Value Hierarchy of Financial Instruments (Continued)
Fair value hierarchy (Continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (2016: Nil).

Liabilities for which fair values are disclosed:

As at 31 March 2017

45. 金融工具之公平值及公平值等級架構
(續)
公平值等級 (續)

本年內，公平值計量於第1級別與第2級別之間並無轉換及無轉入或轉出至第3級別(2016年：無)。

已披露公平值之金融負債：

於2017年3月31日

		Fair value measurement using quoted prices in active markets (Level 1) 使用於活躍市場之報價的公平值計量(第一級) HK\$'000 千港元
Short-term notes	短期融資券	1,385,038
Senior notes	優先票據	6,587,532
Medium-term notes	中期票據	4,856,191
Corporate bonds	企業債券	1,743,988
Domestic company bonds	境內公司債券	4,991,584
		19,564,333

As at 31 March 2016

於2016年3月31日

		Fair value measurement using 使用以下各項進行公平值計量		Total
		Quoted prices in active markets (Level 1) 於活躍市場之報價(第一級) HK\$'000 千港元	Significant observable inputs (Level 2) 重大可觀察元素(第二級) HK\$'000 千港元	
Short-term notes	短期融資券	2,588,000	—	2,588,000
Senior notes	優先票據	4,155,497	—	4,155,497
Medium-term notes	中期票據	5,273,563	—	5,273,563
Corporate bonds	企業債券	1,867,037	—	1,867,037
Domestic company bonds	境內公司債券	—	3,662,374	3,662,374
		13,884,097	3,662,374	17,546,471

31 March 2017 2017年3月31日

46. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank and other borrowings, short-term notes, senior notes, medium-term notes, corporate bonds, domestic company bonds and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets such as trade receivables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign exchange risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's borrowings. The interest rates and terms of repayment of the Group's borrowings are disclosed in notes 29, 30, 31, 32, 33 and 34 to the financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

The Group will constantly assess the interest rate risk it encounters to decide whether it is required to hedge against the possible interest rate risk that may arise.

On 31 March 2017, if the interest rate of bank borrowings had increased/decreased by 0.5% and all other factors remained unchanged, the profit after tax for the year of the Group would have decreased/increased by approximately HK\$50,297,000 (2016: HK\$58,140,000).

46. 財務風險管理目標及政策

本集團主要金融工具包括銀行及其他借貸、短期融資券、優先票據、中期票據、企業債券、境內公司債券及現金及短期存款。該等金融工具主要為本集團業務籌集資金。本集團亦擁有多項其他金融資產，例如直接從業務營運產生的應收貿易賬款。

本集團金融工具所產生的主要風險包括利率風險、信貸風險、流動資金風險及外匯風險。董事會對管理上述各項風險的政策進行檢討及協定，該等風險概述如下。

利率風險

本集團面臨的利率風險主要與本集團的借貸相關。本集團借貸的利率及還款期於財務報表附註29、30、31、32、33及34中披露。本集團的政策是為其借貸取得最有利的利率。

本集團將持續評估所遇到的利率風險以決定是否需要對沖可能產生的利率風險。

於2017年3月31日，倘銀行借貸的利率上升/下降0.5%及所有其他因素保持不變，則本集團本年度稅後利潤將會減少/增加約50,297,000港元（2016年：58,140,000港元）。

31 March 2017 2017年3月31日

46. Financial Risk Management Objectives and Policies (Continued)
Credit risk

The credit risk of the Group's financial assets, which comprise cash and cash equivalents, trade and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments. The Group is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 40 to the financial statements.

To manage the risk, deposits are mainly placed with banks with high credit quality. The Group trades only with recognised and creditworthy third parties. For the sales of properties, the Group has policies in place to ensure that sales are made to buyers with appropriate financial strength and appropriate percentage of down payments. The Group would not release the property ownership certificates to the buyers before the buyers fully settle the payment. It also has other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual trade receivable to ensure that adequate impairment losses are made for irrecoverable amounts. With exposure spread over a number of counterparties and customers, the Group has no significant concentration of credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank and other borrowings, short-term notes, senior notes, medium-term notes, corporate bonds and domestic company bonds.

46. 財務風險管理目標及政策(續)

信貸風險

本集團金融資產包括現金及現金等價物、應收貿易賬款及其他應收款項的信貸風險來自對方拖欠付款，而可能拖欠的最高金額等於此等工具的賬面值。本集團亦因提供財務擔保而面對信貸風險，有關詳情於財務報表附註40中披露。

為管理風險，本集團主要將存款存入高信貸質素的銀行。本集團僅與知名及具信譽的第三方進行交易。就出售物業方面，本集團已實行政策確保向具有適當財務實力及支付適當百分比首期付款的買家作出銷售。在買家全數清償付款前，本集團不會向其發出房產證。本集團亦擁有其他監控程序以確保採取跟進措施收回逾期款項。此外，本集團定期審閱每名個人的貿易應收賬款的可收回金額，以確保就不可收回金額作出足夠的減值虧損列賬。本集團並無任何重大集中信貸風險，而所面對的風險分散到多名交易對手及客戶。

有關本集團就貿易應收賬款的信貸風險所承擔的風險的進一步量化數據於財務報表附註24中披露。

流動資金風險

本集團的目標是透過使用銀行及其他借貸、短期融資券、優先票據、中期票據、企業債券及境內公司債券，維持資金持續性與靈活性之間的平衡。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

46. Financial Risk Management Objectives and Policies (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

46. 財務風險管理目標及政策(續)

流動資金風險(續)

本集團於報告期末時的金融負債的到期狀況(按照合同未折現付款)如下：

		2017					Total 總計
		On demand	Within one year	One to two years	Two to five years	Beyond five years	
		應要求	一年內	第一至二年	第二至五年	五年後	
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	
Interest-bearing bank and other borrowings	計息銀行及其他借貸	–	7,554,399	3,795,546	2,726,861	273,223	14,350,029
Short-term notes	短期融資券	–	1,419,549	–	–	–	1,419,549
Senior notes	優先票據	–	649,809	359,539	6,388,688	–	7,398,036
Medium-term notes	中期票據	–	337,182	2,592,582	2,434,704	–	5,364,468
Corporate bonds	企業債券	–	118,409	118,409	2,046,776	–	2,283,594
Domestic company bonds	境內公司債券	–	310,456	3,693,556	1,686,926	–	5,690,938
Financial liabilities included in trade and other payables	計入應付貿易及其他應付款項的金融負債	–	8,663,678	–	–	–	8,663,678
Financial guarantees granted to third parties	對第三方授予財務擔保	9,396,341	–	–	–	–	9,396,341
Total	總計	9,396,341	19,053,482	10,559,632	15,283,955	273,223	54,566,633

		2016					Total 總計
		On demand	Within one year	One to two years	Two to five years	Beyond five years	
		應要求	一年內	第一至二年	第二至五年	五年後	
		HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	HK\$'000 千港元	
Interest-bearing bank and other borrowings	計息銀行及其他借貸	–	7,751,526	4,750,969	4,581,380	340,300	17,424,175
Short-term notes	短期融資券	–	2,634,055	–	–	–	2,634,055
Senior notes	優先票據	–	389,000	1,364,000	3,377,000	–	5,130,000
Medium-term notes	中期票據	–	359,577	359,577	5,361,191	–	6,080,345
Corporate bonds	企業債券	–	126,273	126,273	2,308,992	–	2,561,538
Domestic company bonds	境內公司債券	–	215,746	215,746	3,823,546	–	4,255,038
Financial liabilities included in trade and other payables	計入應付貿易及其他應付款項的金融負債	–	9,084,897	–	–	–	9,084,897
Amounts due to associates	應付聯營公司款項	3,316	–	–	–	–	3,316
Financial guarantees granted to third parties	對第三方授予財務擔保	5,805,356	–	–	–	–	5,805,356
Total	總計	5,808,672	20,561,074	6,816,565	19,452,109	340,300	52,978,720

31 March 2017 2017年3月31日

46. Financial Risk Management Objectives and Policies (Continued) Foreign exchange risk

The Group only conducts business within Mainland China. Except for interest payables, repayment of foreign currency loans obtained to finance the Group's operations and any potential future dividends of its subsidiaries that might be declared to their shareholders, the bulk of the Group's revenue, capital investment and expenses are denominated in RMB. At the date of approval of the financial statements, the Group has not experienced any difficulties in obtaining government approval for its necessary foreign exchange purchases. During the year, the Group did not issue any financial instruments for hedging purposes.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

		Changes in RMB rate 人民幣匯率變動 %	Increase/ (decrease) in profit before tax 稅前利潤增加/ (減少) HK\$'000 千港元
2017	2017年		
If Hong Kong dollar weakens against RMB	倘港元兌人民幣轉弱	5	53,316
If Hong Kong dollar strengthens against RMB	倘港元兌人民幣轉強	5	(53,316)
2016	2016年		
If Hong Kong dollar weakens against RMB	倘港元兌人民幣轉弱	5	41,035
If Hong Kong dollar strengthens against RMB	倘港元兌人民幣轉強	5	(41,035)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

46. 財務風險管理目標及政策(續)

外匯風險

本集團僅在中國大陸經營業務。除應付利息、本集團撥資營運所需而取得的外幣貸款的還款以及其附屬公司可能向其股東宣派的任何潛在股息外，本集團大部分收入、資本投資及開支均以人民幣為單位。於財務報表批准日期，本集團在申領政府批文以購買所需外匯方面，從未遇上任何困難。年內，本集團並無為對沖目的而發行任何金融工具。

下表顯示在所有其他變量維持不變的情況下，本集團稅前利潤於報告期末對人民幣匯率的可能合理變動的敏感度，有關稅前利潤的變動乃因貨幣資產及負債的公平值出現變動所致。

資本管理

本集團資本管理的首要目標是為了確保本集團持續發展及穩健資本比率的能力，以支持其業務運作及實現最大股東價值。

NOTES TO FINANCIAL STATEMENTS (Continued)

財務報表附註(續)

31 March 2017 2017年3月31日

46. Financial Risk Management Objectives and Policies (Continued)

Capital management (Continued)

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 31 March 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity. Net debt includes interest-bearing bank and other borrowings, short-term notes, senior notes, medium-term notes, corporate bonds and domestic company bonds, less cash and cash equivalents and restricted cash. The gearing ratios as at the end of the reporting periods were as follows:

		Notes 附註	2017 HK\$'000 千港元	2016 HK\$'000 千港元
Interest-bearing bank and other borrowings	計息銀行及其他借貸	29	13,412,462	16,622,741
Short-term notes	短期融資券	30	1,353,240	2,525,460
Senior notes	優先票據	31	6,425,992	4,113,363
Medium-term notes	中期票據	32	4,723,000	5,026,696
Corporate bonds	企業債券	33	1,778,744	1,891,219
Domestic company bonds	境內公司債券	34	5,079,429	3,629,086
Less: Cash and cash equivalents and restricted cash	減：現金及現金等價物及受限制現金	27	(10,490,909)	(11,686,695)
Net debt	債務淨額		22,281,958	22,121,870
Total equity	權益總額		28,479,391	26,368,465
Gearing ratio	資本負債比率		78%	84%

47. Event After the Reporting Period

On 13 April 2017, the Company redeemed the full outstanding remaining principal amount of the 2014 Notes in the aggregate amount of US\$200,000,000 at a redemption price equal to 104.125% of the principal amount thereon, plus accrued and unpaid interest.

46. 財務風險管理目標及政策(續)

資本管理(續)

本集團根據經濟情況的變動及相關資產的風險特點，管理其資本結構並對其作出調整。為維持或調整資本結構，本集團可能會調整向股東派發的股息付款、向股東返還資本或發行新股。本集團毋須遵守任何外界施加的資本規定。截至2017年3月31日及2016年3月31日止年度，並無更改資本管理的目標、政策或程序。

本集團採用資本負債比率(債務淨額除以權益總額)監控資本情況。債務淨額包括計息銀行及其他借貸、短期融資券、優先票據、中期票據、企業債券及境內公司債券減現金及現金等價物及受限制現金。於報告期末，資本負債比率如下：

47. 報告期間結束後事項

於2017年4月13日，本公司以贖回價相等於本金金額的104.125%加上累計及未支付之利息，贖回2014年票據之餘下全部未償還本金金額合共200,000,000美元。

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

48. Statement of Financial Position of the Company 48. 公司財務狀況表

		31 March 2017 2017年 3月31日 HK\$'000 千港元	31 March 2016 2016年 3月31日 HK\$'000 千港元
NON-CURRENT ASSETS	非流動資產		
Property, plant and equipment	物業、廠房及設備	909	1,170
Investments in subsidiaries	於附屬公司的投資	3,246,958	3,246,958
Total non-current assets	非流動資產總額	3,247,867	3,248,128
CURRENT ASSETS	流動資產		
Due from subsidiaries	應收附屬公司款項	8,767,553	7,366,541
Prepayments, deposits and other receivables	預付款項、按金及 其他應收款項	514	513
Cash and cash equivalents	現金及現金等價物	2,429,336	1,691,193
Total current assets	流動資產總額	11,197,403	9,058,247
CURRENT LIABILITIES	流動負債		
Other payables, accruals and deposits received	其他應付款項、應計項目及 已收按金	133,337	120,198
Total current liabilities	流動負債總額	133,337	120,198
NET CURRENT ASSETS	流動資產淨值	11,064,066	8,938,049
TOTAL ASSETS LESS CURRENT LIABILITIES	資產總額減流動負債	14,311,933	12,186,177
NON-CURRENT LIABILITIES	非流動負債		
Senior notes	優先票據	6,503,653	4,113,363
Total non-current liabilities	非流動負債總額	6,503,653	4,113,363
Net assets	資產淨值	7,808,280	8,072,814
EQUITY	權益		
Share capital	股本	7,054,362	7,043,784
Reserves (note)	其他儲備(附註)	753,918	1,029,030
Total equity	權益總額	7,808,280	8,072,814

CHENG CHUNG HING 鄭松興
Director 董事

FUNG SING HONG STEPHEN 馮星航
Director 董事

NOTES TO FINANCIAL STATEMENTS (Continued)
財務報表附註(續)

31 March 2017 2017年3月31日

48. Statement of Financial Position of the Company

(Continued)

Note:

A summary of the Company's reserves is as follows:

		Share option reserve 購股權儲備 HK\$'000 千港元	Retained profits 保留利潤 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2015	於2015年4月1日	112,767	2,213,875	2,326,642
Loss for the year	年內虧損	–	(193,512)	(193,512)
Shares repurchased	股份回購	–	(11,602)	(11,602)
Equity-settled share option arrangement	以權益結算的購股權安排	29,341	–	29,341
Exercise of share options	行使購股權	(1,164)	–	(1,164)
Lapse of share options	購股權失效	(126)	126	–
Final 2015 dividend paid	已付2015末期股息	–	(1,120,675)	(1,120,675)
At 31 March 2016	於2016年3月31日	140,818	888,212	1,029,030

		Share option reserve 購股權儲備 HK\$'000 千港元	Retained profits 保留利潤 HK\$'000 千港元	Total 總計 HK\$'000 千港元
At 1 April 2016	於2016年4月1日	140,818	888,212	1,029,030
Profit for the year	年內利潤	–	96,140	96,140
Equity-settled share option arrangement	以權益結算的購股權安排	30,612	–	30,612
Exercise of share options	行使購股權	(1,548)	–	(1,548)
Lapse of share options	購股權失效	(637)	637	–
Final 2016 dividend paid	已付2016末期股息	–	(400,316)	(400,316)
At 31 March 2017	於2017年3月31日	169,245	584,673	753,918

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share capital when the related options are exercised, or be transferred to retained profits should the related options expire.

附註：

公司之儲備變動詳情如下：

購股權儲備包含已授出但未行使之購股權的公平值，其會計政策已詳載於財務報表附註2.4內，當有關購股權被行使，此金額會轉入股本，或者當有關購股權失效，此金額會轉至保留利潤。

49. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 30 June 2017.

49. 批核財務報表

董事會於2017年6月30日批准及授權刊發財務報表。

PRINCIPAL AND REGISTERED OFFICES OF THE COMPANY

China South City Holdings Limited

Suite 3306-08, 33/F Sun Life Tower
The Gateway, 15 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

TRUSTEE

Citicorp International Limited

20/F, Citi Tower
One Bay East, 83 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

PAYING AGENT, REGISTRAR AND TRANSFER AGENT

Citibank, N.A., London Branch

c/o Citibank, N.A., Dublin Branch
One North Wall Quay
Dublin 1
Ireland

LEGAL ADVISORS TO THE COMPANY AND ITS SUBSIDIARIES

*As to United States and
Hong Kong laws*

Linklaters

10th Floor,
Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law

Commerce & Finance Law Offices

2301 Aerospace Science
and Technology Plaza
Haide 3rd Road
Nanshan District
Shenzhen
518067
PRC

*As to British Virgin Islands and
Cayman Islands laws*

Ogier

Floor 11 Central Tower
28 Queen's Road Central
Central
Hong Kong

LEGAL ADVISORS TO THE INITIAL PURCHASERS

As to United States law

Davis Polk & Wardwell

18/F, The Hong Kong Club Building
3A Chater Road
Hong Kong

As to PRC law

Jia Yuan Law Office

Suite 2511, Landmark
4028 Jintian Road, Futian District
Shenzhen 518035
PRC

AUDITORS

Ernst & Young

Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong